Application Proof of

Guangdong Jinsheng New Energy Co., Ltd.
廣東金晟新能源股份有限公司

(the "**Company**")

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

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Guangdong Jinsheng New Energy Co., Ltd.
廣東金晟新能源股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation)**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to reallocation and the [REDACTED])**
Maximum [REDACTED]	**:**	**[REDACTED] per H Share plus brokerage of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**RMB1.00 per H Share**
Stock code	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED]**

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[**REDACTED**]

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This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [**REDACTED**] *in the* [**REDACTED**].

There are risks associated with any [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in the section headed "Risk Factors." You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**].

OVERVIEW

Who We Are

We are a global leader in the lithium-ion battery recycling and reutilization solution industry dedicated to exploring a circular and clean future. According to the F&S Report, in terms of sales revenue of recycled products in 2023, we were the world's second-largest lithium-ion battery recycling and reutilization enterprise and the world's largest third-party lithium-ion battery recycling and reutilization enterprise. As one of mainland China's earliest enterprises engaged in lithium-ion battery recycling since 2014, leveraging our strong first-mover advantage and comprehensive capabilities, we have established an integrated, closed-loop ecosystem for lithium-ion battery recycling that encompasses:

- "**Full Element**" Recovery of all valuable materials of retired lithium-ion batteries, such as lithium, nickel, cobalt, manganese, and iron;

- "**Full Component**" Reutilization of both battery cathodes and anodes; and

- "**Full System**" Coverage which represents our comprehensive and end-to-end production capability that covers the dismantling and crushing of retired batteries, the production of lithium-ion battery materials for cathodes and anodes, and the second-life-use for light-duty applications.

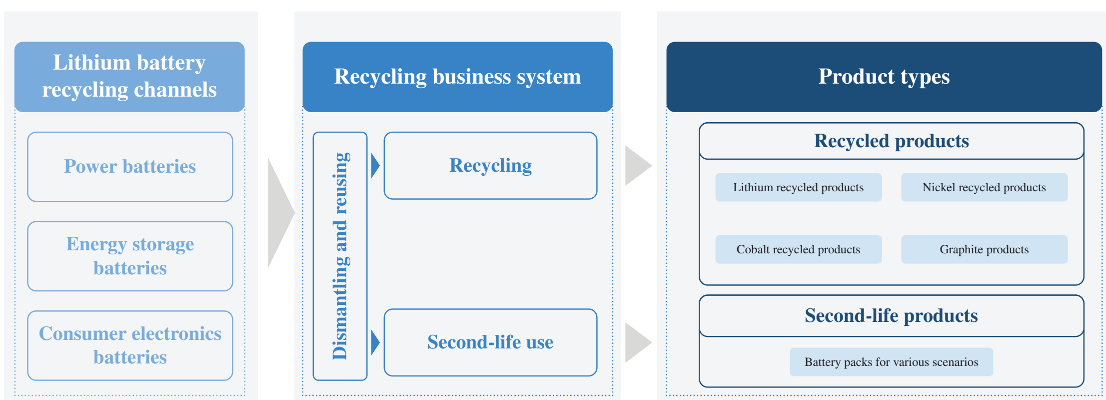
Our recycling business covers mainstream battery systems including ternary lithium-ion batteries and LFP batteries. Our products serve major downstream applications in the lithium-ion battery industry, including EVs, energy storage systems, and consumer electronics. This strategic positioning has enabled us to establish a comprehensive, vertically integrated business model with a complete closed-loop industrial chain.

Our Business Model

Battery recycling represents a critical link in the lithium-ion battery value chain, bridging downstream applications with upstream material production while enabling circular economy principles within the industry. Through our sophisticated recycling platform, we process both retired lithium-ion batteries and production scrap materials. This is particularly significant given the approaching wave of retired lithium-ion batteries in the coming years. By enabling both environmental protection through proper battery disposal and recycle of resource through the recovery of critical metals, we support the lithium-ion battery industry's sustainability objectives and China's "dual carbon" goals while addressing the growing challenge of battery waste management.

We conduct "full component" reutilization of retired lithium-ion batteries and production scraps, producing raw materials for ternary and LFP battery cathode materials and anode materials. These products are ultimately remanufactured into lithium-ion batteries by our downstream customers, creating a closed-loop recycling system.

The diagram below demonstrates our lithium-ion battery recycling and reutilization business model.



Our Market Opportunities

According to the F&S Report, the global transition to clean energy, coupled with the rapid development of EV and energy storage industries and other emerging applications, has made the importance of lithium-ion batteries and lithium resources (often referred to as "white oil") increasingly prominent. However, traditional mineral extraction faces significant challenges in meeting the growing demand for lithium resource. Through lithium-ion battery recycling, we can significantly reduce both environmental pollution and energy consumption, aligning with global environmental protection trends and demonstrating our commitment to sustainable development.

Moreover, according to the F&S Report, while mainland China has established a sophisticated lithium-ion battery industry chain and strong market demand, it lacks domestic lithium mineral resources. This dependency on imported lithium materials creates high costs and supply chain vulnerabilities. By developing a localized lithium-ion battery recycling system in mainland China, we can facilitate resource self-circulation, support supply chain stability, reduce the impact of international market fluctuations, and effectively promote circular economy development, while creating new employment opportunities and economic growth drivers.

Looking ahead, according to the F&S Report, the global lithium-ion battery recycling and reutilization solutions market is expected to continue rapid development, reaching a treatment volume of 14.3 million tons by 2030, representing a CAGR of 44.8% from 2023. This growth is driven by the approaching retirement wave of lithium-ion batteries, China's need to address core mineral resource shortages despite its leading position in lithium-ion battery production, and the increasing importance of battery recycling in achieving global carbon reduction targets.

Leveraging our comprehensive capabilities, we believe we are well positioned to capitalize on these industry opportunities in China's growing lithium-ion battery recycling market while supporting global sustainability objectives.

OUR PRODUCTS

We specialize in the recycling, resource recovery, and reuse of lithium-ion batteries, offering a wide range of recycled products, primarily including lithium carbonate, nickel sulfate, cobalt sulfate and graphite. Sales of lithium and nickel recycled products accounted for over 70% of our total revenues in the six months ended June 30, 2024.

The table below sets forth a breakdown of our revenues by product types for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in RMB thousands, except percentages)									
							(unaudited)			
Lithium recycled products	130,900	11.5	1,439,966	49.6	1,455,704	50.4	763,128	49.9	380,983	38.2
Nickel recycled products	703,434	62.1	924,839	31.8	926,598	32.0	532,027	34.7	395,872	39.8
Cobalt recycled products	289,286	25.5	516,691	17.8	400,411	13.8	169,147	11.0	139,034	14.0
Graphite products	–	–	–	–	273	0.0	–	–	3,145	0.3

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in RMB thousands, except percentages)									
							(unaudited)			
Second-life battery products	–	–	2,681	0.1	17,046	0.6	10,906	0.7	12,915	1.3
Others[(1)]	9,716	0.9	21,228	0.7	91,513	3.2	56,231	3.7	63,474	6.4
Total	**1,133,336**	**100.0**	**2,905,405**	**100.0**	**2,891,545**	**100.0**	**1,531,439**	**100.0**	**995,423**	**100.0**

Note:

(1) Mainly includes sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate, and revenue from provision of certain processing services.

The table below sets forth a breakdown of the sales volume and average selling price of our major recycled products for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume[(1)]	Average Selling Price per ton	Sales Volume[(1)]	Average Selling Price per ton	Sales Volume[(1)]	Average Selling Price per ton	Sales Volume[(1)]	Average Selling Price per ton	Sales Volume[(1)]	Average Selling Price per ton
	ton	*RMB*	*ton*	*RMB*	*ton*	*RMB*	*ton*	*RMB*	*ton*	*RMB*
Lithium carbonate	1,685	77,687	3,633	396,334	7,410	196,443	3,193	238,964	4,442	85,764
Nickel sulfate	23,831	29,518	26,628	34,732	32,827	28,227	17,608	30,216	15,433	25,651
Cobalt sulfate	4,181	69,195	8,468	61,015	12,407	32,273	5,042	33,549	5,098	27,274

Note:

(1) Sales volumes of different lithium, nickel and cobalt compounds are converted to that of lithium carbonate, nickel sulfate and cobalt sulfate based on the contents of metal, i.e. lithium, nickel and cobalt contained in these compounds to provide meaningful information.

PRODUCTION

Lithium-ion battery recycling links the downstream applications of lithium-ion batteries with upstream battery material production, creating a circular economy model within the lithium-ion battery industry. We have established a total of three manufacturing bases in Zhaoqing in Guangdong Province, and Yichun and Ganzhou in Jiangxi Province, forming comprehensive production capability in anticipation of the upcoming wave of the retired lithium-ion batteries. According to the F&S Report, our recycling capacity of retired lithium-ion batteries and production capacity of recycled products from lithium-ion battery recycling rank second in the world in 2023.

The table below sets forth our production capacity and our production capacity utilization rates for our primary products for the periods indicated.

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)
	(ton)		%	*(ton)*		%	*(ton)*		%	*(ton)*		%
Lithium carbonate	1,972	1,724	87.4	5,688	3,815	67.1	9,374	8,549	91.2	5,362	4,083	76.2
Nickel Sulfate	28,080	23,750	84.6	36,913	27,168	73.6	42,480	32,484	76.5	23,078	17,470	75.7
Cobalt sulfate	4,947	4,319	87.3	12,657	9,942	78.5	16,788	11,795	70.3	9,638	5,972	62.0
Overall	**34,999**	**29,794**	**85.1**	**55,258**	**40,925**	**74.1**	**68,641**	**52,827**	**77.0**	**38,078**	**27,526**	**72.3**

Notes:

(1) Production capacity is calculated based on the assumption that our production facilities operate at their maximum capacity during the respective period.

(2) Actual production volumes of different lithium, nickel and cobalt compounds are converted to that of lithium carbonate, nickel sulfate and cobalt sulfate based on the contents of metal, i.e. lithium, nickel and cobalt contained in these compounds to provide meaningful information.

(3) The utilization rate is calculated based on the production volume for the relevant period divided by the production capacity for the relevant period.

OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- Global leader in the rapidly growing battery recycling industry with significant first-mover advantages and scale benefits;
- Strong R&D capabilities with industry-leading technologies that drive continuous cost reduction, efficiency improvement, and margin enhancement;
- Premium customer base built on long-term partnerships and deep integration into industry leaders' supply systems;
- Comprehensive upstream supply chain system ensuring stable supply of high-quality raw materials; and

- Experienced management team with strong track record of innovation and strategic vision.

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

OUR STRATEGIES

To achieve our mission and further solidify our position in the industry, we intend to pursue the following strategies:

- Expand upstream and downstream in the lithium-ion battery materials value chain to enhance our closed-loop ecosystem;

- Further expand lithium-ion battery material production capacity to increase market share and strengthen industry leadership;

- Strengthen our R&D capabilities and attract high-caliber talent;

- Promote green and sustainable development with high ESG standards; and

- Advance global expansion.

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

RESEARCH AND DEVELOPMENT

As one of the first Chinese companies engaging in the lithium-ion battery resource recovery business, we have accumulated significant technologies and industry know-how over the past decade by leveraging our first-mover advantages. Primarily due to our advantages in technologies, we have been recognized as a National-level HNTE (國家級高新技術企業) and a National-level SRDI "Little Giant" Enterprise (國家級專精特新"小巨人"企業) and have participated in the formulation of multiple industry standards. In December 2024, we were designated to lead the National Key Research and Development Program Project — New Energy Vehicle Battery Robotized Dismantling Key Technology and Application Demonstration (國家重點研發計劃項目 — 新能源汽車電池機器人化拆解關鍵技術與應用示範), a national-level key research project aimed at advancing the robotic dismantling of next-generation EV batteries, which demonstrates our technical capabilities and industry recognition.

We have established an in-house R&D Institution. As of June 30, 2024, we had a total of 167 R&D employees, many of whom hold bachelor's degree or above in chemistry, refining, engineering, and other scientific fields essential to the lithium-ion battery recycling business, and have extensive work experience in related fields. We incurred RMB42.8 million, RMB98.0 million, RMB100.0 million and RMB35.5 million of research and development expenses in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, accounting for approximately 3.8%, 3.4%, 3.5% and 3.6% of our revenue during the respective periods.

COMPETITION

According to the F&S Report, the lithium-ion battery recycling and reutilization market is an emerging industry with significant growth potential and vast opportunities, where the industry participants continue to develop and establish their positions. We generally compete with lithium-ion battery recycling processors in mainland China.

Competing recycling lithium-ion battery processors employ various techniques to extract battery materials. In general, processors that employ high-temperature thermal processes or shredding/solvent extraction techniques focus primarily on the recovery of nickel and cobalt, with limited ability to recover lithium, manganese, and other metals. Our comprehensive extraction process enables us to recover a broader range of battery materials from the same feedstock, resulting in higher value recovery while maintaining cost-efficient and environmentally sustainable operations.

CUSTOMERS AND SUPPLIERS

Our suppliers are primarily raw material providers in mainland China. In each of 2021, 2022 and 2023 and the six months ended June 30, 2024, purchases from our largest supplier for the respective period amounted to RMB155.3 million, RMB518.3 million, RMB353.2 million and RMB168.4 million, respectively, representing 12.0%, 14.7%, 11.6% and 14.7% of our total amount of purchase during the respective period, while purchases from our five largest suppliers for the respective period amounted to RMB543.9 million, RMB1,596.4 million, RMB1,217.0 million and RMB527.5 million, respectively, representing 42.1%, 45.3%, 39.8% and 46.1% of our total amount of purchase during the respective period. For further details, see "Business — Our Suppliers."

Our customers are primarily leading battery material manufacturers and recycled product traders in mainland China. In each of 2021, 2022 and 2023 and the six months ended June 30, 2024, sales to our largest customer for the respective period accounted to RMB441.6 million, RMB402.4 million, RMB532.7 million, RMB238.6 million, respectively, representing 39.0%, 13.9%, 18.4% and 24.0% of our revenue during the respective period, while our five largest customers for the respective periods accounted to RMB842.4 million, RMB1,529.5 million, RMB1,194.8 million, RMB537.9 million respectively, representing 74.3%, 52.7%, 41.3% and 54.2% of our revenue during the respective period. For further details, see "Business — Our Customers."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors." You should read that section in its entirety carefully before you decide to [**REDACTED**] in our Shares. Some of the major risks we face include (i) we are exposed to fluctuations in market prices of our products, which could significantly impact our financial condition and results of operations; (ii) market conditions across the industry value chain could affect the demand and pricing of our products, which may have a material impact on us; (iii) price fluctuation of our raw materials and inadequate or interrupted supply of our raw materials could adversely affect our business, financial condition and results of operations; (iv) we recorded net losses in 2023 and the first half of 2024, and we may not turn around our financial performance; (v) if we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations will be adversely affected. Specifically, some of our major customers contributed a significant portion of our revenues during the Track Record Period. If these customers reduce or terminate business with us, our business, results of operations, financial condition and growth prospects may be materially and adversely affected; and (vi) the development of alternative battery technologies or energy storage solutions could materially adversely affect our financial position and results of operations.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
			(RMB in thousands)		
				(unaudited)	
Revenue	1,133,336	2,905,405	2,891,545	1,531,439	995,423
Cost of sales					
Cost of sales of goods and services	(937,351)	(2,432,283)	(2,943,462)	(1,577,200)	(956,596)
Impairment losses on inventories	(6,445)	(56,844)	(108,863)	(17,699)	(69,217)
Gross profit/(loss)	**189,540**	**416,278**	**(160,780)**	**(63,460)**	**(30,390)**
Other income and gains	4,037	7,973	45,164	15,133	17,503
Selling and marketing expenses	(1,116)	(2,852)	(4,319)	(2,117)	(1,799)
Administrative expenses	(49,589)	(95,285)	(111,718)	(59,771)	(55,801)
Research and development expenses	(42,756)	(98,031)	(99,961)	(52,671)	(35,452)
(Impairment losses)/ reversal of impairment losses on financial assets and prepayments, net	(1,637)	(5,979)	(36,937)	(6,930)	4,926
Other expenses	(7,182)	(8,989)	(47,009)	(7,972)	(6,650)
Finance costs	(15,287)	(28,307)	(57,832)	(26,759)	(30,428)
Share of loss of associates and a joint venture	–	–	(164)	–	(9,137)
Profit/(Loss) before tax	**76,010**	**184,808**	**(473,556)**	**(204,547)**	**(147,228)**
Income tax (expense)/ credit	(6,617)	(33,957)	72	65	–
Profit/(Loss) for the year/period	**69,393**	**150,851**	**(473,484)**	**(204,482)**	**(147,228)**

Non-IFRS Measures

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that the non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance.

However, our presentation of the non-IFRS measures may not be comparable to similarly titled measures presented by other companies. The uses of the non-IFRS measures have limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit/(loss) (non-IFRS measure) as profit/(loss) for the year/period adjusted by adding back share-based payment expenses. We define adjusted EBITDA (non-IFRS measure) as adjusted net profit/(loss) adding back depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, finance costs, and income tax expense. We adjust these items because they are not indicative of our core operating results and business outlook. These reconciling items comply with Chapter 3.11 of the Guide. Specifically, share-based payment expenses and depreciation and amortization of relevant non-current assets are non-cash in nature.

The following table sets forth a reconciliation of our adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024 to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss) for the year/period.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in thousands)		
				(unaudited)	
Profit/(loss) for the year/period	**69,393**	**150,851**	**(473,484)**	**(204,482)**	**(147,228)**
Add:					
Share-based payment expenses	8,725	15,238	11,013	5,019	6,201
Adjusted net profit/(loss) (unaudited)	**78,118**	**166,089**	**(462,471)**	**(199,463)**	**(141,027)**

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)			*(unaudited)*	
Profit/(loss) for the year/period	69,393	150,851	(473,484)	(204,482)	(147,228)
Add:					
Depreciation of property, plant and equipment	14,666	22,099	44,727	20,643	34,272
Depreciation of right-of-use assets	735	1,295	6,669	1,047	10,778
Amortization of intangible assets	157	199	266	126	148
Finance costs	15,287	28,307	57,832	26,759	30,428
Income tax expense/ (credit)	6,617	33,957	(72)	(65)	–
EBITDA (unaudited)	**106,855**	**236,708**	**(364,062)**	**(155,972)**	**(71,602)**
Add:					
Share-based payment expenses	8,725	15,238	11,013	5,019	6,201
Adjusted non-IFRS EBITDA (unaudited)	**115,580**	**251,946**	**(353,049)**	**(150,953)**	**(65,401)**

Summary of Consolidated Statements of Financial Position

The following table sets forth a summary of our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Non-current assets	393,143	1,118,060	1,927,239	2,116,198
Current assets	613,210	1,746,323	1,387,077	1,059,461
Current liabilities	595,228	1,089,909	1,557,325	1,561,239
Net current assets/(liabilities)	**17,982**	**656,414**	**(170,248)**	**(501,778)**
Total assets less current liabilities	**411,125**	**1,774,474**	**1,756,991**	**1,614,420**
Non-current liabilities	66,380	300,209	487,127	485,168
Net assets	**344,745**	**1,474,265**	**1,269,864**	**1,129,252**

Our net current assets increased from RMB18.0 million as of December 31, 2021 to RMB656.4 million as of December 31, 2022. The increase was mainly due to (i) an increase in inventories of RMB527.0 million and (ii) an increase in prepayments, other receivables and other assets of RMB264.5 million, partially offset by (iii) an increase in interest-bearing bank and other borrowings of RMB381.5 million. We recorded net current assets of RMB656.4

million as of December 31, 2022 as compared to net current liabilities of RMB170.2 million as of December 31, 2023. The shift was mainly due to (i) a decrease in inventories of RMB521.4 million and (ii) an increase in interest-bearing bank and other borrowings of RMB438.5 million. Our net current liabilities increased from RMB170.2 million as of December 31, 2023 to RMB501.8 million as of June 30, 2024. The increase was mainly due to (i) a decrease of trade and bills receivables of RMB223.7 million and (ii) a decrease in prepayments, other receivables and other assets of RMB111.7 million.

Summary of Consolidated Cash Flow Statements

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

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)			*(unaudited)*	
Net cash generated from/(used in) operating activities	(253,680)	(716,572)	(58,141)	(284,896)	39,927
Net cash used in investing activities	(177,257)	(741,149)	(922,298)	(604,111)	(229,198)
Net cash generated from financing activities	440,059	1,657,052	868,916	855,907	129,024
Cash and cash equivalents at the beginning of the year/period	**2,768**	**11,890**	**211,221**	**211,221**	**99,698**
Net increase/ (decrease) in cash and cash equivalents	9,122	199,331	(111,523)	(33,100)	(60,247)
Cash and cash equivalents at the end of year/ period	**11,890**	**211,221**	**99,698**	**178,121**	**39,451**

KEY FINANCIAL RATIOS

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Current ratio (times)(1)	1.0	1.6	0.9	0.7
Quick ratio (times)(2)	0.6	0.9	0.7	0.4
Liabilities-to-assets ratio(3)	65.7%	48.5%	61.7%	64.4%

Notes:

(1) Current ratio is calculated based on current assets divided by current liabilities as of the date indicated.

(2) Quick ratio is calculated based on current assets less inventories divided by current liabilities as of the date indicated.

(3) Liabilities-to-assets ratio is calculated based on total liabilities divided by total assets as of the date indicated.

PATH TO PROFITABILITY

We experienced strong growth in revenue and profit from 2021 to 2022 due to increases in both sales volume and average selling prices of our products, driven by surging demand following the rapid growth of downstream industries such as the EV and ESS industries. However, we recorded gross and net losses in 2023 and the first half of 2024. Our financial performance may be adversely affected by fluctuations in product and raw material prices, inventory impairment losses, and higher per unit production costs during capacity expansion.

We plan to achieve profitability through the following ways: (i) enhancing resilience to fluctuations in product and raw material prices, (ii) optimizing procurement strategy and inventory management in response to evolving market dynamics, (iii) enriching product offerings and application scenarios, and (iv) improving operational efficiency and achieving economies of scale. For details, see "Financial Information — Path to Profitability."

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Li Brothers controls approximately 55.05% of the voting rights of the Company through (i) Jiangxi Dongliang, a company which is held as to 20.0% by each of the Li Brothers, and holds 20.39% of our total issued and outstanding Shares; (ii) Zhaoqing Shengda, a limited partnership established under the laws of the PRC of which Mr. Li Sen is the general partner and holds 5.45% of our total issued and outstanding Shares; (iii) Zhaoqing Senlong, a limited partnership established under the laws of the PRC of which Mr. Li Sen is the general partner and holds 2.48% of our total issued and outstanding Shares; and (iv) direct beneficial interest held by each of the Li Brothers which in aggregate amounts to 26.73% of our total issued and outstanding Shares. Each of the Li Brothers and Jiangxi Dongliang have entered into the AIC Agreement dated July 22, 2021, supplemented by a supplemental AIC confirmation dated November 16, 2024. Pursuant to the AIC Agreement, each of the parties to the AIC Agreement shall, prior to each Directors' meeting and Shareholders' meeting, consider and reach a consensus beforehand on the matters to be considered at the relevant meeting and to vote in unanimity. If the parties are unable to reach a consensus, the decision of Mr. Li Sen will be taken as the final decision. For further details of the acting in concert arrangement under the AIC Agreement, please see "History and Corporate Structure — Acting in Concert Arrangement."

Immediately following the completion of the [**REDACTED**] and assuming that no new Shares are issued under the [**REDACTED**], and no other changes are made to the issued share capital of the Company from the Latest Practicable Date to the [**REDACTED**], the Li Brothers, Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong will be entitled to collectively control the exercise of approximately [**REDACTED**] of the total voting rights of our Company. As such, the Li Brothers, Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong constituted as of the Latest Practicable Date and will continue to constitute a group of Controlling Shareholders of our Company immediately upon [**REDACTED**].

For the amount of material continuing connected transactions after [**REDACTED**] and the related historical amounts during the Track Record Period, see "Connected Transactions."

[REDACTED] STATISTICS

The statistics in the following table are based on the assumptions that (i) the [**REDACTED**] has been completed and [**REDACTED**] H Shares are newly issued in the [**REDACTED**], (ii) the [**REDACTED**] for the [**REDACTED**] is not exercised, and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**]:

	Based on an [REDACTED] of [REDACTED] per Share	**Based on an [REDACTED] of [REDACTED] per Share**
Market capitalization of our H Shares(1)	[**REDACTED**]	[**REDACTED**]
Unaudited [**REDACTED**] adjusted net tangible assets per Share(2).	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**].

(2) The unaudited [**REDACTED**] adjusted net tangible asset per Share as of June 30, 2024 is calculated after making the adjustments referred to in Appendix II and on the basis that [**REDACTED**] Shares are expected to be in issue immediately upon completion of the [**REDACTED**].

For the calculation of the unaudited [**REDACTED**] adjusted net tangible asset value per Share attributed to our Shareholders, see "Unaudited [**REDACTED**] Financial Information" in Appendix II.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**] fees and commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range from [**REDACTED**] to [**REDACTED**] per H Share, and that the [**REDACTED**] is not exercised. In line with our strategies, we intend to use our [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**], or [**REDACTED**], is expected to be used to pay partial expenses for the construction of our plant for the treatment of retired LFP batteries located at our production base in Ganzhou, Jiangxi Province;

- approximately [**REDACTED**], or [**REDACTED**], for expanding our upstream raw materials resources;

- approximately [**REDACTED**], or [**REDACTED**], for strengthening our research and development capabilities and attracting talents; and

- approximately [**REDACTED**], or [**REDACTED**], for working capital and general corporate purposes.

See "Future Plans and [**REDACTED**]."

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend. According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made by our Shareholders and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Shareholders may consider relevant. Currently, we do not have a pre-determined dividend payout ratio.

According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

[REDACTED] EXPENSES

The following table sets forth a breakdown of the [**REDACTED**] expenses for the [**REDACTED**] based on the mid-point [**REDACTED**] of [**REDACTED**] per H Share (assuming the [**REDACTED**] is not exercised).

[REDACTED] expenses	Based on an [REDACTED] of [REDACTED] per H Share
	(HK$ in thousands)
Non-[REDACTED] related expenses	
Legal and audit expenses	[REDACTED]
Other expenses	[REDACTED]
[REDACTED] related expenses	[REDACTED]
Total	[REDACTED]

For details, see "Financial Information — [**REDACTED**] Expenses."

NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors had been or were involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse impact on the business, financial condition and results of operations of our Group taken as a whole. See "Business — Compliance and Legal Proceedings" for details.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this document, there had been no material adverse change in our financial or operational prospects since June 30, 2024, being the latest balance sheet date of our consolidated financial statements in the Accountants' Report in Appendix I.

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Stock Exchange for the granting of the [**REDACTED**] of, and permission to [**REDACTED**] in, (i) the H Shares to be [**REDACTED**] under the [**REDACTED**] of Unlisted Shares into H Shares; and (ii) the H Shares to be issued pursuant to the [**REDACTED**] and upon the exercise of the [**REDACTED**]. We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue of RMB2,891.5 million for the year ended December 31, 2023, which is over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the [**REDACTED**], which, based on the [**REDACTED**] of [**REDACTED**] (being the low end of the [**REDACTED**] range stated in this document), exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

DEFINITIONS

In this document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in "Glossary of Technical Terms" in this document.

"**Accountants' Report**"	the audited consolidated financial statements of our Company for the Track Record Period, as included in Appendix I
"**affiliate(s)**"	with respect to any person, any other person, directly or indirectly, controlling, controlled by or under common control with such person
"**AFRC**"	the Accounting and Financial Reporting Council of Hong Kong
"**AIC Agreement**"	the acting in concert agreement dated July 22, 2021 and supplemented by an AIC supplemental agreement dated November 16, 2024 entered into by and among Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan, Mr. Li Wang and Jiangxi Dongliang
"**Articles**" or "**Articles of Association**"	the amended and restated articles of association of the Company, which was conditionally adopted on December 15, 2024 with effect from the [**REDACTED**], as amended, supplemented or restated from time to time; see "Summary of the Articles of Association" in Appendix VII for a summary of the Articles
"**associate(s)**"	has the meaning ascribed to it under the Listing Rules
"**Board**" or "**Board of Directors**"	the board of Directors of the Company
"**business day**"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong

[**REDACTED**]

DEFINITIONS

[**REDACTED**]

"**China**" or "**PRC**"	the People's Republic of China
"**close associate(s)**"	has the meaning ascribed to it under the Listing Rules

"**Companies Ordinance**"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Companies (Winding Up and Miscellaneous Provisions) Ordinance**" or "**CWUMPO**"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Company**", "**our Company**", or "**the Company**"	Guangdong Jinsheng New Energy Co., Ltd. (廣東金晟新能源股份有限公司), a limited liability company established under PRC laws on 24 December 2010 and whose predecessor was named Zhaoqing Jinsheng Metal Industry Co., Ltd. (肇慶市金晟金屬實業有限公司). On 13 January 2022, it was converted into a joint stock limited liability company and renamed Guangdong Jinsheng New Energy Co., Ltd. (廣東金晟新能源股份有限公司)
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules
"**connected transaction(s)**"	has the meaning ascribed to it under the Listing Rules
"**Controlling Shareholders**"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to the Li Brothers, Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong
"[**REDACTED**] **of Unlisted Shares into H Shares**"	the [**REDACTED**] of [**REDACTED**] Unlisted Shares into H Shares on a [**REDACTED**] basis upon the completion of the [**REDACTED**]. Such [**REDACTED**] of Unlisted Shares into H Shares has been approved by the CSRC on [●] and an application for H Shares to be [**REDACTED**] on the Stock Exchange has been made to the [**REDACTED**]
"**COVID-19**"	coronavirus disease 2019, a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2 virus)
"**CSRC**"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"**Director(s)**"	the director(s) of our Company

"**Dongfeng Hongtai**"	Dongfeng Hongtai Holdings Group Co., Ltd.* (東風鴻泰控股集團有限公司), a non-wholly owned subsidiary of Dongfeng Motor Corporation* (東風汽車集團有限公司). Dongfeng Motor Corporation is a state-owned enterprise established in the PRC and one of the PRC's largest vehicle manufacturers
"**EIT**"	the enterprise income tax
"**EIT Law**"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), promulgated on 16 March 2007 and came into effect on 1 January 2008 and was most recently amended on 29 December 2018 which became effective on the same date
"**ESG**"	environmental, social and governance
"**ESOP**"	the employee share ownership plan in respect of Zhaoqing Shengda adopted on February 9, 2021, the details of which are set out in "Statutory and General Information – 3. Further Information about our Directors and Supervisors – D. Employee Share Ownership Plan" in Appendix VIII
"**Extreme Conditions**"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong

[**REDACTED**]

"**Frost & Sullivan**"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"**Frost & Sullivan Report**" or "**F&S Report**"	the report prepared by Frost & Sullivan and commissioned by us

[**REDACTED**]

"**Gotion High-tech**"	Hefei Gotion High-tech Power Energy Co., Ltd. (合肥國軒高科動力能源有限公司)

"**Group**", "**we**", "**our**", or "**us**"	the Company and, where appropriate, its subsidiaries or, in respect of the period before the Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
"**Guangzhou Yingtao**"	Guangzhou Yingtao Industry Investment Co., Ltd.* (廣州盈濤實業投資有限公司), a company established under the laws of the PRC in July 2014 with limited liability. See "History and Corporate Structure — [**REDACTED**] Investments — Information about the [**REDACTED**] Investors"
"**H Share(s)**"	Shares which an application has been made for [**REDACTED**] and permission to [**REDACTED**] on the Stock Exchange with nominal value of RMB1.00 each

[**REDACTED**]

"**HKD**" or "**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"**Hong Kong**"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"**Hong Kong Takeovers Code**" or "**Takeovers Code**"	Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC

[**REDACTED**]

"**IFRS**"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"**Independent Third Party(ies)**"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, is/are not our connected persons

[**REDACTED**]

"**Jiangxi Dongliang**"	Jiangxi Dongliang Investment Holding Co., Ltd. (江西東亮投資控股有限公司), a limited company incorporated under the laws of PRC on March 10, 2014 and a member of the Controlling Shareholders
"**Jiangxi Ruida**"	Jiangxi Ruida New Energy Technology Co., Ltd.* (江西睿達新能源科技有限公司), a company established under the laws of the PRC with limited liability on October 20, 2014 and a wholly-owned subsidiary of our Company
"**Jiangxi Taiyun**"	Jiangxi Taiyun Logistics Co., Ltd.* (江西泰運物流有限公司), a company established under the laws of the PRC with limited liability on May 3, 2013. See "Connected Transactions"

[**REDACTED**]

"**Joint Sponsors**"	the joint sponsors of the [**REDACTED**] as named in "Directors, Supervisors and Parties Involved in the [**REDACTED**]"
"**Latest Practicable Date**"	[December 17, 2024], being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"**Li Brothers**"	Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan and Mr. Li Wang
"**Lishen Battery**"	Lishen Battery (Suzhou) Co., Ltd. (力神電池(蘇州)有限公司)

[**REDACTED**]

"**Listing Rules**"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
"**Main Board**"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"**mainland China**"	the People's Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan region
"**MEE**"	Ministry of Ecology and Environment, formerly known as the Ministry of Environmental Protection, the "**MEP**"
"**MEM**"	Ministry of Emergency Management
"**MIIT**"	Ministry of Industry and Information Technology

DEFINITIONS

"**Ministry of Finance**" or "**MOF**"	Ministry of Finance of the PRC (中華人民共和國財政部)
"**MOFCOM**"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"**NDRC**"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"**NPC**"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"**PBOC**"	the People's Bank of China (中國人民銀行), the central bank of Mainland China

"**PRC Company Law**"	the Company Law of the PRC, as amended, modified and/or otherwise supplemented from time to time
"**PRC GAAP**"	generally accepted accounting principles in mainland China
"**PRC government**" or "**State**"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
"**PRC Law**"	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong and Macao Special Administrative Region and the relevant regulations of Taiwan region
"**PRC Legal Adviser**"	Zhong Lun Law Firm, our legal adviser as to the laws of mainland China
"**PRC Securities Law**"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"[**REDACTED**] **Investment(s)**"	the [**REDACTED**] investment(s) in our Company, the details of which are set out in "History and Corporate Structure — [**REDACTED**] Investments"
"[**REDACTED**] **Investor(s)**"	the investor(s) of the [**REDACTED**] Investments

[**REDACTED**]

"**province**"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC

"**QIB**"	a qualified institutional buyer within the meaning of Rule 144A
"**Regulation S**"	Regulation S under the U.S. Securities Act
"**RMB**" or "**Renminbi**"	Renminbi yuan, the lawful currency of mainland China
"**Rule 144A**"	Rule 144A under the U.S. Securities Act
"**SAFE**"	the State Administration for Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"**SAIC**"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which has now been merged into the SAMR
"**SAMR**"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"**SAT**"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"**SCNPC**"	Standing Committee of the National People's Congress
"**Securities Law**"	the Securities Law of the People's Republic of China (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time
"**SFC**"	the Securities and Futures Commission of Hong Kong
"**SFO**" or "**Securities and Futures Ordinance**"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"**Share(s)**"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
"**Shareholder(s)**"	holder(s) of the Share(s)

"**Special Regulations**"	the Special Regulations of the State Council on Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on 4 August 1994

[**REDACTED**]

"**State Council**"	the State Council of the PRC (中華人民共和國國務院)
"**Stock Exchange**" or "**Hong Kong Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**subsidiary**" or "**subsidiaries**"	has the meaning ascribed to it under the Listing Rules
"**substantial shareholder(s)**"	has the meaning ascribed to it in the Listing Rules
"**Supervisor(s)**"	member(s) of Supervisory Committee
"**Supervisory Committee**"	supervisory committee of our Company
"**Track Record Period**"	the three years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024
"**Treasury Shares**"	Shares repurchased and held by the Company in treasury (which include Shares repurchased by the Company and held or deposited in [**REDACTED**] for sale on the Stock Exchange) from time to time
"**Trial Measures**"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法), promulgated by the CSRC on 17 February 2023
"**U.S.**", "**US**" or "**United States**"	the United States of America, its territories, its possessions, any State of the United States and the District of Columbia
"**U.S. Securities Act**"	United States Securities Act of 1933 and the rules and regulations promulgated thereunder
"**USD**", "**U.S. dollars**" or "**US$**"	United States dollars, the lawful currency of the United States

[**REDACTED**]

"**Unlisted Share(s)**"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which is/are not [**REDACTED**] on any stock exchange
"**VAT**"	value-added tax
"**Wanzai Zhicheng**"	Wanzai Zhicheng Industrial Co., Ltd.* (萬載志成實業有限公司), a company established under the laws of the PRC with limited liability on August 1, 2014. See "Connected Transactions"
"**Zhaoqing Senlong**"	Zhaoqing Senlong Energy Technology Partnership LP* (肇慶森龍能源技術合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on December 1, 2021 and a member of the Controlling Shareholders. See "Relationship with Our Controlling Shareholders"
"**Zhaoqing Shengda**"	Zhaoqing Shengda Energy Technology Partnership LP* (肇慶市晟達能源技術合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on March 9, 2021 and a member of the Controlling Shareholders. See "Relationship with Our Controlling Shareholders"
"**%**"	per cent

Unless otherwise specified, in this document:

(a) certain amounts and percentage figures have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them; and

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

This glossary contains definitions of certain technical terms used in this document in connection with our business. These terms and their given meanings may not correspond to industry standard definitions or usages of these terms.

"**black mass**"	a powder-like substance that contains valuable metals
"**CAGR**"	compound annual growth rate
"**cobalt**"	a chemical element with the symbol Co and atomic number 27
"**cobalt sulfate**"	an inorganic compound with the formula CoSO4 that is soluble and red-colored. It is widely used as a raw material for producing NEV ternary battery
"**dual-carbon**" or "**dual carbon**" goal	a national goal of reaching peak carbon emissions by 2030 and carbon neutrality by 2060 set by the PRC government
"**ERP system**"	enterprise resource planning system
"**ESS**"	energy storage systems
"**EV**" or "**electric vehicle**"	the battery electric vehicles used for the carriage of passengers
"**GFA**"	gross floor area
"**graphite**"	a soft, crystalline form of carbon
"**graphite anode material**"	the anode material made of graphite structure. It is used as one of the key raw materials for producing lithium-ion battery
"**GWh**"	unit of energy (power), gigawatt-hour, and 1 GWh = 1 million kWh. GWh is typically used as a measure for the annual energy production of large power plants
"**hydrometallurgy**"	the technique or process of extracting metals involving the use of aqueous solutions

"**iron phosphate**"	iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula FePO4, is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials
"**ISO**"	the International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
"**ISO45001**"	Occupational Health and Safety Management System, which is released by ISO
"**ISO14001**"	Environmental Management System, which is released by ISO
"**ISO 9001**"	International Quality Management System, which is released by ISO
"**ISO50001**"	Energy Management System, which is released by ISO
"**kWh**"	kilowatt-hour, a unit of energy equal to one kilowatt of power sustained for one hour
"**LFP**"	lithium iron phosphate (LiFePO4)
"**lithium**"	a chemical element with the symbol Li and atomic number 3
"**lithium carbonate**"	a common lithium compound with the chemical formula Li2CO3 that can be dissolved in dilute acid and is commonly used for lithium-ion battery materials
"**lithium-ion battery**"	rechargeable battery that composes of cells in which lithium ions move from the negative electrode through electrolytes to the positive electrode during discharging and move reversely when charging
"**mining**"	the extraction of useful minerals or other geological materials from the crust, from an orebody, vein or coal seam

"**Manganese Sulfate**"	an inorganic compound with the formula MnSO4 that is soluble and white- or pale-pink-colored
"**National-level HNTE**"	National-level High-Tech Enterprise (國家級高新技術企業)
"**National-level SRDI "Little Giant" Enterprise**"	National-level Specialized, Refinement, Differential, Innovation (SRDI) "Little Giant" Enterprise (國家級專精特新"小巨人"企業)
"**NEV**"	new energy vehicles, which typically include pure battery-powered electric vehicle and plug-in hybrid electric vehicle
"**nickel**"	a chemical element with the symbol Ni and atomic number 28
"**nickel sulfate**"	an inorganic compound with the formula NiSO4 that is soluble and blue-green-colored. It is widely used as a raw material for producing NEV ternary battery
"**OA**"	office automation, a new office solution that combines modern office affairs with computer technology
"**OEM**"	original equipment manufacturer
"**ore**"	an occurrence of rock or sediment that contains minerals and can be mined economically
"**R&D**"	research and development
"**SMM**"	Shanghai Metal Market
"**sodium sulfate**"	an inorganic compound with the formula Na2SO4 that is soluble and white-colored
"**sq.m.**"	square meter(s)
"**ternary battery**"	a type of lithium battery that uses three metal oxides of nickel, cobalt and manganese as batteries' cathode material. The composition proportion of nickel, cobalt and manganese can be adjusted based on actual needs
"**ton**"	metric tonne
"**VOC(s)**"	volatile organic compounds which have high vapour pressure at room temperature and cause air pollution and smog

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as "aim", "anticipate", "aspire", "believe", "could", "estimate", "expect", "goals", "going forward", "intend", "may", "objective", "ought to", "outlook", "plan", "project", "projection", "seek", "schedules", "should", "target", "vision", "will", "would") are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our mission, goals and strategies;
- our future business development, financial conditions and results of operations;
- the expected growth of the digital twin industry;
- our expectations regarding demand for and market acceptance of our products and solutions;
- our expectations regarding our relationships with customers, business partners, suppliers and other third parties;
- changes in the macro environment, regional and global economy, as well as industry trends related to our operations;
- our ability to adequately protect our reputation and brand image, as well as our intellectual property rights;
- our ability to obtain adequate capital resources to fund future development plans;
- our ability to control costs, as well as to achieve and maintain operational efficiency;
- our ability to attract and retain qualified personnel;
- competition in the industries and markets in which we operate or into which we intend to expand;

- our proposed [**REDACTED**];
- rapid developments in technology and our ability to successfully keep up with technological advancement;
- changes in currency exchange rates;
- relevant government policies and regulations relating to industries which we operate in; and
- all other risks and uncertainties described in "Risk Factors."

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution [**REDACTED**] against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The* [**REDACTED**] *of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your* [**REDACTED**].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to fluctuations in market prices of our products, which could significantly impact our financial condition and results of operations.

We generally sell our products with reference to the prevailing market prices of our products. To a lesser extent, the pricing of our products also takes into account various other customer-specific factors, including product specifications, raw material costs, production costs, contract duration, customer relationships, and delivery and payment terms. During the Track Record Period, our results of operations were therefore influenced by the market prices of lithium carbonate, nickel sulfate and cobalt sulfate.

As a result, fluctuations in the prevailing market prices of our products will affect our revenues and cost of sales, and declines in the prevailing market prices of our products could have a material adverse impact on our revenues and our gross margins. Any significant decline in our revenues and gross margins will have a material impact on our results of operations and cash flow.

In particular, we recorded a gross loss in 2023 as compared to a gross profit in 2022, primarily due to the continued significant decline in the prices of lithium carbonate, nickel sulfate, and cobalt sulfate products in 2023, despite that our sales volumes of these products increased in 2023. Our gross loss narrowed from the six months ended June 30, 2023 to the same period in 2024, primarily because the prices of lithium carbonate and nickel sulfate experienced a more moderate decline in the six months ended June 30, 2024 compared to the same period in 2023.

Market conditions across the industry value chain could affect the demand and pricing of our products, which may have a material impact on us.

Our products primarily include critical metal materials for producing lithium-ion batteries, which are used for EV batteries and ESS batteries, among other applications. During the Track Record Period, the prevailing market prices of our products fluctuated significantly. The price increases from 2021 to 2022 was primarily due to a shortage in the supplies of lithium carbonate, nickel sulfate, and cobalt sulfate products resulting from the rising demand for lithium-ion battery products, and the price drops for these products in 2023 and the six months ended June 30, 2024 was mainly due to rebalancing between supply and demand dynamics. Accordingly, the average prices of our lithium carbonate, nickel sulfate, and cobalt sulfate products have experienced significant fluctuations during the Track Record Period. As a result of such evolving supply and demand dynamics and volatility in the prevailing market prices of our lithium carbonate, nickel sulfate, and cobalt sulfate products, we recorded a net loss of RMB473.5 million and RMB147.2 million in 2023 and the six months ended June 30, 2024.

We closely monitor the fluctuations in the prevailing market prices for our products and review the pricing of our products when necessary. We conduct reviews on the pricing of our products on a regular basis to respond to evolving market conditions. In particular, we inspect the price trend of key raw materials from time to time to grasp the current and future purchase price, and to identify the potential discrepancies between supply and demand in the industry. However, our pricing strategies mentioned above may not be able to fully cover the risks associated with market price fluctuations such as those experienced in 2023 and the six month ended June 30, 2024. Any significant changes in market conditions along the industry value chain affecting our products, whether upstream or downstream, could have a material and adverse impact on our business operations, financial condition, and results of operations.

Price fluctuation of our raw materials and inadequate or interrupted supply of our raw materials could adversely affect our business, financial condition and results of operations.

We may not be able to obtain high-quality raw materials at reasonable prices at all times. Historically, we experienced significant price fluctuations of certain principal raw materials needed for our products. We cannot assure you that the prices of principal raw materials needed for our products would become favorable to us in the future, and also, we cannot assure you that we will not experience significant fluctuation in the prices of raw materials in the future. Under such circumstances, we may need to adjust the prices of our products accordingly. However, we cannot assure you that we will be able to pass all or a portion of our costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. We factor raw material price volatility into our product pricing and attempt to make adjustments to align with raw material price trends. However, since the selling price of our products closely follows the prevailing market prices in the industry in general and the prevailing market prices of our raw materials have experienced significant fluctuations in recent years, we cannot assure you that we will be able to respond appropriately to fluctuations in the prices of raw materials. In such events, the substantial and frequent fluctuation in the prices of raw materials may result in us not being able to recover the costs of our raw materials from the sales of our products. If we are unable to obtain raw materials in quantities, of qualities or at prices that we require or sell our products in a timely manner, our businesses, financial condition and results of operations may be materially and adversely affected.

We recorded net losses in 2023 and the first half of 2024, and we may not turn around our financial performance.

We have been incurring net losses in 2023 and the first half of 2024. Specifically, although we recorded net profits of RMB69.4 million and RMB150.9 million in 2021 and 2022, respectively, we incurred net losses of RMB473.5 million and RMB147.2 million in 2023 and the six months ended June 30, 2024, respectively. We recorded net losses in 2023 and the first half of 2024 primarily because there was a substantial drop in the prevailing market prices of our finished products during this period. There is no assurance as to whether and when we will become profitable in the future. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our inability to remain profitable would decrease the value of our Company and may impair our ability to raise capital, expand our business or continue our operations as well as maintain the price of our H Shares.

We may not be able to economically and efficiently recycle retired batteries, black mass, and battery manufacturing scraps to meet the market demand.

Our business depends in large part on our ability to economically and efficiently recycle retired batteries, black mass, and battery manufacturing scraps to meet the market demand for an environmentally sound, closed-loop solution. Even if we are currently successful in high-volume recycling in our current and future facilities, there can be no assurance that we will be able to do so in a manner that avoids significant delays and cost overruns, including as a result of factors beyond our control, such as problems with suppliers, or in time to meet the commercialization schedules of future recycling needs or to satisfy the requirements of our customers. Any failure to develop and scale our manufacturing processes and capabilities could have a material adverse effect on our business, results of operations and financial condition.

Our businesses and operations require significant capital resources on an ongoing basis. We recorded net current liabilities in 2023 and the first half of 2024 and net cash used in operating activities in 2021, 2022 and 2023.

The operation of our business requires substantial capital and other long-term expenditures, including expenditures for maintaining processing and manufacturing plants, machinery and equipment. We further need to invest a significant amount of capital expenditures for constructing our production facilities and production lines. In the future, we may further from time to time require significant capital to build, maintain, operate and expand production facilities, purchase machinery and equipment, and develop new technologies and products. In 2021, 2022, 2023 and the six months ended June 30, 2024, our capital expenditures comprised of (i) purchases of machinery and equipment and construction of buildings and properties and (ii) purchases of intangible assets, were RMB179.8 million, RMB737.1 million, RMB904.7 million and RMB193.3 million, respectively.

We recorded net current assets of RMB18.0 million, RMB656.4 million as of December 31, 2021 and 2022 and we recorded net current liabilities of RMB170.2 million and RMB501.8 million as of December 31, 2023 and June 30, 2024, respectively. In addition, while we recorded net operating cash inflow of RMB39.9 million in the six months ended June 30, 2024, we recorded net operating cash outflow of RMB253.7 million, RMB716.6 million, RMB58.1 million in 2021, 2022 and 2023, respectively. Please see "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position" and "Financial Information — Liquidity and Capital Resources — Cash flows" for details. Having net losses, net current liabilities and net operating cash outflows could constrain our operational flexibility, expose us to liquidity risk and adversely affect our ability to expand our business. When we construct new production facilities or expand production capacities, we expect to fund the related financial commitments and other capital and operating expenses from a combination of cash on hand, cash generated from operations, banking facilities, the [**REDACTED**] from this [**REDACTED**] and other potential external financing options. We cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing at interest rates and on other terms that are reasonable to us or consistent with our expectations, if at all. To the extent we cannot finance our operations, expansions or acquisitions at reasonable costs, or at all, in the future, our business may be harmed. In addition, our expansion may require us to procure more raw materials, and as a result, during certain periods we may incur higher working capital needs that may affect our working capital operation. We cannot assure you that we will not experience any higher working capital needs in the future, and our business, financial position, results of operations and prospects and working capital may be affected.

Our historical results of operations and financial performance may not be indicative of our future performance.

Our business has grown rapidly since our inception, but we may not be able to effectively manage our growth in the future for reasons that may be beyond our control. For example, the decline of market prices of our products will have an impact on our revenue and net profit. In addition, we cannot assure you that downstream industries such as the EV market will maintain its historical growth rate, as it may be affected by various factors including changes in government policies, shifts in consumer preferences, macroeconomic conditions, and technological developments. Accordingly, our historical results of operations and financial performance may not be indicative of our future performance, and we cannot assure you that our business will be able to maintain the growth rate we achieved in the past.

Managing our growth will require significant expenditure and allocation of resources. To manage our growth and maintain profits, we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our production facilities as well as research and development. In line with the expansion of our production activities in the future, our cost for procuring raw materials and expenses related to our R&D activities and the operation and maintenance of our production lines are also expected to increase. All these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures, which could strain our ability to improve our operational, human resources, financial and management capabilities. If our costs and expenses grow faster than our revenue, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We operate in a competitive industry and failure to compete successfully could materially adversely affect our revenue and profitability.

The lithium-ion battery materials recycling and reutilization market is emerging and competitive. As this emerging industry evolves and the demand increases, we anticipate that competition will continue to increase. We currently compete against companies that may have a substantial competitive advantage because of factors such as greater financial and workforce resources, more extensive recycling infrastructure, stronger existing customer relationships, greater name recognition or longer operating histories. Competitors could focus their substantial resources on developing competing solutions, including more efficient recovery processes or faster recycling methods. Competition also places pressure on our contract prices and gross margins, which presents us with significant challenges in our ability to maintain strong growth rates and acceptable gross margins. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience a material adverse impact on our business, financial condition and results of operations.

Our production operations are exposed to production safety, production difficulties and other risks that could damage our reputation, subject us to liability claims and result in substantial costs.

While we believe we have adequate systems of safe production and related training, we cannot assure you that accidents or other risk related to workplace injuries and occupational safety will not arise during our production activities or during the construction of new production facilities. If a workplace accident occurs, we may not only be required to pay compensations and damages, but also be subject to penalties from regulatory authorities, including fines, suspension of relevant operation and construction, and even revocation of permits, licenses or approvals that are required for our operation and construction. We cannot assure you that we will not be fined and penalized for non-compliance with laws and regulations related to production safety in the future.

In addition, our operations may also be subject to production difficulties such as production capacity constraints, mechanical and systems failures, construction and upgrade delays and delays in the delivery of machinery and equipment, any of which could result in suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our production output. Our production processes are technically complex and involve numerous production steps, some of which require the operators to adjust the parameters of the machines and equipment in a timely manner according to the production parameters and status of reaction intermediates. This requires relevant experience and involves human judgment. Any misjudgment or untimely adjustment may cause damages to the crucial machine and equipment involved in our production process. In severe cases, we may need to halt the production for repair, which may take as long as several months and result in our inability to produce and sell products produced from these production lines. Any significant manufacturing disruption could adversely affect our ability to produce and sell products, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In general, as part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of heavy machinery and, handling of hazardous chemicals. As a result, we are subject to risks associated with these activities, including geological catastrophes, toxic gas and liquid leakages, equipment failures, industrial accidents, fires and explosions. These risks and hazards can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and, damage to our reputation and corporate image. In addition, we may be subject to claims resulting from subsequent use by the customers or other third parties of the facilities and the products we produce.

We generally seek to lower our exposure to potential claims associated with our businesses through contractual limitations on liability, indemnities from customers and suppliers, and insurance. These measures, however, may not always be effective due to various factors, many of which may be out of our control. The occurrence of any of these risks may harm our business operations and reputation, which could inhibit our ability to take on other contracts or otherwise grow our businesses.

We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

We expect to expand our production capacity to meet customers' expected demands for our products. See "Business — Production — Production Expansion Plans." Such expansion will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs and other risks associated with the manufacture and commercialization of new products as disclosed in this document. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain relevant approvals, permits, licenses and certificates or complete the inspections for our production expansion projects may materially delay our production expansion or even result in the cancellation of such plans, which may adversely affect our business, financial conditions and results of operations.

However, even if we manage to expand our production capacity as planned, there is no assurance that we may increase our production output in a timely manner or at all as envisaged. Our ability to increase our production output is subject to significant constraints and uncertainties, including but not limited to:

- delays by our suppliers and equipment vendors and cost overruns as a result of a number of factors, many of which may be beyond our control or cannot be foreseen, such as increases in raw material prices and problems with equipment vendors;
- delays in government approval process or denial of required approvals for production by relevant government authorities;
- our ability to configure the production lines for specific products in a timely manner;
- the performance of the manufacturing equipment we procured and the production expertise we retained; and
- diversion of significant management attention and other resources.

Moreover, our product development, manufacturing and testing protocols are complex and require significant technological and production process expertise. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified, and properly addressed and rectified, and thus limit our production output. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our production capacity.

If we are unable to increase our production output in a timely manner or at all in the end because of any of the risks described above, we may be unable to fulfill customer orders or achieve the growth we expect. In addition, if we are unable to fulfill customer orders, our reputation could be affected, and our customers could source products from other companies. The combination of the foregoing could materially and adversely affect our business, financial condition and results of operations.

If we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations will be adversely affected. Specifically, some of our major customers contributed a significant portion of our revenues during the Track Record Period. If these customers reduce or terminate business with us, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

Our customers primarily consist of lithium-ion battery material manufacturers and future traders. There is no assurance that we could retain our existing customers or attract new customers as we did during the Track Record Period, or at all. If we fail to retain our existing customers or attract new customers in the future due to various factors, including our products not meeting customer requirements, uncompetitive pricing, inability to meet delivery schedules, or changes in customer procurement strategies, our business, financial conditions and results of operations will be adversely affected.

In 2021, 2022, 2023 and the six months ended June 30, 2024, revenue contributed by our five largest customers accounted for 74.3%, 52.7%, 41.3% and 54.2% of our revenue for the same periods, respectively. To the extent that we cannot continue to maintain good business relationship with any of these customers, our business, results of operations and financial condition may be adversely affected.

Although we have historically maintained good and stable business relationships with these companies in the past, we cannot assure you that our relationships will continue on similar terms, if at all, in the future. We typically enter into single-order agreements or quarterly/annually renewable framework sales agreements with our major customers, under which our customers will enter into individual purchase orders with us. We cannot assure you that our existing major customers will continue to place orders or renew framework sales agreements with us or that these major customers will not reduce the amount or frequency of their orders. Given the volatility of short-term orders, we may experience a material change in our revenue.

In addition, the volume of products purchased by these customers is affected by factors that may be beyond our control, including the relevant market prices, the quality and price of products offered by our competitors, industry conditions, and our customers' own business conditions. In the event that our customers terminate their business relationships with us or significantly reduce their purchase of our products, we may not be able to find replacement for the sales of our products in a timely manner or on similar terms, if at all. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We are subject to inventory risks.

Our inventory primarily includes raw materials and consumables, work-in-progress products, and finished products which we have not sold to our customers. We also maintain an appropriate level of raw materials for our production based on the forecasts, including those for our customers' demand and for our production requirements, are inherently uncertain. As of December 31, 2021, 2022, 2023 and June 30, 2024, the balance of our inventories amounted to RMB285.7 million, RMB812.8 million, RMB291.4 million and RMB406.2 million, respectively. In 2021, 2022 and 2023 and the six months ended June 30, 2024, our inventory turnover days were 76, 81, 66 and 61 days, respectively. Our industry, including the downstream markets, is fast-changing. Our customers may change their demands accordingly to cope with the development in their industries. If our forecasted demand is lower than what eventually transpires, we may not be able to maintain an adequate inventory level of raw materials we procured or manufacture our products in a timely manner, and we may lose sales and market share to our competitors. On the other hand, excess inventory levels may lead to increases in inventory costs, risks of inventory obsolescence and provisions for write-downs. In particular, in the event there is a decline in the prices of our products, or we experience inventory loss or damage either because of our improper management or factors beyond our control including natural disasters, we may need to record significant write-offs for our inventory. Any occurrence of the foregoing will materially and adversely affect our business, results of operations, financial condition and prospects.

In order to maintain an appropriate inventory level of finished products to meet market demand, we adjust our procurement amount and production schedule from time to time based on customers' orders and anticipated demand. We also carry out inventory review and aging analysis on a regular basis. However, we cannot guarantee that these measures will always be effective and that we will be able to maintain an appropriate inventory level. We may still be exposed to the risk of holding excessive inventory, which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs. This could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to credit risk of our customers and failure of our customers to fulfill their contractual obligations to us may affect our financial condition and results of operations.

While we generally evaluate our customers' credit in accordance with our internal risk management criteria, such as credit history and likelihood of default, we have limited information about our customers and may encounter difficulties in the collection of receivables from certain customers or in certain geographic areas or businesses with which we have less experience in our dealings.

As of December 31, 2021, 2022, 2023 and June 30, 2024, our trade and bills receivables were RMB243.8 million, RMB361.5 million, RMB421.2 million and RMB197.5 million, respectively, and we recorded impairment of trade and bills receivables of RMB12.8 million, RMB18.9 million, RMB20.9 million and RMB10.3 million for the same periods. In 2021, 2022 and 2023, and the six months ended June 30, 2024, our trade and bills receivables turnover days were 78, 38, 49 and 56 days.

We cannot assure you that all of our customers will fully perform their obligations under their respective contracts with us, and the deterioration of any customers' credit or payment conditions may result in defaults by those customers on their contractual obligations, which could materially adversely affect our business, results of operations, financial condition and growth prospects. Should the credit worthiness of our customers deteriorate, or should a significant number of our customers fail to settle our trade and bills receivables in full for any reason, we may incur impairment losses, and our results of operations and financial position could be materially adversely affected. In addition, there may be a risk of delay in payment by our customers, which in turn may result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from our customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

We depend on maintaining and increasing raw material supply commitments as well as securing new sources of supply.

We are reliant on obtaining black mass, retired lithium-ion batteries, and battery manufacturing scrap as feedstock for recycling through third-party suppliers. Our business is dependent on our ability to continually maintain existing suppliers and attract new suppliers based on the sustainability of our process and the robustness of our technology, which in turn will enable us to offer competitive terms to suppliers. However, there can be no assurance that we will secure such commitments, which may be affected by factors that we do not control, such as market and economic conditions, the level of competition for feedstock, our ability to differentiate ourselves from our competitors to secure feedstock including on price and service delivery levels, financing arrangements, prices of raw materials, environmental issues and government approvals. Suppliers may change or delay supply under their contracts for any number of reasons, including force majeure or government approval factors that are unrelated to us. Any decline in supply volume from existing suppliers, the discontinuation of any supplier relationships or an inability to source new supplier relationships could have a negative impact on our results of operations and financial condition.

Changes in the volume, composition and quality of lithium-ion battery recycling feedstock materials processed at our facilities could significantly impact our financial conditions and results of operations.

We depend on processing high volumes of retired lithium-ion batteries, black mass, and manufacturing scrap that come from various sources with inherently different compositions and quality levels. Due to the varying valuable metal content in these feedstock materials, our financial performance and operational efficiency correlate with their composition and quality. The composition of certain feedstock such as those containing higher amounts of nickel and cobalt command higher prices than others, while the quality of feedstock materials could affect our processing efficiency and recovery rates. A decline in overall volume of feedstock processed, reduction in feedstock quality, or decrease in higher-value feedstock content, could result in higher processing costs, lower recovery yields, and/or reduced product value, which in turn would have a material impact on our results of operations.

Our products and services may experience quality problems from time to time that can result in harm to our reputation. Product-related liability, product recall costs, and significant return or exchange could also adversely affect our business and financial performance.

We cannot assure you that our quality control measures will be as effective as we expect. There can be no assurance that we will be able to detect and fix all defects in our products. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products do not perform as expected or contain design and/or manufacturing defects or malfunctions.

If our products are defective, the sale of such products could expose us to product liability claims and may require product recalls or other actions. Third parties may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Attempting to enforce our rights against such suppliers and manufacturers may be expensive, time-consuming and ultimately futile. Such suppliers and manufacturers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claim or litigation could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation.

Our reputation could be adversely impacted in the event of a significant product recall or product-related litigation due to product defects. We are subject to warranty and product liability claims in the ordinary course of our business. There can be no assurance that we will not experience material product liability losses arising from such claims in the future and that these will not have a negative impact on our reputation and, consequently, our sales. Given the association of our individual products with our overall brand, an issue with one of our products could negatively affect demand for other products of ours or the reputation of us as a whole, which could have an adverse impact on the business, results of operations and financial condition of us.

We adhere to our product return policies and generally do not allow our customers to return products other than due to product quality issues, which is in line with customary industry practice. However, we may be required by laws and regulations to adopt new or amend existing return and exchange policies from time to time. Should we be the ultimate responsible party for the costs and losses associated with significant return and exchange, our results of operations may be materially and adversely affected. If we adopt more customer-friendly return and exchange policies, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue, which may materially negatively affect our results of operations. If we adopt less customer-friendly return and exchange policies to reduce such costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We may not be able to keep abreast with the latest development and advancement of technology or maintain our current level of competitiveness, while our competitors may have more robust R&D capabilities and be able to develop better products, and our downstream market may not be able to develop and grow as we previously expected.

Our abilities to improve our production capabilities and launch new products depend largely on our research and development capabilities. We have continuously invested in upgrading and optimizing our production techniques and the machine and equipment used in our production, in order to improve the production efficiency, energy efficiency and quality of our products, which we believe are crucial to our future development.

We cannot assure you that such investments will yield immediate tangible benefits, or our research and development efforts will be effective. Even if such efforts are successful, we may not be able to apply our newly developed technologies to our products in ways that are accepted by our customers. Even if we can successfully translate our R&D results into commercial products, our competitors may have more robust R&D capabilities that enable them to make breakthroughs in production techniques and machinery and equipment used for their production; they may also develop products that demonstrate better quality, can more effectively address the unique and diverse needs of customers, or can be marketed at more competitive prices. If we are unable to maintain or enhance our research and development capabilities, our competitiveness may be undermined, which could adversely affect our business, results of operations, financial condition and growth prospects.

The development of alternative battery technologies or energy storage solutions could materially adversely affect our financial position and results of operations.

The battery and energy storage industry is characterized by rapid technological changes. While we currently focus on recycling various types of lithium-ion batteries, including both ternary and LFP batteries, the development and adoption of alternative battery technologies or energy storage solutions could materially adversely affect our prospects and future revenues. These technological changes could include new battery chemistries, alternative energy storage technologies, or improvements in existing technologies that could reduce battery material requirements or make recycling less economical. For example, developments in solid-state batteries, sodium-ion batteries, or other energy storage technologies could potentially reduce the demand for conventional lithium-ion batteries and their materials. Additionally, improvements in battery longevity or efficiency could reduce the volume of batteries requiring recycling. If we fail to adapt our recycling processes to handle new technologies or if alternative technologies reduce the overall need for battery recycling, our business, financial condition and results of operations could be materially adversely affected.

Our production depends on a stable, timely and adequate supply of utilities, including energy, power and water. Any supply shortage or price increase may have a material and adverse effect on our business operations and financial performance.

We depend on the supply of energy power and water to maintain our production processes. There can be no assurance that shortages of these utilities will not occur in the future or that we will be able to pass on any cost increases in energy or water to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly and may also harm our competitive advantages with respect to the affected products. In particular, increases in utilities costs that we are unable to pass onto our customers will reduce our profit margins.

In addition, continuous changes in government policies may adversely affect the prices and supply of utilities that are required in our production. For example, the Chinese government introduced the overall goal, and the corresponding timetable, of carbon peak and carbon neutrality. In order to achieve these goals, the relevant government authorities may adopt certain restrictions or guiding measures for domestic companies with high energy, power and water consumption. These measures may include production reduction and curtailment or requiring these companies to either install low-energy-consuming machinery and equipment for their production and operation, or upgrade existing ones to reduce their energy, power and water consumption and carbon emissions. If we are unable to adapt to such policy changes, maintain stable utility supply at reasonable costs, or make necessary equipment upgrades in a timely and cost-effective manner, our production capacity, operational efficiency, and compliance with regulatory requirements could be adversely affected, which could materially and adversely affect our business, financial condition and results of operations.

Our business may be materially and adversely affected if we fail to obtain, or experience material delays in obtaining or renewing requisite government approvals or licenses for carrying out our operations or our construction and expansion projects.

We are required to obtain and maintain certain licenses, permits, registration, certificates and approvals for our business operations and throughout multiple stages of our new construction and production expansion projects. These include permits and approvals relating to production capacity, product types, and environmental protection, which may need to be updated or as our operations expand or evolve. In addition, various completion inspections may be required before we commence production at new production facilities.

We must meet various specific conditions in order for the government authorities to issue or renew any such license, permits, registration, certificates or approvals, or complete necessary inspections. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our business operations or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary license, certificates, permits or registration for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our relevant business development plans or production activities, and our business, financial condition and results of operations may be materially and adversely affected.

Failure to maintain an effective quality control system could have a material adverse effect on our business, financial condition and results of operations.

As the quality of our products is critical to the success of our businesses, we must maintain an effective quality control system for our production and other operational activities. Our quality control system has been ISO 9001 certified. However, the effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines.

Any failure or deterioration of our quality control system could result in defects in our products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our businesses, financial condition, results of operations and reputation.

Pandemics, extreme weather conditions, natural disasters and other natural conditions and other unexpected events may create substantial volatility for our business and results of operations.

The outbreak of any severe diseases, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in locations where we operate, which in turn may have an adverse impact on domestic consumption and on our products. In addition, if employees are affected by a severe communicable disease, we may be required to adopt measures to prevent the spread of the disease, which may cause disruption to our operation. The spread of any severe communicable disease may also affect the operations of our customers, suppliers and other service providers.

Moreover, any future occurrence of natural disasters, including earthquakes, floods, landslides and droughts which may result in deaths of people, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as power failures and shortages, blackouts, transportation and communications disruptions and other losses in the affected areas may, among other things, materially and adversely affect or disrupt our operations or those of our customers and suppliers. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may in turn materially and adversely affect our business, results of operations and prospects.

Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions.

We have historically relied on interest-bearing bank and other borrowings to fund a portion of our capital expenditures and to support our operations, and we expect to continue such reliance in the future. As of June 30, 2024, we had interest-bearing bank and other borrowings of RMB1.6 billion. For details of our bank and other borrowings, see "Financial Information — Indebtedness."

As of June 30, 2024, our bank and other loans, which were due within one year or on demand, amounted to RMB1.2 billion. These borrowings arose primarily from our use of interest-bearing borrowings from banks in mainland China to satisfy our working capital and capital expenditure needs. Due to our reliance on these borrowings, we are exposed to interest rate risk resulting from interest rate fluctuations. Rising interest rates could increase interest expenses relating to our outstanding variable-rate borrowings, which could materially adversely affect our business, results of operations, financial condition and prospects.

We are subject to restrictive covenants under our bank borrowings that are common in loan arrangements with financial institutions in mainland China. A breach of these covenants could result in a default, increased costs, higher interest rates, additional restrictions and other protections available to the counterparties under our loans. Our ability to meet our debt obligations largely depends on our operating performance and the ability of our customers to fulfill their payment obligations to us. If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations, financial condition and prospects may be materially and adversely affected, and we may not be able to expand our business. We may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures.

We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debts could result in increases in interest rates that we pay on our debt and legal actions against us by our creditors, or even bankruptcy.

In addition, obtaining additional external financing may require us to issue additional equity or debt securities or obtain additional bank loans. The issuance of additional equity or convertible debt securities could result in dilution of our Shareholders' equity interests. The incurrence of additional indebtedness could result in increased fixed obligations and operating covenants that restrict our operations. We cannot assure you that additional financing will be available in amounts or on terms acceptable to us, if at all.

Due to our level of borrowings, our ability to respond to changing market conditions may be limited and our business expansion plans through acquisitions may be impeded. This could also increase our vulnerability to adverse economic and industry conditions and place us at a disadvantaged position compared to competitors who have lower levels of debt obligations.

Our Controlling Shareholders' failures to comply with the terms of guarantees for our borrowings could have a material adverse impact on our business and results of operations.

During the Track Record Period, our Controlling Shareholders and their associates have provided personal guarantees for certain of our bank loans and other borrowings. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence." Our Directors are of the view that premature discharge of all outstanding Controlling Shareholders' Guarantees before the [**REDACTED**] would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant creditors, and the renegotiation would be time-consuming and may affect our normal operation. Therefore, the Controlling Shareholders' Guarantees will not be released before [**REDACTED**]. If we fail to obtain financing without guarantees from our Controlling Shareholders, our liquidity and business may be materially adversely affected. Additionally, if our Controlling Shareholders fail to comply with the terms of the guarantees, our creditors may accelerate the payment schedule, which could have a material adverse effect on our liquidity and business.

We may incur impairment losses for financial assets, prepayments, other receivable and other assets.

We recorded impairment losses on financial assets and prepayments, net of RMB1.6 million, RMB6.0 million and RMB36.9 million in 2021, 2022 and 2023, while we recorded reversal of impairment losses on financial assets and prepayments, net of RMB4.9 million for the six months ended June 30, 2024. See "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position." The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our financial assets, prepayments, other receivables and other assets. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of our financial assets, prepayments, other receivables and other assets in the future, which may in turn result in impairment losses. Any significant impairment losses of financial assets, prepayments, other receivables and other assets in the future could have an adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with contract liabilities.

Our contract liabilities are recognized when payment from a customer is received before we transfer the related goods or services. As of December 31, 2021, 2022, 2023 and June 30, 2024, we had contract liabilities of RMB3.5 million, RMB4.2 million, RMB11.0 million, and RMB9.4 million, respectively. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

The appraisal value of our properties may be different from their actual realizable value and is subject to change.

The property valuation report on certain of our properties, prepared by Shanghai Lixin Asset Appraisal Co. Ltd. (上海立信資產評估有限公司) is set out in Appendix IV to this document. The valuation was based on certain assumptions which, by their nature, are subjective and uncertain, and therefore the valuation may differ materially from the price we could receive in an actual sale of the properties in the market place. In addition, property valuations generally, and the valuation conducted by Shanghai Lixin Asset Appraisal Co. Ltd. (上海立信資產評估有限公司), in particular, include a subjective determination of certain factors relating to the properties, such as their relative market position, their financial and competitive strengths, location and their physical condition. Further, the valuation of the properties is not an indication of, and does not guarantee, a sale price corresponding to such valuation, currently or in the future. Unforeseen changes in a particular property development or in general or local economic conditions could affect the value of our properties, and the resulting amounts we obtain may be materially lower than the amount set forth in the valuations.

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

We have adopted the employee share ownership plan in respect of Zhaoqing Shengda on February 9, 2021. See "Appendix VIII — Statutory and General Information — 3. Further Information about our Directors and Supervisors — D. Employee Share Ownership Plan" for more details. To further incentivize our employees, supervisors and directors, we may grant additional share incentive awards under new share incentive schemes in the future. Issuance of additional Shares under new share incentive schemes may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We face certain risks relating to compliance requirements and potential non-compliance in relation to the real properties we own, use or lease.

For real properties that we own, including those related to our manufacturing activities and offices, we are subject to various rules and regulations and must obtain various permits, certificates and other approvals from the relevant government authorities at various stages of property development, including the land use right certificates, planning permits, construction permits and building ownership certificates. For real properties that we use or lease, we are also subject to various rules and regulations. We must comply with evolving laws and regulations, planning and zoning requirements, and other regulatory standards of local governments relating to owning, occupying, using and leasing properties. Changes in these requirements or new regulations could require us to obtain additional approvals or make operational adjustments, including potential relocations, which may cause us to incur compliance costs.

As of the Latest Practicable Date, (i) one of the lessors of our lease properties did not provide valid title certificates or authorization for leasing; and (ii) we have one lease concerning property located in mainland China that has not been registered with the relevant authorities as required. Our PRC Legal Advisor advised us that, according to the applicable PRC Law, the non-registration would not affect the validity of these lease agreements, but we, as the lessee, may be required by the relevant authorities in mainland China to register the relevant lease agreement within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement.

As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the real properties we own, use or lease. If any challenge against us in these respects are successful, our use or lease of such properties may be affected and we may be required to relocate from these relevant properties. If we fail to find suitable alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from such challenges, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Present or future environmental, safety and occupational health laws and regulations, and laws and regulations in mainland China regarding recycling, resource recovery, and reuse of lithium-ion batteries, may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain laws and regulations relating to environmental, safety and occupational health matters and laws and regulations in mainland China regarding recycling, resource recovery, and reuse of lithium-ion batteries.

Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater and waste gas. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC government impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

Any failure to comply with present or future laws and regulations relating to environmental, safety and occupational health matters and laws and regulations in mainland China regarding recycling, resource recovery, and reuse of lithium-ion batteries may adversely impact our business, financial condition, and results of operations.

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

Pursuant to the PRC Law, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period and as of the Latest Practicable Date, the Company and some of our subsidiaries in mainland China did not make full contribution to the social insurance and housing provident funds for some of our employees in accordance with the relevant PRC Law. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. See "Business — Compliance and Legal Proceedings — Social Insurance and Housing Provident Funds." We believe that the non-compliance during the Track Record Period in relation to the payment of social insurance and housing provident fund will not have material adverse effects on our production and business operations. However, we cannot assure you that the competent authority will not require us to rectify any non-compliance or to pay any penalty related thereto.

Our insurance policies may not provide adequate coverage for all claims associated with our business operations.

We face various operational risks in connection with our businesses, including but not limited to production interruptions caused by operational errors, electricity outages, the failure of equipment and other risks; limitations imposed by environmental or other regulatory requirements; environmental or industrial accidents; and catastrophic events. These risks can result in, among other things, damage to and destruction of production facilities, personal injury or fatalities, monetary losses and legal liability. The occurrence of any of these events may result in the interruption of our operations and subject us to significant losses or liabilities.

Besides statutory social insurances as required under relevant PRC Law including pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance, we mainly maintain property-related insurance to cover our buildings, facilities, equipment and inventories as well as personal safety insurance for our employees while we do not maintain insurance policies covering our business interruption or key-man. We cannot assure that our insurance coverage will be sufficient or available to cover all damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in mainland China on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. In the event that we incur substantial losses or liabilities and our insurance is unavailable or insufficient to cover such losses or liabilities, there could be a material adverse effect on our business, financial position and results of operations.

We depend on certain third parties for various services and products in connection with our business.

We rely on third-party suppliers for various goods and services including utilities, energy, raw materials, manufacturing services, engineering services, construction services, warehousing services and transportation services, which are in line with industry practice. We endeavor to source goods and services from third-party providers whom we believe are able to meet our quality, delivery schedule and other requirements. However, the goods and services provided by any of the third-party service providers may not be provided in a timely manner or of satisfactory quality. If the third-party providers do not perform satisfactorily, substantially reduce the amount and scope of goods and services provided to us, substantially increase their prices or terminate their business relationship with us, we may need to replace the third-party providers or take other remedial measures which could increase our costs of operations. As we do not have direct control over the third-party providers, if they become involved in unauthorized provision of goods or services not complying with our requirements or that of our customers, our reputation may be affected. Our reputation will also be adversely affected if the third-party providers do not comply with applicable laws and regulations. This, in turn, may materially and adversely affect our business, reputation, financial condition and results of operations.

Negative news or publicity may adversely affect our reputation, business and growth prospects.

Any negative news or publicity in relation to us, or any of our Directors, management, Controlling Shareholders and joint ventures or business partners or counter-parties, or any of their respective affiliates (including, where applicable, any joint venture or business partner or counter-party thereof), among others, whether or not they act on our behalf or otherwise utilize or share our brand name, and even if proven untrue, could adversely affect our reputation, business and growth prospects.

We cannot assure you that such negative news or publicity would not damage our reputation or brand image. Given our specialized industry and market, negative news, publicity and word of mouth could spread quickly and negatively impact our reputation, brand image or relationship with third parties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we are not a party to, not involved in, and not liable to these litigations, disputes and allegations, we cannot assure you that any of such negative news or publicity will not affect our reputation, brand image or relationship with third parties, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Developments in the labor market, increases in labor costs or any possible labor shortage may adversely affect our store performance, our business and results of operations. The enforcement of PRC Labor Contract Law and other labor related regulations may materially affect our business, financial condition and results of operations.

We are incorporated and all of our operations are located in mainland China, and the overall economy and the average wage in mainland China have increased in recent years and are expected to continue to grow. The average wage level of our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers, our profitability and results of operations may be materially and adversely affected.

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. For example, under the PRC Social Insurance Law and the Administrative Measures on Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds, and employers are required, together with their employees, to pay the contributions to social insurance and housing provident funds for their employees. Also, the PRC Labor Contract Law and the Interim Provisions on Labor Dispatch imposed certain restrictions on the use of dispatched labor including but not limited to the form of employment, numbers of dispatched workers, etc.

In addition, we may need to change or adapt our labor practices from time to time in response to new labor laws, regulations, rules and policies, but we may not be able to do so in a timely and efficient manner. Failure to do so may adversely affect our businesses and results of operations.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations are still evolving, we cannot assure you that our employment practice do not and will not violate such labor-related laws and regulations in mainland China, which may subject us to labor disputes or government investigations. During the Track Record Period, we had not been subject to any administrative penalties in connection with PRC labor laws and regulations. However, we cannot assure you that our historical and current labor-related practices will at all times be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of us being deemed as noncompliant with the relevant laws and regulations, we may be required to rectify within a prescribed time period and to pay fines, late payment fees and/or other penalties if we fail to do so. Accordingly, our business, financial condition and results of operations could be materially and adversely affected.

Our business depends on our ability to protect our intellectual property rights. Our intellectual property rights may be infringed upon by third parties, and we may also be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

Our intellectual property rights primarily include patents, trade secrets and trademarks. We rely primarily on a combination of our patents, trade secrets, trademarks and employee and third-party confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we had 180 registered patents, 22 trademarks, nine copyrights and two domain names in mainland China. As of the same date, we were not aware of any material violation or infringement of our patents, trade secrets, trademarks and other intellectual property rights. However, we cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and other resources, including time and money, away from our business. In certain situations, we may have to initiate legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. In addition, we have no insurance coverage against litigation costs and will have to bear all costs arising from such litigations to the extent that we are unable to recover from other parties.

Our success also depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations.

Our success depends on the continuing efforts of our key employees and senior management. If we fail to recruit, retain and motivate our key employees, or maintain our corporate culture as we grow, our business may be harmed.

Our continued success is highly dependent upon the efforts of our Directors, senior management and other key employees. If any of them leaves and we are unable to promptly hire and integrate a qualified replacement, or if we are unable to attract and retain additional qualified personnel for our future growth, our growth may be limited and/or our business, financial position and results of operations may be materially and adversely affected.

We have not obtained any "key person" insurance on our key personnel. Although each of our senior management, department heads, major technical and marketing personnel has entered into non-compete agreement with us, we cannot assure that such non-competition provisions shall be enforceable in the event of dispute arising between our senior management and other key employees and us, as we may not have provided adequate compensation to them for their non-competition obligations, which is required under relevant PRC Law. As such, if any of our senior management and other key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members, without any recourse, in which case our business, financial position and operating results could be materially and adversely affected.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, any of which could adversely affect our business, results of operations, financial condition, and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations by our employees, suppliers, representatives, consultants, agents and business partners. We have specifically stipulated the compliance with above-mentioned policies and procedures in our contracts with our employees, while we were not able to do so in every contract or agreement we entered into with other parties as some of those other parties were required by their own internal policies to use their own contract templates. We have established relevant mechanisms to ensure the implementation of such policies and procedures, such as periodic review and reporting the issues identified including those related to our employees and other parties, collecting evidence and reporting to relevant authorities if there involves violation of applicable laws and regulations of our employees and other parties. However, our policies and procedures may not be sufficient, and our directors, officers, employees, suppliers, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, any of which could materially and adversely affect our business, reputation, financial condition and results of operations.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may, from time to time, be involved in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We, our Directors, Supervisors, senior management, and employees may not always be successful in defending ourselves against litigation and regulatory investigations and proceedings.

We face potential liabilities, legal claim expenses, and regulatory risks. For example, offering of defective products may expose us to liabilities under applicable laws and regulations. We may also be held liable if our employees, suppliers or other business partners fail to comply with applicable rules and regulations. While we can seek indemnification from the responsible parties afterwards, our reputation could still be adversely affected. Furthermore, our Directors, Supervisors, senior management, and employees might occasionally face litigation, regulatory investigations, and other proceedings. These matters, which can relate to commercial issues, labor, employment, antitrust, or securities, could adversely affect our reputation and results of operations.

After we become a [**REDACTED**] company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in defending against these claims, which could harm our business, financial condition and results of operations.

If we fail to maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.

We have established an effective system of internal control consisting of the relevant risk management policies and risk control procedures to identify, evaluate and manage risks arising from financial reporting operations. Since our risk management and internal control systems depend on implementation by our employees and our franchisees, we cannot assure you that all of our employees and franchisees will adhere to such policies and procedures, and the implementation of these policies and procedures may involve human errors or mistakes. Moreover, our growth and expansion may affect our ability to implement stringent risk management and internal control policies and procedures as our business evolves. If we fail to timely adopt, implement and modify, as applicable, our risk management and internal control policies and procedures, we may be unable to accurately report our financial results, meet our reporting obligations or prevent fraud.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in economic, political or social conditions or government policies in the PRC could have a material adverse effect on our business and results of operations.

All of our operations are located in the PRC. As a result, our results of operations, financial condition and prospects are substantially affected by economic, political, social and legal developments in the PRC. In general, the Chinese government regulates its economy and related industries through implementation of industrial policies, and regulates the macro-economy of the PRC through fiscal and monetary policies. Over the last few decades, the Chinese government adopted a number of measures to promote its market economy and encourage the corporate entities to establish sound corporate governance. The Chinese government also exercised a significant impact on China's economic growth through strategic resource allocation, management of foreign currency denominated debt payments, monetary policy and preferential treatment for specific industries or companies. Any significant changes in Chinese government's policies or China's laws could have a material impact on China's overall economic growth. Although China's economy has been growing significantly over the last few decades, the growth rate has slowed down in recent years. Due to the current economic, political, social and regulatory developments, it may be difficult for us to predict all the risks and uncertainties we may face, and a slow-down of China's economy may have a material adverse effect on our business and results of operations, in particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;

- we may not be able to raise additional capital on favorable terms, or at all; or

- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC's new energy industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world.

As such, if the PRC's economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with overseas offerings and future capital raising activities.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (collectively, "**Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Specifically, following the principle of substance over form, if an issuer meets both of the following criteria, its overseas offering and listing will be deemed as an indirect overseas offering and listing by a domestic enterprise: (i) any of the total assets, net assets, revenue or profits of the domestic operating entities of the issuer in the most recent accounting year accounts for more than 50% of the corresponding figure in the issuer's audited consolidated financial statements for the same period; and (ii) its major operational activities are carried out in China or its main places of business are located in China, or a majority of the senior management in charge of operation and management of the issuer are Chinese citizens or are domiciled in China. The filing is required to be conducted within three business days after the submission of the application for initial public offering and listing overseas to the overseas regulators. The CSRC will review the filing application and may have queries and may consult with other relevant regulators. Filings granted by the CSRC will have a valid term of one year during which the issuer should complete the offering. Further follow-up offerings after the offering also require a filing within three business days after the completion of the offering, and the listed companies will need to report to the CSRC upon the occurrence and public disclosure of certain significant matters such as a change in control, penalty received from overseas securities regulators or relevant PRC regulators, a switch of listing status and a termination of listing. See " Regulatory Overview — Overseas Listing Regulations" for details. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as a direct [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit [**REDACTED**] for this [**REDACTED**]. We may fail to obtain such approval, filing or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such approval, filing or completing such procedures for the [**REDACTED**], or a rescission of any such approval or filing obtained by us and such failure may adversely affect our ability to finance the development of our business and could have a material adverse effect on our business and financial condition. Furthermore, if the filing procedure with the CSRC under the Trial Measures is required for any future [**REDACTED**], it is uncertain whether we could complete the filing procedure in relation to any further capital raising activities in a timely manner, or at all.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) ("Archives Rules") which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or [**REDACTED**] before settlement and delivery of the H Shares we are [**REDACTED**] hereby. Consequently, if you engage in market [**REDACTED**] or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Trial Measures for this [**REDACTED**] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and [**REDACTED**] price of the H Shares.

Under the EIT Law, we may not be classified as a "high and new-technology enterprise" of the PRC. Such classification could result in unfavorable tax consequences.

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. The Company and a subsidiary of the Company, namely Jiangxi Ruida, received approvals by competent government authorities, and were recognized as high and new-technology enterprises with a validity period of three years, which entitled the Company and Jiangxi Ruida a preferential tax rate of 15% during the Track Record Period.

Despite being eligible for preferential tax rate as high and new-technology enterprises during the Track Record Period, there is no assurance that the Company or the subsidiary would successfully reapplied for the certificates of high and new-technology enterprises so as to enjoy the preferential tax rate after the expiry of the certificates, in which case our Group and our subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that the EIT Law, its application or its interpretation will not change, in which case our effective income tax rate may increase significantly.

We are subject to the currency exchange regulatory system in China.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].

During the Track Record Period, all of our revenue and expenditures were denominated in Renminbi, while the net [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC law.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("**Non-PRC Resident Individual Holders**") are subject to the PRC individual income tax on dividends received from us and gains realized through the sale or transfer by other means of H shares by such holders.

Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (國稅函[2011]348號) dated June 28, 2011 and issued by the SAT of the PRC, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5% to 20%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong.

In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, according to the Circular of the MOF and the SAT on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. Pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**") and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-PRC resident enterprise holders of H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay EIT for the dividends declared and paid by us at a tax rate of 5%. If the PRC tax authorities collect enterprise income tax on gains derived upon the sale or other disposition of H Shares from non-PRC resident enterprise holders of H Shares in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management named in the document based on foreign laws.

Most of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-Chinese courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met.

Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and you may not be able to resell our Shares at or above the price you pay, or at all.

Prior to the [**REDACTED**], there was no [**REDACTED**] for our H Shares. We cannot assure you that a [**REDACTED**] for our H Shares with adequate liquidity and [**REDACTED**] will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us, and may not be an indication of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares may be materially and adversely affected.

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

The [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have [**REDACTED**] their securities in Hong Kong may affect the volatility of the [**REDACTED**] of, and [**REDACTED**] for our H Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the [**REDACTED**] of our H Shares. These broad market and industry factors may significantly affect the [**REDACTED**] and [**REDACTED**] of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers, [**REDACTED**] Investors and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

We have applied to the CSRC for the [**REDACTED**] of a portion of Unlisted Shares into H Shares. If the [**REDACTED**] is filed by the CSRC, such a portion of the Unlisted Shares will be [**REDACTED**] into H Shares upon the [**REDACTED**], which will be [**REDACTED**] and [**REDACTED**] on the Stock Exchange. If our separate application is filed with the CSRC, our remaining Unlisted Shares may also be [**REDACTED**] into H Shares in the future, and such [**REDACTED**] shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that prior to the [**REDACTED**] and [**REDACTED**] of such [**REDACTED**] shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the filing notice from relevant PRC regulatory authorities shall be obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing. Therefore, upon obtaining the requisite approval and filing notice, our Unlisted Shares may be [**REDACTED**], after the [**REDACTED**], in the form of H Shares on the Stock Exchange one year after the [**REDACTED**], which at that time could further increase the number of our H Shares available in the market and may negatively impact the [**REDACTED**] of our H Shares.

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional Shares in the future to raise additional capital.

Our Controlling Shareholders have significant influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our H Shares for return on your [REDACTED].

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less the portions allocated to the discretionary reserve approved by the Shareholders' meeting and the statutory reserve. As a result, we may not have sufficient profit to enable us to make future dividend distributions to our Shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations had been profitable.

Furthermore, future determination of dividends will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that the factors we take into consideration will not change in the future.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the [**REDACTED**]. Prior to the publication of this document, there may be press and media coverage regarding the [**REDACTED**] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Joint Sponsors, [**REDACTED**] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [**REDACTED**] information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

In preparation for the [**REDACTED**], our Company [has sought the following waivers] from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Our headquarters and all of our business operations are based, managed and conducted in the PRC. As our executive Directors play very important roles in our business operation, it is in our best interest for them to be based in the places where our Group has significant operations. We consider it practicably difficult and commercially unreasonable for us to arrange for two executive Directors to ordinarily reside in Hong Kong, either by means of relocation of our executive Directors to Hong Kong or appointment of additional executive Directors. Therefore, we do not have, and in the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 8.12 and 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we implement, among others, the following measures which are in line with Chapter 3.10 of the Guide for New Listing Applicants:

(a) we have appointed Mr. Zhou Chutao (周楚濤) ("**Mr. Zhou**") and Ms. Ng Wai Kam (伍偉琴) ("**Ms. Ng**") as our authorized representatives pursuant to Rule 3.05 of the Listing Rules. The authorized representatives will act as our Company's principal channel of communication with the Stock Exchange. The authorized representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

(b) when the Stock Exchange wishes to contact our Directors on any matter, each of the authorized representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) promptly as and when required, including means to communicate with our Directors when they are travelling. Our Company will also inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives in accordance with the Listing Rules. We have provided the contact details of each Director (such as mobile phone numbers, office phone numbers (if any), email addresses and fax numbers (if any)) to each of the authorized representatives and the Stock Exchange;

(c) we confirm and will ensure that all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period upon the request of the Stock Exchange;

(d) we have appointed Altus Capital Limited as our compliance adviser upon the Listing pursuant to Rule 3A.19 of the Listing Rules for a period commencing on the [**REDACTED**] and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**]. Our compliance adviser, who will serve as the additional channel of communication with the Stock Exchange when the authorized representatives are not available, will have access at all times to our authorized representatives, our Directors and our senior management as prescribed by Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and our Directors can be arranged through our authorized representatives or our compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, our Directors and/or our compliance adviser in accordance with the Listing Rules.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARY

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

Note 2 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

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

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

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, the Stock Exchange will consider a waiver application by an issuer in relation to Rules 3.28 and 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(a) whether the issuer has principal business activities primarily outside Hong Kong;

(b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) nor Relevant Experience (as defined under paragraph 11 of Chapter 3.10 of the Guide for New Listing Applicants) as a company secretary; and

(c) why the directors consider the proposed company secretary to be suitable to act as the issuer's company secretary.

Further, pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants, such waiver, if granted, will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

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

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

Our Company has appointed Mr. Zhou, our executive Director, as one of our joint company secretaries. He presently does not possess any of the qualifications under Rules 3.28 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Ng, an associate member of The Hong Kong Chartered Governance Institute, who fully meets the requirements stipulated under Rules 3.28 of the Listing Rules to act as the other joint company secretary and to provide assistance to Mr. Zhou for an initial period of three years from the [**REDACTED**] to enable Mr. Zhou to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Given Ms. Ng's professional qualification and experience, she will be able to explain to both Mr. Zhou and us the relevant requirements under the Listing Rules and other applicable Hong Kong laws and regulations. Ms. Ng will also assist Mr. Zhou in organizing Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. Ms. Ng is expected to work closely with Mr. Zhou and will maintain regular contact with Mr. Zhou, our Directors and the senior management of our Company. In addition, Mr. Zhou will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules to enhance his knowledge of the Listing Rules during the three-year period from the [**REDACTED**]. He will also be assisted by our compliance adviser and our legal advisers as to the Hong Kong laws on matters in relation to our ongoing compliance with the Listing Rules and the applicable laws and regulations.

Since Mr. Zhou does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, [and the Stock Exchange has granted,] a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Mr. Zhou may be appointed as a joint company secretary of our Company. The waiver is valid for an initial period of three years from the [**REDACTED**] on the conditions that (a) Mr. Zhou must be assisted by Ms. Ng who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and (b) the waiver shall be valid for a period of three years from the [**REDACTED**] and will be revoked immediately if and when Ms. Ng ceases to provide such assistance to Mr. Zhou as a joint company secretary or if there are material breaches of the Listing Rules by our Company.

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

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Hong Kong Listing Rules following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for, [and the Stock Exchange has granted,] a waiver from strict compliance with (where applicable) the announcement requirement set out in Chapter 14A of the Hong Kong Listing Rules for such continuing connected transactions. For further details in this respect, see "Connected Transactions — Waiver Application."

WAIVER AND EXEMPTION IN RESPECT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2024

Pursuant to Rule 4.04(1) of the Listing Rules, and section 342(1) in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the CWUMPO, this document is required to include, among other things, details of the financial results of the Company for the financial year immediately preceding the issue of this document, being the year ended December 31, 2024.

Chapter 1.1A of the Guide for New Listing Applicants sets out the conditions under which the Stock Exchange would be prepared to grant a waiver from strict compliance with the requirement under Rule 4.04(1) of the Listing Rules.

Section 342(1) of the CWUMPO requires, subject to section 342A of the CWUMPO, all prospectuses to state the matters specified in Part I of the Third Schedule to the CWUMPO and set out the reports specified in Part II of the Third Schedule to the CWUMPO.

According to paragraph 27 of Part I of the Third Schedule to the CWUMPO, a listing applicant is required to include in the document a statement as to the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial years immediately preceding the issue of the document as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown of the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the CWUMPO, a listing applicant is required to include in the document a report by auditors of the listing applicant with respect to profits and losses and assets and liabilities in respect of each of the three financial years immediately preceding the issue of the document.

Pursuant to section 342A(1) of the CWUMPO, the SFC may, subject to such conditions (if any) as the SFC thinks fit, issue a certificate of exemption from compliance with any requirements under CWUMPO if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The financial year of our Company ends on December 31. The Accountants' Report set out in Appendix I to this document only contains the audited consolidated financial statements of our Company for the three years ended December 31, 2023 [and the nine months ended September 30, 2024], but does not include the consolidated results of our Group in respect of the full year immediately preceding the proposed date of issues of this document, being the full year ended December 31, 2024, as required under Rule 4.04(1) of the Listing Rules, paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the CWUMPO. The waiver and exemption would not prejudice the interest of the investing public and the strict compliance with the requirements thereunder would be unduly burdensome for the following reasons:

- there would not be sufficient time for our Company and our Reporting Accountants to finalize the audited consolidated financial statements of our Group for the year ended December 31, 2024 for inclusion in this document. If the audited consolidated financial information for the year ended December 31, 2024 is required to be audited, our Company and the Reporting Accountants would have to undertake substantial work to prepare, update and finalize the Accountants' Report and this document and the relevant sections of this document will need to be updated to cover such additional period within a short period of time, therefore will lead to a delay of the current [**REDACTED**] timetable and be unduly burdensome for our Company and the Reporting Accountants;

- our Company has included in this document (i) the Accountants' Report covering the three financial years ended December 31, 2021, 2022 and 2023 and [the nine months ended [September 30, 2024]; (ii) the unaudited preliminary financial information of our Group for the year ended December 31, 2024 and a commentary on the results of the years, which has been agreed with the Group's Reporting Accountants, following their work under Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the HKICPA, and such disclosure is no less than the content requirements for a preliminary results announcement under Rule 13.49 of the Listing Rules; and (iii) the information regarding the recent development of our Group subsequent to the Track Record Period and up to the Latest Practicable Date;

- our Company is of the view that the Accountants' Report covering the years ended December 31, 2021, 2022 and 2023 and the nine months ended [September 30, 2024] (i.e. a date less than six months before the date of the document, as required by Rule 8.06 of the Listing Rules), together with the unaudited preliminary financial information for the year ended December 31, 2024 as set out in Appendix [III] to this document, together with other disclosure included in this document, have already provided the potential investors with adequate and reasonably up-to-date information of the circumstances to form a view on the track record and earnings trend of our Company; and our Directors and the Joint Sponsors confirm that all information which is necessary for the investing public to make an informed assessment of our activities, assets and liabilities, financial position, trading position, management and prospects has been included in this document. Therefore, the waiver and exemption would not prejudice the interest of the investing public;

- our Company will not be in breach of the Articles of Associations or laws and regulations of the PRC or other regulatory requirements as a result of not publishing our preliminary results announcement for the year ended December 31, 2024 in accordance with Rule 13.49(1) of the Listing Rules. Pursuant to the Note to Rule 13.49(1) of the Listing Rules, our Company will publish an announcement after the completion of the [**REDACTED**] and no later than March 31, 2025 stating that the relevant financial information has been included in this document; and

- our Company will comply with the requirements under Rules 13.46(2) and 13.49(1) of the Listing Rules in respect of the publication of our annual results and annual report. Our Company currently expects to issue our annual results and annual report for the financial year ended December 31, 2024 on or before March 31, 2025 and April 30, 2025, respectively. In this regard, our Directors consider that our Shareholders, the investing public as well as potential investors of our Company will be kept informed of the financial results of our Group for the financial year ended December 31, 2024.

Accordingly, we have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, subject to the following conditions:

- the H Shares of our Company will be [**REDACTED**] on the Stock Exchange on or before [**REDACTED**];

- we have obtained a certificate of exemption from the SFC on strict compliance with section 342(1) of the CWUMPO in relation to paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the CWUMPO (the "**Ordinance Requirements**");

- this document contains preliminary unaudited financial information for the year ended December 31, 2024 and a commentary on the results of the same year (in compliance with Rule 13.49 of the Listing Rules); and

- our Company is not in breach of our constitutional document or laws and regulations of the PRC or other regulatory requirements regarding our obligation to publish preliminary results announcements.

We have also applied for[, and the SFC has granted,] a certificate of exemption from strict compliance with the Ordinance Requirements on the conditions that particulars of the exemption are set out in this document, this document would be issued on or before [**REDACTED**] and the Company will be [**REDACTED**] on or before [**REDACTED**].

[**REDACTED**]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

DIRECTORS

Executive Directors

Name	Address	Nationality
Mr. Li Sen (李森)	No. 23, 19th Street, Yingyue Qingquan, Country Garden, Huxi 1st Road, Nanan Sub-district, Gaoyao District, Zhaoqing, Guangdong Province, China	Chinese
Mr. Li Xin (李鑫)	No. 21, 19th Street, Yingyue Qingquan, Country Garden, Huxi 1st Road, Nanan Sub-district, Gaoyao District, Zhaoqing, Guangdong Province, China	Chinese
Mr. Zhou Chutao (周楚濤)	Room 502, No. 22 Letong Street, Lejia Road, Baiyun District, Guangzhou, Guangdong Province, China	Chinese

Non-Executive Directors

Name	Address	Nationality
Ms. Xing Lizhe (邢麗喆)	Flat 401, 4th floor, Gate 4, Block 28, Qinan Housing Estate, Baiyunguan Street, Xicheng District, Beijing, China	Chinese

Independent non-executive Directors

Name	Address	Nationality
Ms. Chen Yixi (陳怡西)	Room 403, Building D, Hesheng Zilongfu, Yizhou Road, Haizhu District, Guangzhou, Guangdong Province, China	Chinese
Mr. Wang Chaoxi (王朝曦)	Room 2001, No. 238 Longkou West Road, Tianhe District, Guangzhou, Guangdong Province, China	Chinese
Mr. Luo Zhengtang (羅正湯)	Apt 18, 1 University Rd., Clear Water Bay, Sai Kung, Hong Kong, China	Chinese (Hong Kong)

SUPERVISORS

Name	Address	Nationality
Mr. Liu Zhoumo (劉周謨)	4th Floor, No. 20 South 2nd Street, Dexing Road, Gaoyao District, Zhaoqing, Guangdong Province, China	Chinese
Mr. Yang Tinghui (楊廷輝)	Room 202, Unit 3, Building 7, Qixia Court, Guihuacheng, Xihu District, Hangzhou, Zhejiang Province, China	Chinese
Mr. Li Jianqing (李劍清)	No. 81, 28th Street, Cuidi Chunxiao, Country Garden, Huxi 2nd Road, Nanan Sub-district, Gaoyao District, Zhaoqing, Guangdong Province, China	Chinese

For further details, see "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**China International Capital Corporation Hong Kong Securities Limited** 29/F One International Finance Centre 1 Harbour View Street Central Hong Kong
	CMB International Capital Limited 45/F, Champion Tower 3 Garden Road Central Hong Kong

[REDACTED]

[**REDACTED**]

Legal advisers to our Company

As to Hong Kong laws
Han Kun Law Offices LLP
Rooms 4301-10
43/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to the laws of mainland China
Zhong Lun Law Firm
23/F, Units 01 & 04 of 31/F, R&F Center
10 Huaxia Road, Zhujiang New Town
Tianhe District, Guangzhou
Guangdong 510623
China

Legal advisers to the Joint Sponsors and the [REDACTED]	*As to Hong Kong laws* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong
	As to the laws of mainland China **King & Wood Mallesons** 25th Floor, Guangzhou CTF Finance Centre No. 6 Zhujiang East Road, Zhujiang New Town Guangzhou, Guangdong 510623 China
Independent Auditor and Reporting Accountant	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong
Property Valuer	**Shanghai Lixin Appraisal Co., Ltd.** 8th Floor, No. 738 Shenjia Nong Road Pudong New Area Shanghai China
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square 1717 West Nanjing Road Jing'an District Shanghai China
Compliance Adviser	**Altus Capital Limited** 21 Wing Wo Street Central Hong Kong

[REDACTED]

CORPORATE INFORMATION

Headquarters	Tongpo, Butang District, Xinqiao Town Gaoyao District, Zhaoqing City Guangdong Province China
Principal Place of Business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company Website	**https://www.zqjs.cn/** *(the information contained on this website does not form part of this document)*
Joint Company Secretaries	Mr. Zhou Chutao (周楚濤先生) Room 502, No. 22 Letong Street Lejia Road, Baiyun District Guangzhou, Guangdong Province, China Ms. Ng Wai Kam (伍偉琴女士) (associate member of the Hong Kong Chartered Governance Institute) 5/F, Manulife Place 348 Kwun Tong Road Kowloon Hong Kong
Authorized Representatives	Mr. Zhou Chutao (周楚濤先生) Room 502, No. 22 Letong Street Lejia Road, Baiyun District Guangzhou, Guangdong Province, China Ms. Ng Wai Kam (伍偉琴女士) (associate member of the Hong Kong Chartered Governance Institute) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Audit Committee	Mr. Wang Chaoxi *(Chairperson)* Dr. Luo Zhengtang Dr. Chen Yixi

Remuneration Committee	Mr. Wang Chaoxi *(Chairperson)* Mr. Li Sen Dr. Chen Yixi
Nomination Committee	Dr. Chen Yixi *(Chairperson)* Mr. Li Sen Mr. Wang Chaoxi
Strategy Committee	Mr. Li Sen *(Chairperson)* Mr. Li Xin Dr. Luo Zhengtang

[**REDACTED**]

Principal Banks	**Bank of China Limited** **Zhaoqing Branch** 1 Guta Middle Road Duanzhou District, Zhaoqing Guangdong Province, China
	China CITIC Bank Co., Ltd. **Zhaoqing Branch** 1/F and 2/F stores No. 11 Commercial Building Phase 8, Nimble Plaza No. 83 District, West Side of Xin'an Road Duanzhou District, Zhaoqing Guangdong Province, China

*Certain information and statistics set out in this section and elsewhere in this document relating to the global and mainland China's retired lithium-ion battery market and lithium-ion battery recycling and reutilization solution market are derived from different official government publications and the market research report prepared by Frost & Sullivan, an independent industry consultant which was commissioned by us (the "**F&S Report**").*

No independent verification has been carried out on the official government publications and such information and statistics by us, the Joint Sponsors, [**REDACTED**] *or any other parties, excluding Frost & Sullivan, involved in the* [**REDACTED**] *or their respective directors, officers, employees, advisers, or agents, and no representation is given as to the accuracy or completeness of such information and statistics.*

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, an Independent Third Party, to conduct a study of the global and mainland China's retired lithium-ion battery market and lithium-ion battery recycling and reutilization solution market. We agreed to pay Frost & Sullivan a fee of RMB420,000 for the preparation of the F&S Report, and our Directors consider that such fee reflects market rates and are of the view that the payment of the fee does not affect the fairness of conclusions drawn in the F&S Report. Founded in 1961, Frost & Sullivan is an independent global consulting firm that conducts industry research and prepares industry report on a wide range of industries, among other services. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the F&S Report which may qualify, contradict or have an impact on the information set out in this section.

RESEARCH METHODOLOGY

During the preparation of the F&S Report, Frost & Sullivan conducted primary research that involved discussing the status of the industry with leading industry participants and industry experts, as well as secondary research that involved reviewing company reports, independent research reports and Frost & Sullivan's own database.

BASIS AND ASSUMPTION

The F&S Report was compiled based on the following assumptions: (i) global economy is likely to maintain steady growth in the next decade; (ii) global social, economic, and political environment is likely to remain stable in the forecast period; (iii) market drivers like favorable policies and regulations, surge in supply of retired lithium-ion batteries, effectively relieve the shortage of raw materials supply, among others.

GLOBAL AND MAINLAND CHINA'S RETIRED LITHIUM-ION BATTERY MARKET

Market Definition and Overview

Retired lithium-ion batteries refer to lithium-ion batteries that are no longer suitable for their original application due to degradation or damage. Power batteries and consumer electronics are the main sources of retired lithium-ion batteries, accounting for 59.4% and 40.4% of the global total of retired lithium-ion batteries in 2023, respectively.

Power batteries, as the core component of EVs, usually have a lifespan of about five to eight years. As the number of charge/discharge cycles increases, battery performance will gradually decline, resulting in lower range and charging efficiency. When battery performance no longer meets the vehicle's power requirements, they will be replaced or retired. Another major source of retired lithium-ion batteries is consumer electronics, such as smartphones, laptops, tablets and digital cameras. The high penetration rate and rapid update frequency of consumer electronics have resulted in a large number of retired lithium-ion batteries.

Depending on the battery material, retired lithium-ion batteries are categorized into retired LFP batteries, retired ternary lithium-ion batteries, and other types of retired lithium-ion batteries.

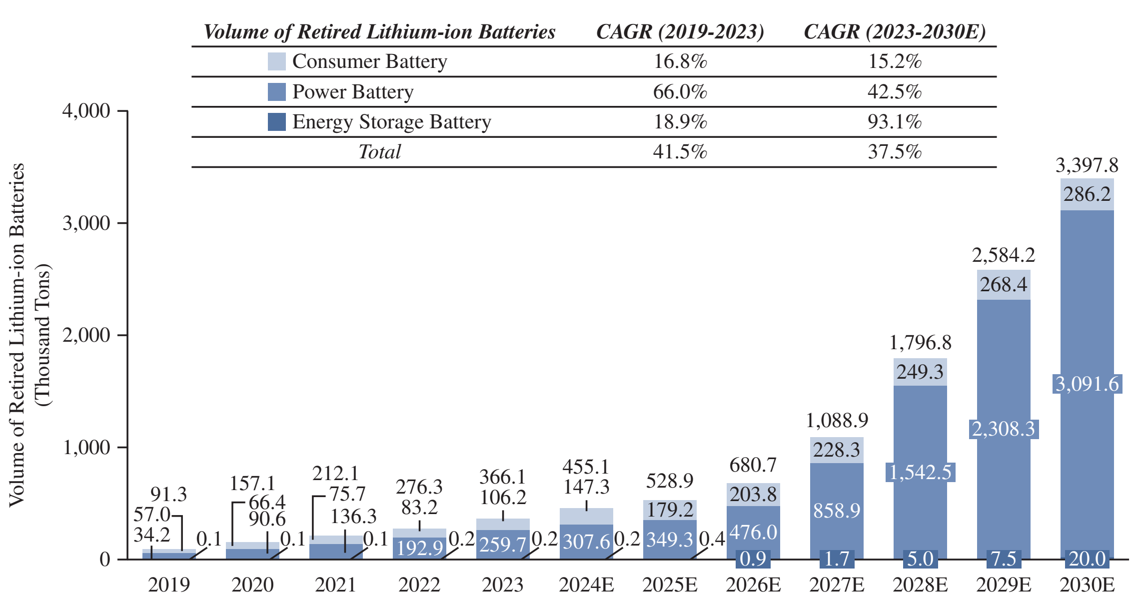
Recycling Channels of Global and Mainland China's Retired Lithium-ion Batteries

Retired lithium-ion batteries are typically collected and initially sorted at retired battery recycling sites and then transported to battery recycling and processing facilities. Lithium-ion battery recycling and reutilization solution providers recycle or reuse retired batteries based on battery type, battery performance and downstream demand. The main suppliers of retired lithium-ion batteries include lithium-ion battery manufacturers, EV manufacturers and dedicated lithium-ion battery recycling companies that collect retired batteries and battery scrap materials from various sources.

Lithium-ion battery manufacturers provide consumers with convenient battery recycling services through their extensive sales networks and after-sales service systems. They usually set up recycling points throughout the country to facilitate the collection of retired batteries. EV manufacturers typically collect retired lithium-ion batteries through their own sales and service networks, including authorized stores, service centers, and collection points established in partnership with other recycling companies. EV manufacturers utilize these channels to provide consumers with convenient battery replacement and recycling services. Dedicated lithium-ion battery recycling companies have formed a stable and large supply of retired lithium-ion batteries by establishing an extensive recycling service network, including setting up recycling points in major cities and cooperating with retailers to provide recycling services.

Market Size of Mainland China's Retired Lithium-ion Batteries

Volume of Retired Lithium-ion Batteries by Sources in Mainland China, 2019-2030E



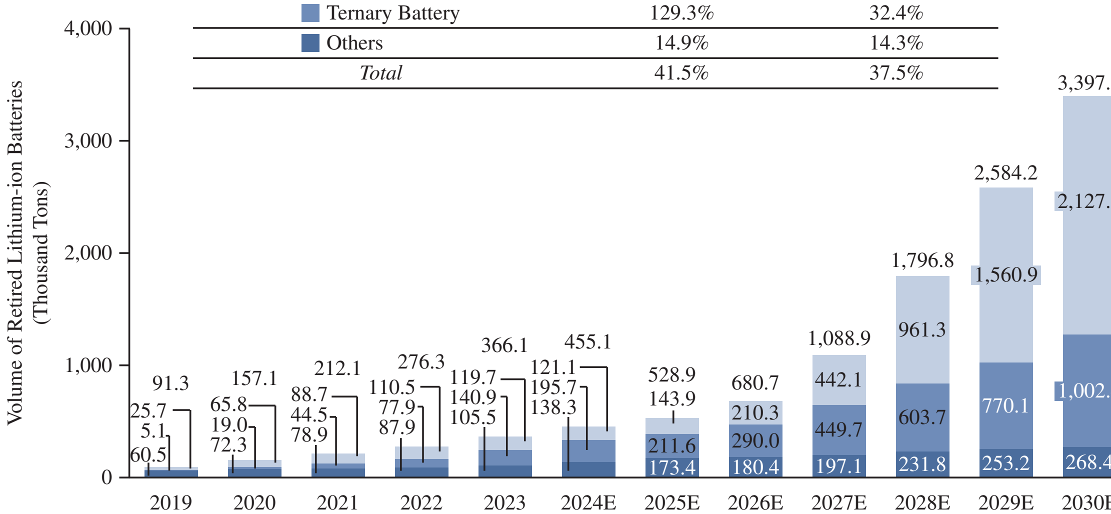
Source: Frost & Sullivan analysis

In recent years, with the rapid development of mainland China's EV industry and the accelerated replacement of consumer electronics products, the supply of retired lithium-ion batteries has grown significantly. In mainland China, the total amount of retired lithium-ion batteries increased from 91,300 tons in 2019 to 366,100 tons in 2023, with a CAGR of 41.5%. Specifically, the volume of retired consumer batteries increased from 57,000 tons in 2019 to 106,200 tons in 2023, with a CAGR of 16.8%, and the volume of retired power batteries increased from 34,200 tons in 2019 to 259,700 tons in 2023, with a CAGR of 66.0%.

The total amount of retired lithium-ion batteries in mainland China is expected to reach 3.4 million tons by 2030, with a CAGR of 37.5% from 2023 to 2030. Among the retired lithium-ion batteries, the volume of retired consumer batteries, power batteries and energy storage batteries is expected to reach 286,200 tons, 3.1 million tons and 20,000 tons, respectively, with a CAGR of 15.2%, 42.5% and 93.1% from 2023 to 2030, respectively.

Volume of Retired Lithium-ion Batteries by Types in Mainland China, 2019-2030E

Volume of Retired Lithium-ion Batteries	*CAGR (2019-2023)*	*CAGR (2023-2030E)*
LFP Battery	46.9%	50.8%
Ternary Battery	129.3%	32.4%
Others	14.9%	14.3%
Total	41.5%	37.5%



Source: Frost & Sullivan analysis

The volume of retired LFP batteries increased from 25,700 tons in 2019 to 119,700 tons in 2023, at a CAGR of 46.9%. The volume of retired ternary batteries increased from 5,100 tons in 2019 to 140,900 tons in 2023, with a CAGR of 129.3%. With the rapid development of EVs and energy storage, the volume of retired LFP batteries, ternary batteries and other types of batteries is expected to reach 2.1 million tons, 1.0 million tons and 0.3 million tons, with CAGRs of 50.8%, 32.4% and 14.3% from 2023 to 2030, respectively.

GLOBAL AND MAINLAND CHINA'S LITHIUM-ION BATTERY RECYCLING AND UTILIZATION SOLUTION MARKET

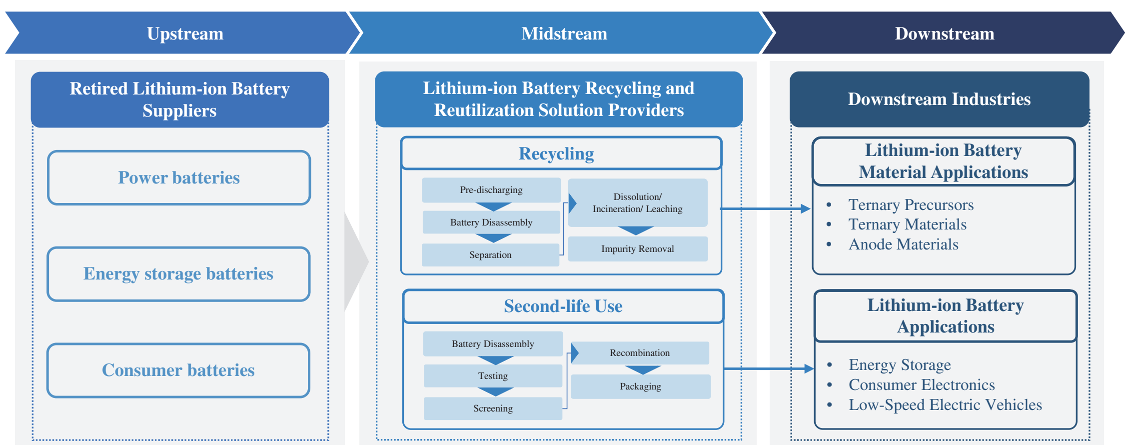
Market Definition and Overview

Lithium-ion battery recycling and reutilization solution refer to the process of recovering, dismantling and extracting valuable metals and materials from lithium-ion batteries at the end of their life cycle. These solutions are designed to maximize the recycling and reutilization of valuable materials in batteries, reduce negative environmental impacts, and achieve the goals of resource reuse and environmental protection. Lithium-ion battery recycling and reutilization solution can be categorized into recycling solutions and second-life-use solutions.

- *Recycling solutions*: This refers to the dismantling and material recovery of retired lithium-ion batteries, and then using the recovered materials to produce new batteries or battery materials. The process involves physical dismantling and chemical extraction to recover valuable materials from the battery, such as lithium, nickel, cobalt and manganese. These materials can then be used to manufacture new batteries, creating a closed-loop supply chain. Recycling can reduce dependence on newly mined resources and the overall environmental impact of battery production.

- *Second-life-use solutions*: This refers to the use of retired lithium-ion batteries in applications that are less demanding than the original application. For example, batteries retired from EVs may still have sufficient capacity and life to be used in energy storage systems, low-speed EVs, or other applications that are less likely to require high power and energy density. This type of reutilization can extend the life of the battery while reducing the need for new batteries, making it a cost-effective way to utilize resources.

Value Chain of Lithium-ion Battery Recycling and Reutilization Solution



The value chain of the lithium battery recycling and reutilization solution market consists of the following three major segments:

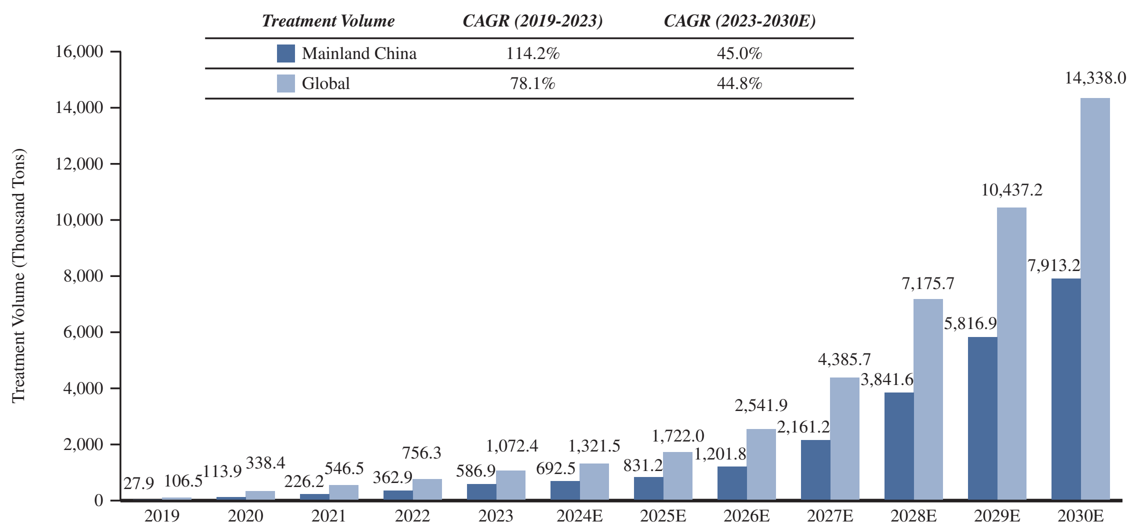
- *Upstream suppliers of retired lithium-ion batteries:* These suppliers mainly provide retired lithium-ion batteries. They include lithium-ion battery manufacturers, EV manufacturers and dedicated lithium-ion battery recycling companies. These suppliers are responsible for the collection and initial sorting of retired lithium-ion batteries, which are then transported to midstream recyclers and processors.

- *Midstream providers of lithium-ion battery recycling and reutilization solution:* Theses solutions providers are responsible for the recycling and treatment of retired lithium-ion batteries. They extract lithium-ion cells, lithium-ion battery components, valuable metals and other materials from retired batteries through recycling solutions and second-life-use solutions. These solutions providers typically have advanced technology and equipment to efficiently dismantle batteries, safely separate hazardous substances, and recover valuable materials.

- *Downstream industries applicants*: Downstream applicants include industries that use recycled lithium-ion batteries or recycled lithium-ion battery materials. Lithium-ion battery materials recycled with regeneration reutilization method are typically used by lithium-ion battery material manufacturers to produce ternary precursors, ternary materials, anode materials and other products. Lithium-ion batteries recycled through second-life-use solutions are typically used in application scenarios such as energy storage, consumer electronics, and low-speed EVs.

Market Size of Global and Mainland China's Lithium-ion Battery Recycling and Reutilization Solution

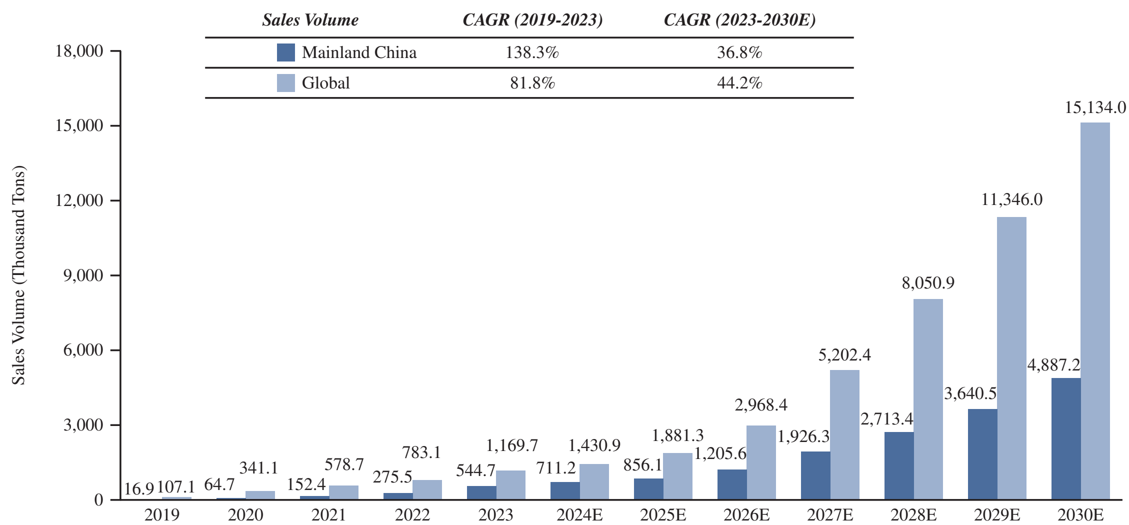
Treatment Volume of Lithium-ion Battery Recycling and Reutilization Solution Market (Global and Mainland China), 2019-2030E



Source: Frost & Sullivan analysis

From 2019 to 2023, global treatment volume increased from 106,500 tons to 1.1 million tons, with a CAGR of 78.1%. During the same period, mainland China's treatment volume increased from 27,900 tons to 586,900 tons, representing a CAGR of 114.2%. Due to the surge in supply of retired lithium-ion batteries, global treatment volume is expected to reach 14.3 million tons by 2030, growing at a CAGR of 44.8% from 2023 to 2030. Meanwhile, mainland China's a treatment volume is expected to reach 7.9 million tons by 2030, growing at a CAGR of 45.0% from 2023 to 2030.

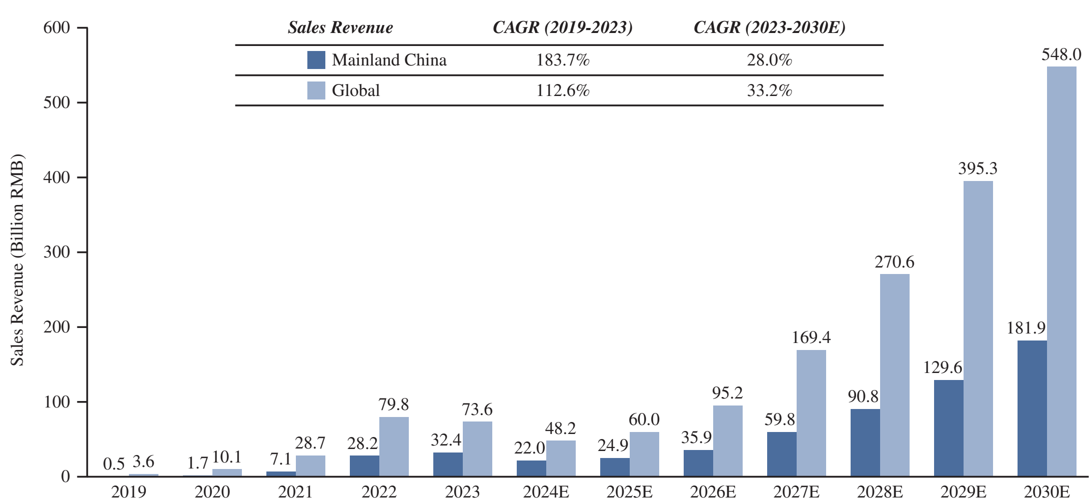
Sales Volume of Recycled Materials of Lithium-ion Battery Recycling and Reutilization Solution Market (Global and Mainland China), 2019-2030E



Source: Wood Mackenzie; Shanghai Metals Market; F&S analysis

Global sales volume of recycled materials increased from 107,100 tons in 2019 to 1.2 million tons in 2023, at a CAGR 81.8%. During the same period, the sales volume of recycled materials in mainland China increased from 16,900 tons in 2019 to 544,700 tons in 2023, at a CAGR of 138.3%. Global sales volume of recycled materials is expected to reach 15.1 million tons by 2030, growing at a CAGR of 44.2% from 2023 to 2030. Meanwhile, sales volume of recycled materials in mainland China is expected to reach 4.9 million tons by 2030, growing at a CAGR of 36.8% from 2023 to 2030.

Sales Revenue of Recycled Material of Lithium-ion Battery Recycling and Reutilization Solution Market (Global and Mainland China), 2019-2030E



Source: Wood Mackenzie; Shanghai Metals Market; F&S analysis

From 2019 to 2023, global sales revenue of recycled materials increased from RMB3.6 billion to RMB73.6 billion, at a CAGR of 112.6%. During the same period, the sales revenue of recycled materials in mainland China increased from RMB0.5 billion to RMB32.4 billion, at a CAGR of 183.7%. With the growth in sales volume of recycled materials, global sales revenue is projected to reach RMB548.0 billion by 2030, growing at a CAGR of 33.2% from 2023 to 2030. Meanwhile, the sales revenue of recycled materials in mainland China is expected to reach RMB181.9 billion by 2030, growing at a CAGR of 28.0% from 2023 to 2030.

Market Drivers of Global and Mainland China's Lithium-ion Battery Recycling and Reutilization Solution

Surge in supply of retired lithium-ion batteries: Lithium-ion batteries are used in a variety of fast-growing industries, such as EVs, energy storage and consumer electronics. The electrochemical performance of a lithium-ion battery deteriorates when the remaining life of the battery is reduced to less than 80%. Such battery needs to be recycled when it is unable to meet the relevant power requirements. As the life of lithium-ion batteries shortens and the need for battery replacement emerges, the volume of retired lithium-ion batteries flowing into the recycling and reutilization solution market significantly increases. The volume of retired lithium-ion batteries globally and in mainland China had grown at a CAGR of 38.6% and 41.5%, respectively, from 2019 to 2023, and is projected to grow at a CAGR of 35.7% and 37.5%, respectively, from 2023 to 2030. The surge in the supply of retired lithium-ion batteries has spurred high demand for battery recycling and reutilization solution.

Effectively relieve the shortage of raw materials supply: The rapid development of downstream industries such as EVs has intensified demand for lithium-ion batteries and their key metals (including lithium, nickel and cobalt), resulting in a shortage of mineral resources. By 2030, the global demand for lithium, nickel and cobalt is expected to reach 531 thousand tons, 4,754 thousand tons and 344 thousand tons, respectively, while the supply shortfall of lithium, nickel and cobalt is expected to reach 81 thousand tons, 450 thousand tons and 18 thousand tons, respectively. Recycling valuable metals from retired batteries helps meet this growing demand while reducing reliance on foreign raw material imports and effectively alleviating supply shortages.

Favorable policies and regulations: Governments globally are actively promoting comprehensive policies and regulations to support the development of the lithium-ion battery recycling and reutilization solution market. In mainland China, the regulatory framework encompasses both environmental protection and industry standardization. MIIT issued the "Specification Conditions for Lithium-ion Battery Industry (2024 Edition)" (鋰離子電池行業規範條件(2024年本)), promoting recycling design and lifecycle management, while the State Council issued the "Opinions on Accelerating the Construction of a Waste Recycling System" (關於加快構建廢棄物循環利用體系的意見) in 2024, proposing to strengthen the recycling of retired power batteries. In addition, the MIIT issued the "Industry Specification Conditions for Comprehensive Utilization of Retired Power Batteries for New Energy Vehicles (2024 Edition)" (新能源汽車廢舊動力電池綜合利用行業規範條件(2024年本)), proposing to actively develop the R&D and application of recycling technologies and improve traceability management systems. Internationally, the European Union has also released the Battery Regulation in 2022, which proposes to promote high-level recycling of retired battery materials.

Future Opportunities and Challenges of Global and Mainland China's Lithium-ion Battery Recycling and Reutilization Solutions

Increasing market concentration: Due to limited coverage of professional lithium-ion battery recycling network, there are many small-scale recycling enterprises that lack advanced recycling equipment and mature recycling processes. These participants usually merely recover the most valuable battery components and discard the rest, which has a significant impact on the reutilization rate of retired lithium-ion batteries and may result in environmental pollution. As regulatory and environmental standards tighten and profitability pressures increase, the market is expected to consolidate toward more professional operators with comprehensive recycling capabilities such as our Group. Moreover, third-party solution providers with comprehensive recycling capabilities for both ternary and LFP batteries can effectively integrate diversified recycling channels and consolidate the resources from those small-scale players that cannot fully reutilize retired lithium-ion batteries, further accelerating the market consolidation.

Growing downstream demand facilitates expanding business layout: The rapid development of the EV industry has driven widespread adoption of lithium-ion batteries, significantly increasing demand for lithium-ion batteries. With their access to recycled raw materials (including lithium, nickel and cobalt), lithium-ion battery recycling and reutilization solution providers are well positioned to expand into manufacturing ternary precursors, lithium iron phosphate cathode materials, anode materials and other lithium-ion battery materials, further capitalizing on additional business opportunities arising from the rapid development of lithium-ion power batteries industry.

Technological advancements: Emerging automated equipment and digital technologies present significant opportunities to transform recycling operations. These advancements enable better process control, higher material recovery rates, and lower production costs. As leading solution providers continue to innovate recycling technologies and optimize processes, the increasing penetration of automation and digitalization is expected to drive improvements in operational efficiency, environmental performance and cost competitiveness.

Diversification of Recycling Channels: Leading solution providers are establishing diversified collection channels by leveraging their industry advantages. These include partnering with battery manufacturers' after-sales service networks, collaborating with EV manufacturers' authorized service centers and charging stations, and building proprietary recycling networks. The expansion of these recycling networks enables solution providers to secure stable battery supply while offering efficient and convenient recycling services across the value chain.

Entry Barriers of Global and Mainland China's Lithium-ion Battery Recycling and Reutilization Solution

Technology barrier: Wet recycling, the industry's mainstream technology, offers high recovery rate and low energy consumption. However, the process requires sophisticated technical expertise to manage corrosive chemicals safely and meet environmental requirements, whilst strong technical capabilities are required to achieve the recovery of all valuable materials from retired lithium-ion batteries, and reutilization of both battery cathodes and anodes. Further, with the continuous upgrading of battery materials and battery pack structures, established players have been dedicated to improving recycling processes and positioning themselves at the forefront of industry advancement with continuous investment in R&D, presenting a significant barrier for new market participants.

Customer barrier: Established players enjoy strong reputations and long-term strategic relationships with downstream customers. New entrants face significant challenges in building similar customer relationships and securing market share against these established partnerships.

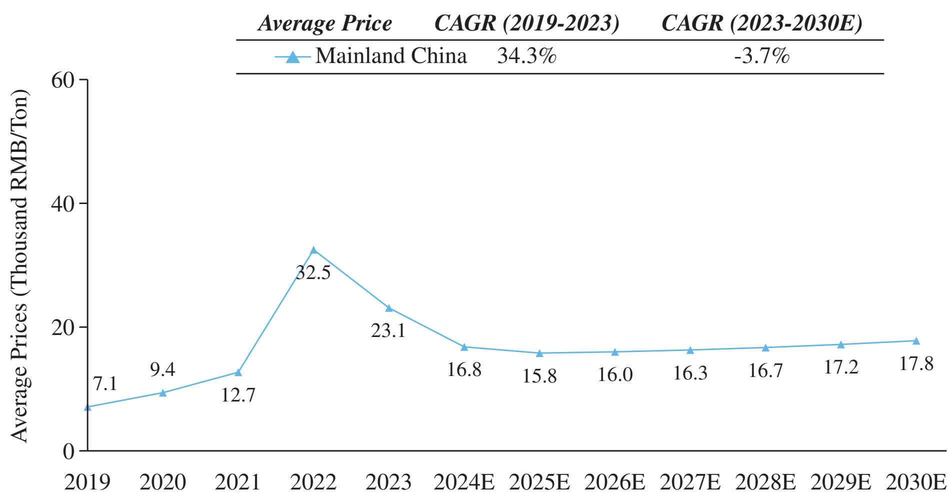
Channel barrier: As the current recycling volume of retired lithium-ion batteries in mainland China is less than the total recycling capacity of all market participants, establishing stable and sufficient recycling channels has become one of the important factors to success. Leading players have secured partnerships with key suppliers such as EV manufacturers, lithium-ion battery manufacturers and retired vehicle dismantlers, making it difficult for new entrants to establish comparable supply networks in the short term.

Qualification barrier: The PRC government has issued the Industry Normative Conditions for the Comprehensive Reutilization of Retired Power Batteries for New Energy Vehicles (新能源汽車廢舊動力蓄電池綜合利用行業規範條件) since 2019, established a whitelist system, and certified and cultivated a number of backbone enterprises for lithium-ion battery recycling in order to improve industry standardization. While not mandatory and the application acceptance for the 2024 whitelist is currently suspended, being on this whitelist still significantly influences partnerships with lithium-ion batteries, lithium-ion battery manufacturers and EV manufacturers, creating a substantial barrier for new entrants.

Capital barrier: The lithium-ion battery recycling and reutilization solution industry is a capital-intensive industry. Obtaining retired batteries, configuring production equipment, and research and development processes all require significant capital investment. Leading market players with strong financial background can better capitalize on market opportunities in a fast-growing industry while new entrants face significant challenges in funding substantial up-front capital investment.

Average Prices of Retired Lithium-ion Batteries

Average Price of Retired Lithium-ion Batteries Excluding VAT (Mainland China), 2019-2030E

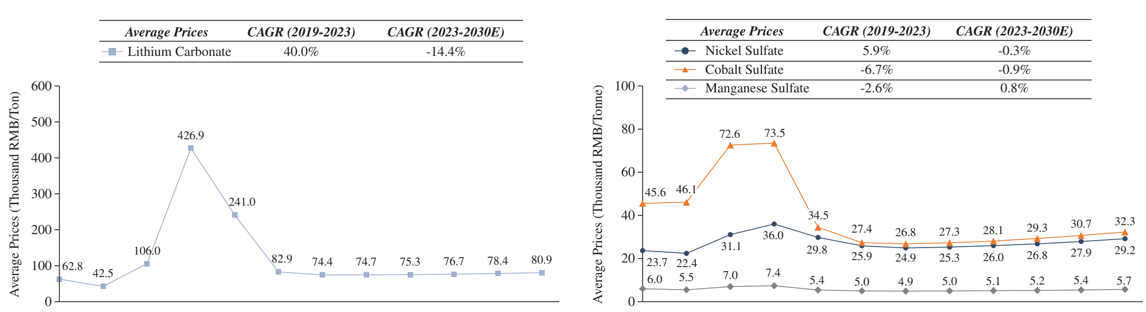


Source: Shanghai Metals Market, Frost & Sullivan analysis

The average price of retired lithium-ion batteries in mainland China increased from RMB7.1 thousand per ton to RMB23.1 thousand per ton, with a CAGR of 34.3%. In addition to market demand and battery prices, the price fluctuations of metal raw materials such as lithium, cobalt and nickel in lithium-ion batteries have directly impacted the average price of retired lithium-ion batteries, leading to an increase in the average price of retired lithium-ion batteries in mainland China by 35.1% and 155.9% in 2021 and 2022, respectively. In the future, the average price of retired lithium-ion batteries in mainland China is expected to reach RMB17.8 thousand per ton in 2030, with a CAGR of -3.7% from 2023 to 2030.

Average Prices of Recycled Materials in the Lithium-ion Battery Recycling and Reutilization Solution Market in Mainland China

Average Prices of Recycled Materials Excluding VAT in Lithium-ion Battery Recycling and Reutilization Solution Market (Mainland China), 2019-2030E



Source: Shanghai Metals Market, Frost & Sullivan analysis

The price of lithium carbonate experienced significant growth between 2020 to 2022, increasing from RMB42.5 thousand per ton to RMB426.9 thousand per ton. This was mainly attributable to the surge in downstream demands from electric vehicle industry and photovoltaic industry, and the insufficient supply of lithium ore leading to a significant increase in the average price of lithium carbonate in mainland China in 2022. Subsequently, the average price of lithium carbonate in mainland China experienced an unprecedented decrease to RMB241.0 thousand per ton in 2023 and is expected to average at RMB82.9 thousand per ton for 2024 mainly due to the increased supply of lithium carbonate. Going forward, the average price of lithium carbonate in mainland China is expected to experience modest increase from RMB74.4 thousand per ton to RMB80.9 thousand per ton from 2025 to 2030.

In mainland China, the average prices of nickel sulfate, cobalt sulfate and manganese sulfate reached RMB29.8 thousand per ton, RMB34.5 thousand per ton and RMB5.4 thousand per ton in 2023, respectively. From 2019 to 2023, the average prices of nickel sulfate, cobalt sulfate and manganese sulfate in mainland China grew at a CAGR of 5.9%, -6.7% and -2.6%, respectively. In the future, the average prices of nickel sulfate, cobalt sulfate and manganese sulfate in mainland China are expected to reach RMB29.2 thousand per ton, RMB32.3 thousand per ton and RMB5.7 thousand per ton in 2030, with a CAGR of -0.3%, -0.9% and 0.8% from 2023 to 2030, respectively.

Competitive Landscape of Global and Mainland China's Lithium-ion Battery Recycling and Reutilization Solutions

Depending on whether they have their own sources of retired lithium-ion batteries, lithium-ion battery recycling and reutilization solution providers in mainland China can be generally categorized into (i) lithium-ion battery manufacturers and EV manufacturers or their subsidiaries, who have their own channels to obtain retired batteries; and (ii) third-party solution providers, who are required to set up lithium-ion battery recycling networks and procure retired batteries from upstream suppliers.

Ranking and market share of global lithium-ion battery recycling and reutilization solution providers in terms of sales revenue of recycled materials in 2023

Ranking	Company	Type of Provider	Sales Revenue of Recycled Materials in 2023 (RMB Billion)	Market Share (%)
1	Company A	Subsidiary of Lithium-ion Battery Manufacturer	8.5	11.5%
2	**Our Group**	**Third-party Solution Provider**	**2.8**	**3.8%**
3	Company B	Third-party Solution Provider	1.7	2.3%
4	Company C	Third-party Solution Provider	1.2	1.6%
5	Company D	Third-party Solution Provider	1.2	1.6%
Top 5			15.4	20.8%

Source: Annual Reports; F&S analysis

Notes:

Company A is a company established in 2005, headquartered in Guangdong Province and engaging in the business segments of recycling, resources and materials, and is a subsidiary of a globally leading lithium-ion battery manufacturer.

Company B is a company established in 2017, headquartered in the United States and engaging in recycling lithium-ion batteries and producing battery materials for electromobility and electrical storage systems.

Company C is a company established in 2015, headquartered in the United States and is an independent manufacturer of advanced battery materials using valuable elements reclaimed from retired lithium batteries.

Company D is a company established in 2019, headquartered in Jiangxi Province and specializing in the recycling and reutilization of retired lithium batteries as well as the research and development, production, sales, and processing of lithium-ion battery materials.

The global lithium-ion battery recycling and reutilization solution market for recycled materials reached a sales revenue of RMB73.6 billion in 2023. In terms of sales revenue of recycled materials in 2023, the top five global lithium-ion battery recycling and reutilization solution providers accounted for approximately 20.8%, of which Our Group ranked second with a market share of approximately 3.8% and ranked first among third-party solution providers.

Ranking and market share of global lithium-ion battery recycling and reutilization solution providers in terms of sales volume of recycled materials in 2023

Ranking	Company	Type of Provider	Sales Volume of Recycled Materials in 2023 (Thousand Tons)	Market Share (%)
1	Company A	Subsidiary of Lithium-ion Battery Manufacturer	167.4	14.3%
2	**Our Group**	**Third-party Solution Provider**	**58.1**	**5.0%**
3	Company B	Third-party Solution Provider	23.9	2.0%
4	Company E	Third-party Solution Provider	23.4	2.0%
5	Company C	Third-party Solution Provider	18.6	1.6%
Top 5			291.4	24.9%

Source: Annual Reports; F&S analysis

Note: Company E is a listed company established in 2002, headquartered in Zhejiang Province and engaging in the R&D and manufacturing of new energy lithium-ion battery materials and cobalt materials.

The global sales volume of recycled materials in lithium-ion battery recycling and reutilization solution market reached approximately 1,169.7 thousand tons in 2023. In terms of sales volume of recycled materials in 2023, the top five global lithium-ion battery recycling and reutilization solution providers accounted for approximately 24.9%, of which our Group ranked second with a market share of approximately 5.0%.

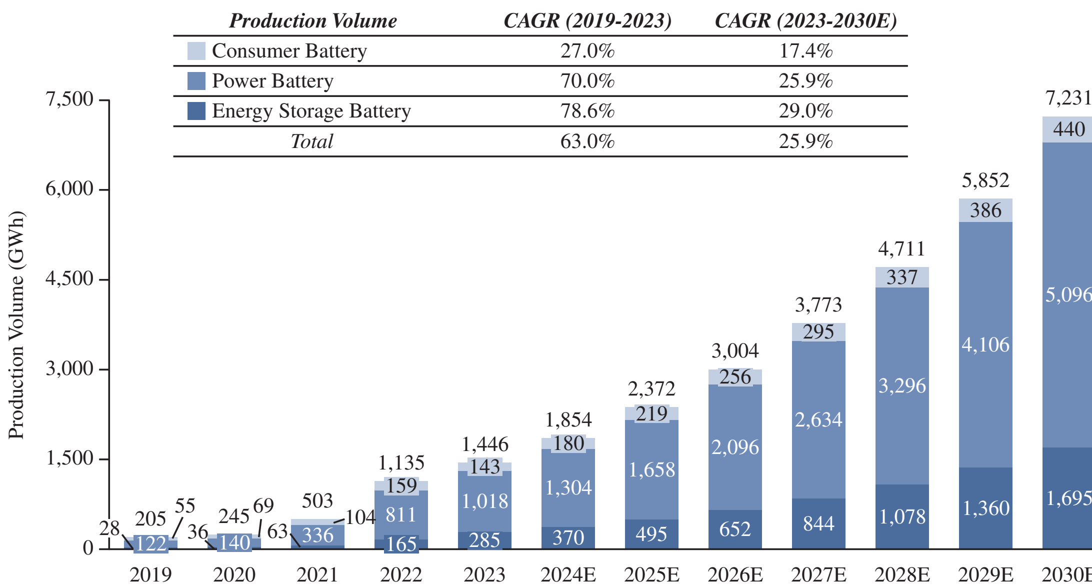
DOWNSTREAM INDUSTRIES OF LITHIUM-ION BATTERY RECYCLING AND REUTILIZATION SOLUTIONS MARKET

Overview of Downstream Industries

The major downstream industries of the lithium-ion battery recycling and reutilization solution market include the lithium-ion battery industry and lithium-ion material industry. The major downstream applications of the lithium-ion battery industry include EVs, low-speed EVs and others. The major applications in the lithium-ion battery materials industry involve ternary precursors, cathode materials, anode materials, and others.

Market Size of Downstream Industries

Production Volume of Lithium-ion Batteries (Global), 2019-2030E

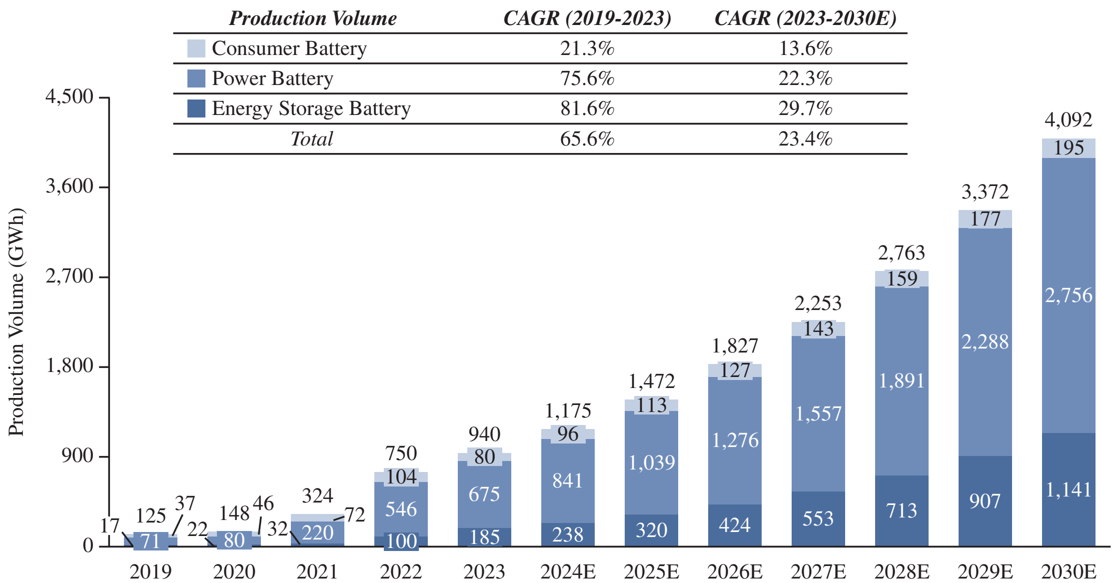


Source: F&S analysis

With the growth of EVs and energy storage industry, the global production of lithium-ion batteries increased from 205 GWh in 2019 to 1,446 GWh in 2023, at a CAGR of 63.0%. Among such lithium-ion batteries, the global production of consumer batteries increased from 55 GWh in 2019 to 143 GWh in 2023, at a CAGR of 27.0%; the global production of power batteries increased from 122 GWh in 2019 to 1,018 GWh in 2023, at a CAGR of 70.0%; and the global production of energy storage batteries increased from 28 GWh in 2019 to 285 GWh in 2023, at a CAGR of 78.6%.

With the growth in downstream demand, global production of lithium-ion batteries is projected to reach 7,231 GWh by 2030, growing at a CAGR of 25.9% from 2023 to 2030. Global production of consumer batteries, power batteries, and energy storage batteries is projected to reach 440 GWh, 5,096 GWh, and 1,695 GWh, respectively, by 2030, growing at a CAGR of 17.4%, 25.9%, and 29.0%, respectively, from 2023 to 2030.

Production Volume of Lithium-ion Batteries (Mainland China), 2019-2030E



Source: MIIT; F&S analysis

In line with the growing demand in the downstream industries, the production volume of lithium-ion batteries in mainland China increased from 125 GWh in 2019 to 940 GWh in 2023, at a CAGR of 65.6%. Among such lithium-ion batteries, the production of consumer batteries increased from 37 GWh in 2019 to 80 GWh in 2023, at a CAGR of 21.3%; the production of power batteries increased from 71 GWh in 2019 to 675 GWh in 2023, at a CAGR of 75.6%; and the production of energy storage batteries increased from 17 GWh in 2019 to 185 GWh in 2023, at a CAGR of 81.6%.

Mainland China's lithium-ion battery production is expected to reach 4,092 GWh by 2030, at a CAGR of 23.4% from 2023 to 2030, due to policy support and growing downstream demand. Mainland China's production of consumer batteries, power batteries and energy storage batteries is expected to reach 195 GWh, 2,756 GWh and 1,141 GWh, respectively, by 2030, growing at a CAGR of 13.6%, 22.3% and 29.7%, respectively, from 2023 to 2030.

Future Opportunities of Downstream Industries

Increasingly robust downstream demands: Recycled materials are mainly used in fast-growing industries such as EVs. Global and mainland China's production of EVs is expected to reach 72.7 million and 29.5 million units by 2030, with a CAGR of 26.3% and 18.3% from 2023 to 2030, respectively. This industry growth will generate more battery retired, thereby stimulating demand for lithium-ion battery recycling and reutilization solution. In addition, the growth of these industries is leading to increasing demand for lithium-ion batteries and their raw materials, resulting in a shortage of mineral resources. By 2030, the global demand for lithium, nickel and cobalt is expected to reach 531 thousand tons, 4,754 thousand tons and 344 thousand tons, respectively, while the supply shortfall of lithium, nickel and cobalt is expected to reach 81 thousand tons, 450 thousand tons and 18 thousand tons, respectively.

Cost reduction drives downstream demands: As lithium-ion battery recycling and reutilization solution gradually penetrate the lithium-ion battery industry, the production costs of lithium-ion batteries, lithium-ion battery materials, and EVs are expected to decline. Specifically, in the production of raw materials for lithium-ion batteries, the lithium-ion battery recycling and reutilization solution market offers significant cost advantages over traditional ore mining, reducing production costs by more than 20%. This cost advantage makes recycled materials more attractive to downstream industries creating a positive feedback loop that should further drive market growth.

OVERVIEW

Our business in the PRC is subject to extensive supervision and regulatory control by the PRC government. This section sets out a summary of the principal relevant laws, regulations, rules and policies that may have a material impact on our business.

MAJOR REGULATORY AUTHORITIES

The major regulatory authorities for our business in the PRC include the State Administration for Market Regulation (the "**SAMR**") (formerly known as the State Administration for Industry and Commerce, the "**SAIC**"), the National Development and Reform Commission (the "**NDRC**"), the Ministry of Industry and Information Technology (the "**MIIT**"), the Ministry of Ecology and Environment (the "**MEE**", formerly known as the Ministry of Environmental Protection, the "**MEP**"), the Ministry of Emergency Management (the "**MEM**") and others.

The SAMR is the competent authority responsible for the supervision and management of product quality and safety, market order and comprehensive market regulation. It drafts relevant laws and regulations on market supervision and administration, formulates relevant rules, policies and standards, standardizes and maintains market order, and fosters a market environment of honesty, trustworthiness and fair competition.

The NDRC is mainly responsible for formulating and organizing the implementation of strategies, medium- and long-term plans and annual plans for national economic and social development; proposing overall objectives, major tasks and relevant policies for accelerating the construction of a modern economic system and promoting high-quality development; coordinating and proposing major goals for national economic and social development; monitoring, forecasting and warning macroeconomic and social development trends; and putting forward macroeconomic regulation and control policy recommendations.

The MIIT is mainly responsible for researching and proposing industrial development strategies, formulating industrial sector plans and industrial policies and organizing their implementation; guiding the formulation of technical regulations and industrial standards for the industrial sector; and approving and verifying fixed asset investment projects in the fields of industry, telecommunications and informatization within the scope of national plans and annual plan scales according to the authority prescribed by the State Council.

The MEE is mainly responsible for the overall coordination, supervision and management of major ecological and environmental issues; overseeing the implementation of national emission reduction targets; proposing the scale and direction of fixed asset investment in the ecological and environmental field, as well as opinions on the allocation of national fiscal funds; approving and verifying fixed asset investment projects within the scope of national plans and annual plan scales according to the authority prescribed by the State Council; and coordinating with relevant departments to organize, implement and supervise relevant work.

The MEM is mainly responsible for organizing the development of the overall national emergency response plans and programs, guiding various regions and departments in their responses to emergencies, and promoting the construction of emergency response plan system and the practice of emergency drills; establishing a disaster reporting system and uniformly releasing disaster information, coordinating the construction of emergency response capabilities and material reserves, and uniformly dispatching them during disaster relief, organizing the construction of a disaster relief system, guiding emergency rescue operations for work safety and natural disasters, and undertaking the role of the national command center for responding to particularly major disasters; and taking charge of comprehensive supervision and management of work safety, as well as supervision and management of work safety in the industrial, mining, commercial and trade sectors.

LAWS AND REGULATIONS RELATING TO RECYCLING AND UTILIZATION OF POWER STORAGE BATTERIES FOR NEW ENERGY VEHICLES

Cleaner Production Promotion Law of the PRC

Pursuant to the Cleaner Production Promotion Law of the PRC (《中華人民共和國清潔生產促進法》) promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on June 29, 2002, and subsequently amended on February 29, 2012 and implemented from July 1, 2012, the State encourages and promotes cleaner production. Under any of the following circumstances, enterprises shall be subject to compulsory cleaner production examination: (1) discharge pollutants beyond the national or local discharge limits or, though under the national or local discharge limits, beyond the total volume control indicators for discharge of major pollutants; (2) exceed the limit for energy consumption per unit of products, which constitutes high energy consumption; (3) use toxic or harmful raw materials for production or discharge toxic or harmful substances during production. Where economic and technological conditions permit, enterprises shall independently recycle the waste, waste heat, and other waste generated in their production and provision of services or transfer such waste to other qualified enterprises and individuals for recycling.

Circular Economy Promotion Law of the PRC

According to the Circular Economy Promotion Law of the PRC (《中華人民共和國循環經濟促進法》) promulgated by the SCNPC on August 29, 2008, and subsequently amended and implemented on October 26, 2018, the State encourages and promotes the construction of a waste recycling system. It also encourages enterprises in various industrial parks to engage in waste exchange and utilization and second-life energy use. The dismantling or recycling of specific products such as waste electrical and electronic products, end-of-life motor vehicles and vessels, waste tires, and waste lead-acid batteries, should comply with the provisions of relevant laws and administrative regulations.

Interim Measures for the Management of Recycling and Utilization of Power Storage Batteries for New Energy Vehicles

According to the Interim Measures for the Management of Recycling and Utilization of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池回收利用管理暫行辦法》) issued by the MIIT, the Ministry of Science and Technology (MST), the former MEP, the Ministry of Transport, the MOFCOM, the former General Administration of Quality Supervision, Inspection and Quarantine, and the National Energy Administration on January 26, 2018, power storage battery manufacturers should adopt standardized, universal and easily disassemble product structure designs, negotiate the opening of power storage battery control system interfaces and communication protocols and other relevant information that facilitates recycling and utilization, and design the fixed components of power storage batteries to be detachable and easy to recycle and utilize. Battery manufacturers are encouraged to cooperate with comprehensive utilization enterprises. Under the premise of ensuring safety and controllability, they should carry out multi-level and multi-purpose rational utilization of waste power batteries in accordance with the principle of second-life use before recycling, with the aim to reduce comprehensive energy consumption, improve energy utilization efficiency, enhance the level of comprehensive utilization and economic benefits, and ensure the environmentally friendly disposal of non-utilizable residues. Recycling enterprises should adhere to relevant national policies, standards and other requirements, and conduct dismantling in accordance with the dismantling technical information provided by automobile manufacturers for recycling purposes. For other non-utilizable residues resulting from the recycling of waste power batteries, they should be disposed of in an environmentally friendly and harmless manner in accordance with relevant national environmental protection laws, policies, standards and other regulations.

Interim Provisions on the Traceability Management of Recycling and Utilization of Power Storage Batteries for New Energy Vehicles

The MIIT promulgated the Interim Provisions on the Traceability Management of Recycling and Utilization of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池回收利用溯源管理暫行規定》) on July 2, 2018, which came into effect on August 1, 2018. According to the relevant requirements, battery manufacturers and second-life utilization enterprises should apply for manufacturer codes and file coding rules and encode and label their own power batteries produced or the second-life battery products. Second-life utilization enterprises should upload information to the Integrated Management Platform for National Monitoring of New Energy Vehicles and Traceability of Power Battery Recycling and Utilization within 15 working days after the dispatch of second-life battery products from the warehouse. For waste power batteries generated during the production, testing, and use of second-life batteries, information should be uploaded within 15 working days after they are collected into the warehouse and transferred out of the warehouse. Recycling enterprises should upload information within 30 working days after receiving the waste power batteries into the warehouse, and also within 30 working days after the completion of recycling and final disposal. Automobile manufacturers, battery manufacturers, end-of-life vehicle recycling and dismantling enterprises, and comprehensive utilization enterprises shall establish internal management systems, strengthen traceability management, and ensure the accuracy and authenticity of traceability information.

Second-life Utilization of Power Storage Batteries for New Energy Vehicles

Pursuant to the Management Measures for the Second-life Utilization of Power Storage Batteries for New Energy Vehicles (《新能源汽車動力蓄電池梯次利用管理辦法》) (the "**Second-life Utilization Management Measures**") promulgated by the MIIT, the MST, the MEE, the MOFCOM, and the SAMR on August 19, 2021, and implemented on September 18, 2021, second-life utilization enterprises should fulfill their main responsibilities in accordance with the law, follow the concept of the entire lifecycle, implement the extended producer responsibility system, and ensure the quality of their own second-life products produced and the standardized recycling and environmentally friendly disposal after the products are scrapped. The Second-life Utilization Management Measures have put forward clear requirements for second-life utilization enterprises, second-life products, recycling and utilization, as well as supervision and management matters.

Guiding Opinions of the General Office of the State Council on Accelerating the Promotion and Application of New Energy Vehicles

The General Office of the State Council issued the Guiding Opinions of the General Office of the State Council on Accelerating the Promotion and Application of New Energy Vehicles (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) on July 14, 2014, proposing to further relax market access, encourage and support social capital to enter the service areas such as the construction and operation of charging facilities for new energy vehicles, vehicle leasing, battery leasing and recycling, study and formulate policies for the recycling and utilization of power batteries, explore the use of funds, deposits, mandatory recycling and other methods to promote the recycling of waste power batteries, and establish and improve a recycling system for waste power batteries.

Requirements of the Industry Standards for the Comprehensive Utilization of Waste Power Storage Batteries of New Energy Vehicles and Interim Measures for the Administration of the Announcement of the Industry Standards for the Comprehensive Utilization of Waste Power Storage Batteries of New Energy Vehicles

According to the Requirements of the Industry Standards for the Comprehensive Utilization of Waste Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範條件》) and the Interim Measures for the Administration of the Announcement of the Industry Standards for the Comprehensive Utilization of Waste Power Storage Batteries of New Energy Vehicles (《新能源汽車廢舊動力蓄電池綜合利用行業規範公告管理暫行辦法》) promulgated by the MIIT on December 16, 2019, and implemented on the same day, enterprises shall follow the principle of second-life use before recycling to improve the comprehensive utilization according to the relevant national and industrial standards and technical information such as dismantling, disassembling and historical data of power storage batteries provided by new energy vehicle manufacturers and other manufacturers.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Protection Law of the PRC

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**") promulgated by the SCNPC on December 26, 1989, and latest amended on April 24, 2014, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection safeguards and measures to control and properly treat waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibrations, electromagnetic radiation and other hazards produced during such activities. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the MEE of the PRC and the competent environmental protection authorities of its local people's governments take charge of administering and supervising said environmental protection matters.

Pursuant to the Environmental Protection Law, the environmental impact document on any construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the document shall be submitted to the competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built, and commissioned together with the principal part of the project.

Facilities for the prevention and control of pollution shall comply with the requirements of the approved environmental impact assessment documents and shall not be dismantled or left idle without authorization.

Law of the PRC on Environmental Impact Assessment

Pursuant to the Law of the PRC on Environmental Impact Assessment (《中華人民共和國環境影響評價法》) promulgated on October 28, 2002, and latest amended on December 29, 2018, the State implements a classification-based management on the environmental impact assessment of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare the Environmental Impact Report or the Environmental Impact Statement or fill out the Environmental Impact Registration Form.

Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste

In accordance with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on October 30, 1995, and latest amended on April 29, 2020, the State promotes green development methods and fosters clean production and the development of a circular economy. Units and individuals that generate, collect, store, transport, utilize, and dispose of solid waste shall take measures to prevent or reduce environmental pollution caused by solid waste and bear legal responsibility for environmental pollution they cause. The State establishes an extended producer responsibility system for products such as electrical and electronic appliances, lead-acid batteries, and vehicle power batteries. Producers of these products shall, in accordance with regulations, establish a recycling system for waste products that matches their product sales volume either through self-built or entrusted means, and make such information public to achieve effective recycling and utilization.

Law of the PRC on the Prevention and Control of Water Pollution

According to the Law of the PRC on the Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》) promulgated by the SCNPC on May 11, 1984, and latest amended on June 27, 2017, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From January 1, 2018, water pollution prevention facilities are required to be complied with the requirements in the environmental impact report approved by and filed with the competent authorities.

Law of the PRC on the Prevention and Control of Atmospheric Pollution

According to the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on September 5, 1987, and latest amended on October 26, 2018, construction, renovation and expansion projects which discharge air pollutants shall comply with regulations regarding environmental protection of construction projects. The environmental impact assessment report regarding a construction project, which is subject to the approval of the environmental protection administrative authorities, shall include an assessment of the air pollution the project is likely to produce and its potential impact on the ecological environment. Construction projects that have an impact on the atmospheric environment shall conduct environmental impact assessment, and that discharge of pollutants to the atmosphere shall conform to the atmospheric pollutant discharge standards and abide by the total quantity control requirements for the discharge of key atmospheric pollutants.

Law of the PRC on Noise Pollution Prevention and Control

In accordance with the Law of the PRC on Noise Pollution Prevention and Control (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on December 24, 2021, and taking effect on June 5, 2022, the facilities for the prevention and control of noise pollution of a construction project shall be designed, constructed and put into use simultaneously with the main body of the project. Before a construction project is put into production or use, the construction entity shall, in accordance with the provisions of relevant laws and regulations, conduct the acceptance of the supporting facilities for noise pollution prevention and control, work out the acceptance report, and release it to the public. The construction project may not be put into production or use before its acceptance is carried out or if it fails to pass its acceptance.

Measures for the Administration of Pollutant Discharge Licenses

In accordance with the Measures for the Administration of Pollutant Discharge Licenses (《排污許可管理辦法》) promulgated by the MEE on April 1, 2024, and taking effect on July 1, 2024, enterprises subject to pollutant discharge license management are required to apply for and obtain the Pollutant Discharge License pursuant to the law and discharge pollutants according to the provisions of the Pollutant Discharge License, and shall not discharge pollutants without the pollutant discharge license. Enterprises that need to fill in the pollutant discharge registration form shall register the pollutant discharge on the National Pollutant Discharge License Management Information Platform.

LAWS AND REGULATIONS RELATING TO HAZARDOUS CHEMICALS

Measures for the Administration of Registration of Hazardous Chemicals

According to the Measures for the Administration of Registration of Hazardous Chemicals (《危險化學品登記管理辦法》) promulgated by the former State Administration of Work Safety (now the MEM) on October 8, 2002, and latest amended on July 1, 2012, China implements a hazardous chemicals registration system. The MEM is responsible for the supervision and management of hazardous chemicals registration. New hazardous chemicals production enterprises shall go through the hazardous chemicals registration process before the completion and acceptance inspection. The validity period of the hazardous chemicals registration certificate is 3 years. The original and duplicate copies of the hazardous chemicals registration certificate shall indicate the certificate serial number, enterprise name, registered address, nature of the enterprise, type of registration, validity period, issuing authority, and date of issuance. It should be noted under the nature of the registered enterprise whether the enterprise is a hazardous chemicals production enterprise, a hazardous chemicals import enterprise, or both.

Regulations on Safety Management of Hazardous Chemicals

Pursuant to the Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》) promulgated by the State Council on January 26, 2002, taking effect on March 15, 2002, and latest amended on December 7, 2013, hazardous chemicals include hyper-toxic and other hazardous chemicals that are toxic, corrosive, explosive, flammable or combustion-supporting, which are dangerous to the human body, facilities and environment. The relevant government authorities will promulgate and adjust the Catalogs of Hazardous Chemicals from time to time. An enterprise which engages in the production of hazardous chemicals must obtain the Safety Production Permit for Hazardous Chemicals prior to the commencement of production. An enterprise producing hazardous chemicals listed in the Catalog of the Industrial Products that are subject to the production licensing system shall obtain the Production License for Industrial Products pursuant to the Regulations of the PRC for the Administration of Production Licenses for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》).

The safety conditions of newly built, altered or expanded construction projects for the production and storage of hazardous chemicals are subject to the scrutiny of the work safety administrative department. In the event that the enterprise undertaking such construction projects fails to meet the safety conditions, the relevant work safety administrative department shall order such enterprise to cease operation and rectify within the specified period.

The State implemented a licensing system for the operation of hazardous chemicals (including warehousing). No entity or individual may deal in hazardous chemicals without such licensing. If an enterprise engaging in the production of hazardous chemicals which is established according to the laws sells hazardous chemicals it produces in the factory, the Operation Permit for Hazardous Chemicals is not required. If a chemical enterprise uses hazardous chemicals for production and the quantities reach the prescribed threshold, the enterprise shall obtain the Permits for the Safe Use of Hazardous Chemicals pursuant to the Regulations on Safety Management of Hazardous Chemicals (《危險化學品安全管理條例》), save for those enterprises engaging in the production of hazardous chemicals. An enterprise which engages in road transportation of hazardous chemicals should comply with provisions of laws and administrative regulations on road transport, obtain the license for road transportation of hazardous chemicals, and proceed with registration procedures with the administrative department of industry and commerce. An enterprise engaging in road transportation of hazardous chemicals should be equipped with full-time safety management personnel.

Measures for Implementation of Safety Production Permit of Hazardous Chemicals Production Enterprises

According to the Measures for Implementation of Safety Production Permit of Hazardous Chemicals Production Enterprises (《危險化學品生產企業安全生產許可證實施辦法》) promulgated by the former State Administration of Work Safety (now the EMM) on August 5, 2011, and latest amended on March 6, 2017, a hazardous chemicals production enterprise refers to an enterprise that is legally established and has obtained a business license or a business approval document to engage in the production of final products or intermediate products listed in the Hazardous Chemicals Directory. Hazardous chemicals production enterprises shall obtain a work safety license. Any enterprise that has not obtained a work safety license shall not engage in any related production activities.

Measures for the Safety Supervision and Administration of Construction Projects Involving Hazardous Chemicals

According to the Measures for the Safety Supervision and Administration of Construction Projects Involving Hazardous Chemicals (《危險化學品建設項目安全監督管理辦法》) promulgated by the former State Administration of Work Safety (now the EMM) on January 30, 2012, and latest amended on May 27, 2015, new construction, alternation, and expansion of construction projects for the production and storage of dangerous chemicals, as well as chemical construction projects that involve the generation of dangerous chemicals (including the construction projects for long-distance transmission pipelines of dangerous chemicals), shall undergo safety reviews, i.e. reviews of safety conditions and designs of safety facilities. Construction projects that have not undergone safety reviews and the completion acceptance of safety facilities shall not commence construction or be put into production (or use).

LAWS AND REGULATIONS RELATING TO WORK SAFETY

Work Safety Law of the PRC

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) promulgated by the SCNPC on June 29, 2002, and latest amended on June 10, 2021, production and business operation entities must abide by the law and other laws and regulations concerning work safety, and strengthen work safety management by setting up and perfecting the responsibility system for work safety of all employees and rules and regulations on work safety, increasing the input and guarantee of funds, materials, technologies, and personnel in terms of work safety, improving the conditions for work safety, strengthening the standardization and informatization of work safety, building a dual prevention mechanism of level-to-level safety risk management and control and hidden danger identification and management, and perfecting the risk prevention and resolution mechanism to raise the work safety level and ensure work safety. The law stipulates provisions on work safety guarantees for production and business operation entities, the work safety rights and obligations of employees, supervision and management of work safety, emergency rescue, investigation and treatment of work safety accidents, and legal liabilities in relation thereto.

Regulations on Work Safety Licenses

Pursuant to the Regulations on Work Safety Licenses (《安全生產許可證條例》) issued by the State Council on January 13, 2004, and latest amended on July 29, 2014, the State applies a work safety licensing system to enterprises engaged in mining, construction and production of hazardous chemicals, fireworks and firecrackers, and civil explosives. Without work safety licenses, the aforementioned enterprises shall not engage in production activities.

LAWS RELATING TO PRODUCT LIABILITY

The Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**"), promulgated by the SCNPC on February 22, 1993 and latest amended on December 29, 2018, is the principal governing law relating to the supervision and administration of product quality. According to the Product Quality Law, manufacturers shall be liable for the quality of products produced by them, and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable for compensation for any personal injury or property damage, other than the defective product itself, resulting from the defects in the product, unless the manufacturer is able to prove that (1) the product has never been distributed; (2) the defects causing injuries or damages did not exist at the time when the product was distributed; or (3) the science and technology at the time when the product was distributed was at a level incapable of detecting the defects. A seller shall be liable for compensation for any personal injury or property damage to others caused by the defects in the product if such defects are attributable to the seller. A seller shall pay compensation if it fails to indicate either the manufacturer or the supplier of the defective product. Individuals who suffer personal injury or property damage due to defects in the product may claim compensation from either the manufacturer or the seller.

On May 28, 2020, the Civil Code (《民法典》) was adopted by the third session of the 13th NPC, replacing the previous effective relevant laws, according to which, in general, manufacturers shall assume tort liabilities where the defects in products cause damage to others, and sellers shall assume tort liabilities where the defects in products that have caused damage to others are attributable to the sellers. The infringed party may claim compensation from the manufacturer or the seller of the defective product that has caused damage.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY PROTECTIONS

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》), latest amended on October 17, 2020, and taking effect from June 1, 2021, patents in China fall into three categories: invention, utility model and design. Under the currently effective PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to invention, utility model and design are effective for twenty, ten and fifteen years from the date of application, respectively. The PRC Patent Law adopts the principle of "first-to-file" system, which provides that where more than one person files a patent application for the same invention, a patent will be granted to the person who first files the application.

Trade Secrets

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》), which was promulgated on September 2, 1993, and latest amended on April 23, 2019, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility and may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Trade secret requirements under the current framework in China is still under development and not robust.

Under the Anti-Unfair Competition Law of the PRC, business persons are prohibited from infringing others' trade secrets by: (1) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the item (1) above; (3) disclosing, using, or allowing another person to use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; (4) abetting a person, or tempting, or aiding a person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation or the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known that an employee or former employee of the right owner of trade secrets or any other entity or individual conducts any of the illegal acts listed above, but still accepts, publishes, uses or allows any other to use such secrets, this practice will be deemed as an infringement of trade secrets. A party whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties in the amount of RMB100,000 to RMB1,000,000, and where the circumstance is serious, the fine will be RMB500,000 to RMB5,000,000. Alternatively, persons whose trade secrets are being misappropriated may file lawsuits in a Chinese court for loss and damages incurred due to the misappropriation.

According to the Reply of the State Administration for Industry and Commerce on the Question of the Constituent Elements of Trade Secrets (《國家工商行政管理局關於商業秘密構成要件問題的答覆》), the measures to protect trade secrets include oral or written non-disclosure agreements or other reasonable measures to require the employees of, or persons in business contact with, legal owners or holders to keep trade secrets confidential. Once the legal owners or holders have asked others to keep trade secrets confidential and have adopted reasonable protection measures, the requested persons bear the responsibility for keeping the trade secrets confidential.

Trademarks

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, latest amended on April 23, 2019, and effective from November 1, 2019, the validity period for a registered trademark is ten years, commencing from the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a grace period of six months may be granted. The validity period for each renewal of registration is ten years commencing from the day immediately after the expiry of the preceding validity period for the trademark. In the absence of renewal upon expiry, the registered trademark shall be canceled. Industrial and commercial administrative authorities have the authority to investigate any behavior in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》), effective on June 1, 1991 and latest amended on November 11, 2020, copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the rights of production and distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law of the PRC, constitutes infringements of copyrights. The infringer must, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology or pay damages.

Domain Names

The Ministry of Industry and Information Technology (the "**MIIT**") promulgated the Administrative Measures on the Internet Domain Names (《互聯網域名管理辦法》) on August 24, 2017 and China Internet Network Information Center promulgated the Implementing Rules of China ccTLD Registration (《國家頂級域名註冊實施細則》) on June 18, 2019. The MIIT is the main regulatory authority responsible for the administration of Internet domain names in the PRC. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

Pursuant to the Catalogue of Industries for Encouraging Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the "**2022 Catalogue**"), which was promulgated by the MOFCOM and the NDRC on October 26, 2022 and effective on January 1, 2023, the Special Administrative Measures (Negative List) for the Access of Foreign Investment in Pilot Free Trade Zones (2021 Edition) (《自由貿易試驗區外商投資准入特別管理措施(負面清單) (2021年版)》), effective on January 1, 2022, and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2024 Edition) (《外商投資准入特別管理措施(負面清單) (2024年版)》) (the "2024 **Negative List**"), effective on November 1, 2024, industries are divided into two categories: encouraged industries and industries within the Negative List. The 2024 Negative List is further divided into two sub-categories: restricted industries and prohibited industries. Foreign investors are not allowed to invest in industries in the prohibited category.

On March 15, 2019, the NPC approved the Foreign Investment Law of the PRC (《外商投資法》), which became effective on January 1, 2020 and replaced the PRC Equity Joint Venture Law (《中外合資經營企業法》), the PRC Cooperation Joint Venture Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》), together with other relevant regulations on foreign investment. According to the Foreign Investment Law, "foreign investment" refers to investment activities directly or indirectly conducted by one or more natural persons, business entities, or other organizations of a foreign country (collectively referred to as "**foreign investor**") within China, and "investment activities" include the following activities: (i) a foreign investor, individually or together with other investors, establishes a foreign-invested enterprise within China; (ii) a foreign investor acquires stock shares, equity shares, shares in assets, or other similar rights and interests of an enterprise within China; (iii) a foreign investor, individually or together with other investors, invests in a new construction project within China; and (iv) investments in other means as provided by the laws, administrative regulations or the State Council. The Foreign Investment Law grants foreign invested entities the same treatment as PRC domestic entities, except for those foreign invested entities that operate in industries deemed to be either "restricted" or "prohibited" in the Negative List.

On December 26, 2019, the State Council promulgated the Implementation Rules to the Foreign Investment Law (《外商投資法實施條例》), which became effective on January 1, 2020. The implementation rules further clarified that the State encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, the MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in China, the foreign investor shall submit the investment information to the competent commerce department.

OVERSEAS LISTING REGULATIONS

The CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**") and relevant guidelines on February 17, 2023. The Overseas Listing Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of the PRC domestic companies, either directly or indirectly, into a filing-based system.

According to the Overseas Listing Trial Measures, the PRC domestic companies that seek overseas offering and listing, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and submit relevant information. The Overseas Listing Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) listing and financing is explicitly prohibited by provisions in the PRC laws, administrative regulations or relevant State regulations; (ii) overseas offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with the law; (iii) the domestic enterprises or their controlling shareholders or actual controllers have committed crimes such as corruption, bribery, embezzlement of property, misappropriation of property or disruption of the order of the socialist market economy during the latest three years; (iv) the domestic enterprises are under official investigation in accordance with the law for any suspected crime or severe violations of laws and regulations without any explicit conclusions; or (v) there are major ownership disputes over the stock rights held by the controlling shareholders and/or such shareholders as controlled by the controlling shareholders or actual controllers.

On February 24, 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality Provisions**"), which became effective from March 31, 2023. Pursuant to the Confidentiality Provisions, where a domestic enterprise provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with the examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic enterprises providing accounting archives or copies thereof to entities and individuals concerned such as securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by the securities companies and securities service institutions that provide corresponding services for the overseas issuance and listing of domestic enterprises shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The Administrative Regulations on Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on January 29, 1996 and latest amended on August 5, 2008, are the principal regulations governing the foreign exchange in China. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in issuance and trading of overseas marketable securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On November 19, 2012, the SAFE issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》) (the "**SAFE Circular 59**"), which came into effect on December 17, 2012 and was revised on May 4, 2015 and October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, multiple capital accounts for the same entity may be opened in different provinces as well. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) in February 2015, which was partially abolished in December 2019, prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

According to the Notice on Relevant Issues Concerning the Administration of Foreign Exchange for Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014, the domestic companies shall register the overseas listing with the foreign exchange bureau located at its registered address in 15 working days after completion of the overseas listing and issuance. The funds raised by the domestic companies through overseas listing may be repatriated to China or deposited overseas, provided that the intended use of the fund shall be consistent with the contents of the document and other public disclosure documents.

According to the Circular of the State Administration of Foreign Exchange on Reforming the Management Mode of Foreign Exchange Capital Settlement of Foreign Investment Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the "**SAFE Circular 19**"), which was promulgated on March 30, 2015, effective on June 1, 2015, partially abolished on December 30, 2019 and amended on March 23, 2023, foreign-invested enterprises could settle their foreign exchange capital on a discretionary basis according to the actual needs of their business operations. Whilst, foreign-invested enterprises are prohibited to use the foreign exchange capital settled in RMB (a) for any expenditures beyond the business scope of the foreign-invested enterprises or forbidden by laws and regulations; (b) for direct or indirect securities investment; (c) to provide entrusted loans (unless permitted in the business scope), repay loans between enterprises (including advances by third parties) or repay RMB bank loans that have been on-lent to a third party; and (d) to purchase real estate not for self-use purposes (save for real estate enterprises).

On June 9, 2016, the SAFE issued and gave effect to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the "**SAFE Circular 16**"), which was partially amended on December 4, 2023. The SAFE Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding RMB capital converted from foreign exchange may be used to extend loans to related parties or repay inter-company loans (including advances by third parties).

On October 23, 2019, the SAFE promulgated and gave effect to the Circular on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) (except for Article 8.2, which became effective on January 1, 2020), which was partially amended on December 4, 2023. The circular canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use income under the capital account, such as capital funds, foreign debts and overseas listing income for domestic payments, without prior provision of proof materials for veracity to the bank for each transaction, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

According to the Circular of the State Administration of Foreign Exchange on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《國家外匯管理局關於優化外匯管理支持涉外業務發展的通知》), which was issued by the SAFE on April 10, 2020, under the prerequisite of ensuring true and compliant use of funds and compliance with the prevailing administrative provisions on use of income under the capital account, eligible enterprises are allowed to use income under the capital account, such as capital funds, foreign debts and overseas listing income for domestic payment, without prior provision of proof materials for veracity to the bank for each transaction. The bank in charge shall conduct random checks in accordance with the relevant requirements.

REGULATIONS RELATING TO EMPLOYEE STOCK INCENTIVE PLAN

On February 15, 2012, the SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Incentive Exchange Rules**"). In accordance with the Stock Incentive Exchange Rules and relevant laws and regulations, the PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. In addition, the SAT has issued circulars concerning employee stock incentive plans. Under these circulars, employees working in the PRC who are entitled to income from the stock incentives will be subject to the PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee stock incentive plans with relevant tax authorities and to withhold individual income tax of those employees related to their incentive income. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their individual income tax according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTIONS

Pursuant to the Company Law of the PRC (《中華人民共和國公司法》), the Foreign Investment Law and its Implementing Regulations, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of its accumulated after-tax profits each year, if any, to fund certain capital reserve funds until the aggregate amount of these reserve funds has reached 50% of the registered capital of the enterprise. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset.

The SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Administration Reform (關於進一步推進外匯管理改革完善真實合規性審核的通知) in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements for any remittance of profits of more than USD50,000 (exclusive); and (2) domestic entities shall hold income to account for previous years' losses according to the law before remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration and outward remittance procedures in connection with a direct outbound investment.

LAWS AND REGULATIONS RELATING TO EMPLOYMENT, SOCIAL SECURITY AND HOUSING PROVIDENT FUNDS

Labor Law, Labor Contract Law, and its Implementation Regulations

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and latest amended on December 29, 2018 and the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007 and latest amended on December 28, 2012, employers shall execute written labor contracts with full-time employees. All employers shall comply with local minimum wage standards. Employers shall establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are also required to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production, as well as remuneration and other conditions. Serious violations of the Labor Contract Law of the PRC and the Labor Law of the PRC may result in the imposition of fines and other administrative and criminal liabilities.

Regulations on Social Insurance and Housing Provident Funds

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and latest amended on December 29, 2018, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999 and latest amended on March 24, 2019, and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and latest amended on March 24, 2019, employers like our subsidiaries in the PRC shall provide employees with welfare schemes covering basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. Employers are required to make payments to the local administrative authorities, and if they fail to make such payments, the local administrative authorities shall order them to pay or make up the shortfall within a specified time limit and impose a late fee. If such payments are still not made by the deadline, a fine shall be imposed by the relevant administrative departments.

LAWS AND REGULATIONS RELATING TO TAXATION

Regulations on Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) effective on January 1, 2008 and latest amended on December 29, 2018, the income tax rate for both domestic and foreign-invested enterprises is 25% with certain exceptions. As for enterprises qualified as "high and new technological enterprises", the applicable income tax rate shall be reduced to 15%. To clarify certain provisions in the Enterprise Income Tax Law of the PRC, the State Council promulgated the Implementation Rules of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) on December 6, 2007, which was latest amended and became effective on April 23, 2019. Under the Enterprise Income Tax Law of the PRC and the Implementation Rules of the Enterprise Income Tax Law of the PRC, enterprises are classified as either "resident enterprises" or "non-resident enterprises." Aside from enterprises established within the PRC, enterprises established outside of the PRC whose de facto management bodies are located in the PRC are considered "resident enterprises" and are subject to the uniform 25% enterprise income tax rate for their global income. In addition, the Enterprise Income Tax Law of the PRC provides that a "non-resident enterprise" refers to an entity established under foreign law whose de facto management bodies are not located in the PRC but has an establishment or place of business in the PRC, or does not have an establishment or place of business in the PRC but has income derived from sources within the PRC.

The Implementation Rules of the Enterprise Income Tax Law of the PRC provide that since January 1, 2008, an income tax rate of 10% shall normally be applicable to dividends declared to "non-resident enterprise" investors that do not have an establishment or place of business in the PRC, or have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC. The income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which the non-PRC shareholders reside.

According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) ("**Double Tax Avoidance Arrangement**"), which was promulgated and became effective on December 8, 2006, the withholding tax rate in respect of the payment of dividends by a PRC resident enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise and certain other conditions are met, including: (i) the Hong Kong enterprise must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) the Hong Kong enterprise must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) promulgated by the SAT on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《關於稅收協定中「受益所有人」有關問題的公告》) promulgated by the SAT on February 3, 2018 and became effective from April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Regulations on Value-Added Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and latest amended on November 19, 2017 and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and latest amended on October 28, 2011 (collectively, the "**VAT Law**"), all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, and the importation of goods within the territory of the PRC must pay value-added tax. On November 19, 2017, the State Council promulgated the Decisions on Abolition of the Provisional Regulations of the PRC on Business Tax and Revision of the Provisional Regulations of the PRC on Value-Added Tax (《關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) ("**Order 691**"). According to the VAT Law and Order 691, all enterprises and individuals engaged in the sale of goods, the provision of processing, repairing and replacement of services, sales of services, intangible assets, real property, and the importation of goods within the territory of the PRC must pay VAT. The VAT tax rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT tax rate applicable to the small-scale taxpayers is 3%. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-Added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) (the "**Notice**") was promulgated on April 4, 2018 and came into effect on May 1, 2018. According to the Notice, the VAT tax rates of 17% and 11% are changed to 16% and 10%, respectively. According to the Announcement on Policies for Deeping the VAT Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the STA and the General Administration of Customs on March 20, 2019 and came into effect on April 1, 2019, the VAT tax rates of 16% and 10% are further changed to 13% and 9%, respectively.

LAWS AND REGULATIONS RELATING TO CONSTRUCTION AND REAL ESTATE

Approval of or Filing for Projects

Pursuant to the Regulations on the Administration of Approval and Filing of Enterprise Investment Projects (《企業投資項目核准和備案管理條例》) promulgated by the State Council and effective on February 1, 2017, fixed asset investment projects related to national security, layout of major production capacity across the country, strategic resources development and major public interests, etc. shall be subject to administration by approval. Projects other than those prescribed above shall be subject to administration by filing.

Inspection and Acceptance of Environmental Protection Facilities

According to the Regulations on Environmental Protection Management for Construction Projects (《建設項目環境保護管理條例》) latest amended by the State Council on July 16, 2017, after the completion of the construction of a construction project for which an Environmental Impact Report or an Environmental Impact Statement has been drawn up, the construction unit shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct an inspection and acceptance of the matching environmental protection facilities and prepare an inspection and acceptance report. The Interim Measures for Inspection and Acceptance of Environmental Protection upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》), which was promulgated by the former MEP on November 20, 2017 and became effective on the same date, regulate the specific procedures and standards for environmental protection inspection and acceptance by construction entities independently upon the completion of construction projects.

Construction Permits

According to the Construction Law of the PRC (《中華人民共和國建築法》) latest amended on April 23, 2019 and the Measures for the Administration of Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) latest amended on March 30, 2021, for the construction, renovation and decoration of all kinds of buildings and the auxiliary facilities thereof, the installation of supporting lines, pipes and equipment, and the construction of municipal infrastructure projects in cities and towns, the construction entity shall, prior to starting the construction, apply to the housing and urban-rural development administrative department of the people's government at or above the county level where the project is located for a construction permit. For a construction project of which investment is less than RMB300,000 or construction area is less than 300 square meters, the construction entity may be allowed not to apply for a construction permit.

Fire Protection Design Approval and Filing

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**") was adopted on April 29, 1998 and latest amended on April 29, 2021. The Fire Prevention Law provides that the fire prevention design and construction of a construction project must conform to the national fire prevention technical standards. The developer, designer, constructors and project supervisor shall be responsible for the quality of the fire prevention design and construction for the construction work according to the relevant laws. For a construction project which requires a fire prevention design under the national fire protection technical standards, a construction project fire protection design review and acceptance system shall be implemented.

According to the Fire Prevention Law and the Interim Provisions on Design Inspection and Acceptance of Fire Protection of Construction Works (《建設工程消防設計審查驗收管理暫行規定》) (the "**Interim Provisions on Fire Protection**") promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on April 1, 2020 and latest amended on August 21, 2023, the special construction works stipulated in the Interim Provisions on Fire Protection shall be subject to fire protection design review before the construction and shall be subject to fire protection inspection before put into use. Other construction works other than special construction works are required to file for fire protection inspection and acceptance and be subject to random fire protection inspection and acceptance by the competent authority of housing and urban-rural construction. If a project fails to pass the random fire protection inspection and acceptance, the project shall cease to be in use.

Completion Inspection and Acceptance

According to the Construction Law of the PRC (《中華人民共和國建築法》) and the Regulations on the Administration of Construction Project Quality (《建設工程質量管理條例》), the construction unit shall, after it receives the report of construction completion of its project, organize the units involved in the design, construction and engineering supervision to carry out the completion inspection and acceptance, and the construction works shall only be delivered for use upon passing the inspection and acceptance.

Regulations on Real Estates

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986, and latest amended on August 26, 2019, the PRC applies a system of control over the purposes of use of land, including land for agriculture, land for construction and unused land. All units and individuals shall use land in strict compliance with the purposes of use defined in the overall plans for land utilization. Registration of ownership and right to the use of land shall be governed by the laws and administrative regulations relating to real estate registration. The legally registered ownership and right to the use of land shall be protected by the law and may not be infringed upon by any entities or individuals.

Pursuant to Law of the PRC on the Administration of the Urban Real Estate (《中華人民共和國城市房地產管理法》) promulgated by the SCNPC on July 5, 1994 and latest amended on August 26, 2019, the PRC practices a system of registration and certification for land-use right and ownership of houses. Where a house has been built on the land for real estate development obtained pursuant to the law, an application for registration shall, on the strength of the certificate of land-use right, be submitted to the department of housing administration under the local people's government at or above the county level. The department of housing administration under the local people's government at or above the country level shall issue a housing ownership certificate after verification.

OVERVIEW

We are a global leader in the lithium-ion battery recycling and reutilization solution industry dedicated to exploring a circular and clean future. According to the F&S Report, in terms of sales revenue of recycled products in 2023, we were the world's second-largest lithium-ion battery recycling and reutilization enterprise and the world's largest third-party lithium-ion battery recycling and reutilization enterprise.

The predecessor of our Company, Zhaoqing Jinsheng Metal Industry Co., Ltd.* (肇慶市金晟金屬實業有限公司) was founded by the Li Brothers and incorporated on December 24, 2010 under the laws of the PRC as a limited liability company with a registered capital of RMB10,000,000. In January 2022, our Company was converted into a joint stock limited liability company and renamed Guangdong Jinsheng New Energy Co., Ltd. (廣東金晟新能源股份有限公司). As of the Latest Practicable Date, our Company had an issued share capital with 369,616,500 Shares in a nominal value of RMB1.0 each.

KEY MILESTONES

The following is a summary of our key development milestones:

Year	Event
2010	Zhaoqing Jinsheng Metal Industry Co., Ltd.* (肇慶市金晟金屬實業有限公司), the predecessor of our Company, was established and primarily engaged in production and sales of nickel sulphate.
2014	Jiangxi Ruida New Energy Technology Co., Ltd.* (江西睿達新能源科技有限公司) ("**Jiangxi Ruida**") was established and primarily engaged in lithium batteries recycling business.
2021	We completed the construction of the production lines with the capacity for black mass produced from the dismantling and crushing of retired lithium-ion batteries.
2021 to 2023	The Company and Jiangxi Ruida were recognized by the MIIT as a "dual whitelist" enterprise qualifying for both recycling and second-life-use operations of lithium-ion batteries.
2022	Our recycling treatment capacity for retired ternary lithium-ion batteries increased to 80,000 tons per year. We started to produce second-life battery products.
2023	Our comprehensive capabilities to recycle retired ternary lithium-ion batteries reached 100,000 tons per year. We completed the construction of the production lines with the capacity for recycling 40,000 tons of retired LFP batteries per year.

Year	Event
	We were recognized as a National-level SRDI "Little Giant" Enterprise (國家級專精特新"小巨人"企業). We completed the construction of the production line with the capacity for recycling 18,000 tons of anode materials per year.
2024	We entered into a strategic cooperation with Dongfeng Hongtai Holdings Group Co., Ltd.* (東風鴻泰控股集團有限公司), a non-wholly owned subsidiary of Dongfeng Motor Corporation* (東風汽車集團有限公司), for the joint construction of a facility with an annual production capacity of 50,000 tons of LFP cathode materials. We started the construction of the production facility with the capacity for recycling 180,000 tons of retired ternary lithium-ion batteries per year. We were designated to lead the National Key Research and Development Program Project — New Energy Vehicle Battery Robotized Dismantling Key Technology and Application Demonstration (國家重點研發計劃項目—新能源汽車電池機器人化拆解關鍵技術與應用示範).

CORPORATE DEVELOPMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

(1) Establishment of our Company and initial capital injection

On December 24, 2010, our Company was established under the name of Zhaoqing Jinsheng Metal Industry Co., Ltd.* (肇慶市金晟金屬實業有限公司) as a limited liability company with a registered capital of RMB10,000,000. As of the date of its establishment, it was wholly-owned by the Li Brothers as to 20.00% each.

In November 2020, our Company's registered capital was increased from RMB10,000,000 to RMB41,060,000 pursuant to subscriptions from each of the Li Brothers in the form of land use rights and property rights, whose values were appraised by an independent valuer. The capital structure of our Company upon completion of the aforementioned capital injection is set forth as follows:

Name of Shareholder	Registered Capital	Corresponding equity interest in our Company
	(RMB)	
Mr. Li Sen	8,212,000	20.00%
Mr. Li Xin	8,212,000	20.00%
Mr. Li Yao	8,212,000	20.00%
Mr. Li Yan	8,212,000	20.00%
Mr. Li Wang	8,212,000	20.00%
Total	41,060,000	100.00%

(2) Acquisition of Jiangxi Ruida and Share Swap

On October 20, 2014, Jiangxi Ruida, one of our principal operating subsidiaries, was established under the laws of the PRC. As of the date of its establishment, Jiangxi Ruida was owned as to 51.00%, 36.00% and 13.00% by Jiangxi Dongliang Investment Holding Co., Ltd.* (江西東亮投資控股有限公司) ("**Jiangxi Dongliang**"), Guangzhou Yingtao Industry Investment Co., Ltd.* (廣州盈濤實業投資有限公司) ("**Guangzhou Yingtao**") and Wanzai Changsheng Investment Co., Ltd.* (萬載長盛投資有限公司) ("**Changsheng Investment**"), respectively. Jiangxi Dongliang is a limited company established under the laws of the PRC in March 2014 and beneficially owned as to 20.00% by each of the Li Brothers. Guangzhou Yingtao is a company established under the laws of the PRC in July 2014 with limited liability and engaged in investment management. Changsheng Investment is a company established under the laws of the PRC in October 2014 with limited liability and engaged in investment management. Changsheng Investment is a shareholding platform for some of the employees and external investors who held equity interests in Jiangxi Ruida. For further details of the background of Guangzhou Yingtao and Changsheng Investment, please see "— [**REDACTED**] Investments — Information about the [**REDACTED**] Investors."

On December 21, 2020, our Company, Jiangxi Dongliang, Guangzhou Yingtao and Changsheng Investment entered into a share purchase agreement pursuant to which Jiangxi Dongliang, Guangzhou Yingtao and Changsheng Investment transferred their entire equity interest in Jiangxi Ruida to our Company for a consideration of RMB242 million, which was determined with reference to the appraised value of Jiang Ruida's equity interest as of November 30, 2020. The consideration was fulfilled by allotting new registered capital of our Company to Jiangxi Dongliang, Guangzhou Yingtao and Changsheng Investment on a *pro rata* basis. On the same date, the registered capital of our Company was increased from RMB41,060,000 to RMB102,650,000 pursuant to subscriptions from Jiangxi Dongliang, Guangzhou Yingtao and Changsheng Investment in the amounts of RMB31,410,900, RMB22,172,400 and RMB8,006,700, respectively. Upon completion of the aforementioned transaction, Jiangxi Ruida became a wholly-owned subsidiary of our Company and the capital structure of our Company is set forth as follows:

Name of Shareholder	Registered Capital	Corresponding equity interest in our Company
	(RMB)	
Mr. Li Sen	8,212,000	8.00%
Mr. Li Xin	8,212,000	8.00%
Mr. Li Yao	8,212,000	8.00%
Mr. Li Yan	8,212,000	8.00%
Mr. Li Wang	8,212,000	8.00%
Jiangxi Dongliang	31,410,900	30.60%
Guangzhou Yingtao	22,172,400	21.60%
Changsheng Investment	8,006,700	7.80%
Total	102,650,000	100.00%

(3) Capital injections in February 2021 and March 2021

In February 2021, the registered capital of our Company was increased from RMB102,650,000 to RMB111,601,800 pursuant to subscriptions from Guangzhou Xiaoshan Investment Co., Ltd.* (廣州市小山投資有限公司) ("**Guangzhou Xiaoshan**") and Mr. Wan Yong for a consideration of RMB22,000,000 and RMB13,144,500, respectively. Guangzhou Xiaoshan is engaged in investment management, which is wholly-owned and controlled by Mr. Wu Longbin (吳龍彬), an Independent Third Party. Mr. Wan Yong is an individual investor and also an Independent Third Party.

In March 2021, the registered capital of our Company was further increased from RMB111,601,800 to RMB120,001,900 pursuant to subscription from Zhaoqing Shengda for a consideration of RMB16,559,195. Zhaoqing Shengda is an employee incentive platform established in March 2021 for members of our senior management and core employees, of which Mr. Li Sen is the general partner. For the details of Zhaoqing Shengda, see "— Employee Incentive Platform."

The capital structure of our Company upon completion of the aforementioned capital injections is set forth as follows:

Name of Shareholder	Registered Capital	Corresponding equity interest in our Company
	(RMB)	
Mr. Li Sen	8,212,000	6.84%
Mr. Li Xin	8,212,000	6.84%
Mr. Li Yao	8,212,000	6.84%
Mr. Li Yan	8,212,000	6.84%
Mr. Li Wang	8,212,000	6.84%
Jiangxi Dongliang	31,410,900	26.18%
Guangzhou Yingtao	22,172,400	18.48%
Changsheng Investment	8,006,700	6.67%
Guangzhou Xiaoshan	5,603,700	4.67%
Mr. Wan Yong	3,348,100	2.79%
Zhaoqing Shengda	8,400,100	7.00%
Total	120,001,900	100.00%

(4) [REDACTED] Investments

Between July 2021 and December 2022, we conducted four rounds of [**REDACTED**] financing pursuant to which the [**REDACTED**] Investors invested in our business. For further details of the [**REDACTED**] investments and the background of the [**REDACTED**] Investors, please see "— [**REDACTED**] Investments."

(5) Share transfer in December 2021

On December 15, 2021, Guangzhou Xiaoshan and Zhaoqing Senlong entered into an equity transfer agreement pursuant to which Guangzhou Xiaoshan agreed to transfer RMB5,603,700 registered capital of our Company to Zhaoqing Senlong for a consideration of RMB70,044,360. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB1.6 billion of our Company. Such transfer was completed on December 31, 2021.

Zhaoqing Senlong is an investment platform established as a limited partnership under the laws of the PRC of which Mr. Li Sen is the general partner holding 10.15% of the partnership interest and controls all the votes in the Company that are held by Zhaoqing Senlong. As of the Latest Practicable Date, Zhaoqing Senlong had two limited partners, including Ms. Ling Ruixiu (凌瑞秀), an Independent Third Party, who held 68.33% of the partnership interest in Zhaoqing Senlong and Zhaoqing Hongsheng Energy Technology Partnership (Limited Partnership)* (肇慶鴻升能源技術合夥企業(有限合夥)) ("**Zhaoqing Hongsheng**"), which held 21.51% of the partnership interest in Zhaoqing Senlong. Zhaoqing Hongsheng is in turn beneficially owned as to 99.00% by Mr. Li Sen and 1.00% by Mr. Li Xiang (李相), who is the son of Mr. Li Sen.

(6) Conversion into Joint Stock Limited Company

Pursuant to the shareholders' resolutions dated January 1, 2022, the then existing Shareholders of our Company approved the conversion of our Company into a joint stock company with limited liabilities with 135,000,000 Shares in a nominal value of RMB1.0 each. In accordance with an audit report dated December 8, 2021, the audited net assets of our Company as of July 31, 2021 was RMB392,014,635.22, which were converted into 135,000,000 Shares and the remaining portion was converted to capital reserve. The conversion was completed on January 13, 2022.

(7) Capitalization Issue in December 2022

Pursuant to the shareholders' resolution dated December 6, 2022, all of the then Shareholders of our Company approved the conversion of capital reserve into share capital by way of issuance of an additional 204,650,639 Shares, and the number of Shares held by each shareholder increased proportionately in accordance with their interest in our Company. Upon completion of the capitalization issue, the total issued shares of our Company were increased from 155,349,361 to 360,000,000 Shares and the shareholding percentage of each shareholder remained unchanged.

(8) Share transfers between March 2023 and November 2024

Between March 2023 and May 2023, Mr. Wan Yong, our Company and various investors entered into share transfer agreements to transfer Mr. Wan Yong's equity interest in our Company to various investors. For further details of the background of the investors, please see "— [**REDACTED**] Investments." The table below sets forth the summary of the equity transfers:

Date of transfer	Transferee	Number of Shares	Consideration	Basis of consideration	Settlement date	Cost per Share
			(RMB)			
March 10, 2023 . . .	Shuimu Linghang One (Rizhao) Venture Capital Partnership (Limited Partnership)* (水木領航壹號(日照)創業投資合夥企業(有限合夥)) ("**Shuimu Linghang One**")	770,096	25,000,000	Based on arm's length negotiation and with reference to the valuation of RMB12 billion	March 27, 2023	RMB32.46
March 17, 2023 . . .	Changzhou Yilai Venture Capital Center (Limited Partnership)* (常州以萊創業投資中心(有限合夥)) ("**Changzhou Yilai**")	724,738	20,000,000	Based on arm's length negotiation and with reference to the valuation of RMB10.2 billion	March 27, 2023	RMB27.60
	Hainan Yilai Venture Capital Center Partnership (Limited Partnership)* (海南以萊創業投資中心合夥企業(有限合夥)) ("**Hainan Yilai**")	362,369	10,000,000	Based on arm's length negotiation and with reference to the valuation of RMB10.2 billion	March 27, 2023	RMB27.60
March 29, 2023 . . .	Guangdong Zhenghao New Energy Investment Partnership (Limited Partnership)* (廣東正浩新能源投資合夥企業(有限合夥)) ("**Guangdong Zhenghao**")	800,473	22,090,000	Based on arm's length negotiation and with reference to the valuation of RMB10.2 billion	April 4, 2023	RMB27.60

Date of transfer	Transferee	Number of Shares	Consideration	Basis of consideration	Settlement date	Cost per Share
			(RMB)			
April 28, 2023 . . .	Guangzhou Lizhi Investment Partnership (Limited Partnership)* (廣州力致投資合夥企業(有限合夥)) ("**Guangzhou Lizhi**")	362,369	10,000,000	Based on arm's length negotiation and with reference to the valuation of RMB10.2 billion	April 28, 2023	RMB27.60
May 26, 2023 . . .	Huainan High-end Manufacturing Industry Fund Partnership (Limited Partnership)* (淮南市高端製造產業基金合夥企業(有限合夥)) ("**Huainan Fund**")	1,811,846	50,000,000	Based on arm's length negotiation and with reference to the valuation of RMB10.2 billion	May 30, 2023	RMB27.60
May 31, 2023 . . .	Sihua Xingsui (Zhuhai Hengqin) Venture Capital Fund Partnership (Limited Partnership)* (思華興穗(珠海橫琴)創業投資基金合夥企業(有限合夥)) ("**Sihua Xingsui**")	362,369	10,000,000	Based on arm's length negotiation and with reference to the valuation of RMB10.2 billion	June 5, 2023	RMB27.60

Following transfers of Shares also have been made between March 2023 and November 2024.

On March 20, 2023, Mr. Li Sen, our Company and Xiangyang Changzheng Xinghuo Equity Investment Partnership (Limited Partnership)* (襄陽長證星火股權投資合夥企業(有限合夥)) ("**Xiangyang Changzheng**") entered into a share transfer agreement pursuant to which Mr. Li Sen agreed to transfer 724,738 Shares to Xiangyang Changzheng for a consideration of RMB20,000,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.2 billion of our Company and was settled on March 24, 2023. The cost per Share of such transfer was approximately RMB27.60.

Pursuant to a share transfer agreement dated April 20, 2023 and a supplemental agreement dated May 21, 2023, Mr. Li Xin, Mr. Li Yao, Mr. Li Wang transferred 362,369 Shares, 398,605 Shares and 398,605 Shares, respectively, to Zibo Henglu Hongwang Industrial Investment Partnership (Limited Partnership)* (淄博衡廬弘網產業投資合夥企業(有限合夥)) ("**Zibo Henglu**") for a total consideration of RMB32,000,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.2 billion of our Company and was settled on May 22, 2023. The cost per Share of such transfers was approximately RMB27.60.

On April 22, 2023, Guangzhou Yingtao, our Company and Shaanxi Ruijing No. 1 Equity Investment Partnership (Limited Partnership)* (陝西瑞景一號股權投資合夥企業(有限合夥)) ("**Shaanxi Ruijing**") entered into a share transfer agreement pursuant to which Guangzhou Yingtao agreed to transfer 750,104 Shares to Shaanxi Ruijing for a consideration of RMB20,700,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.2 billion of our Company and was settled on April 27, 2023. The cost per Share of such transfer was approximately RMB27.60.

On April 23, 2023, Mr. Li Yan, our Company and Guangzhou Panyu District Kejin II Venture Investment Partnership (Limited Partnership)* (廣州番禺區科金二號創業投資合夥企業(有限合夥)) ("**Kejin II**") entered into a share transfer agreement pursuant to which Mr. Li Yan agreed to transfer 660,000 Shares to Kejin II for a consideration of RMB18,216,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.2 billion of our Company and was settled on April 25, 2023. The cost per Share of such transfer was approximately RMB27.60.

On July 24, 2023, Zhaoqing Senlong, the Li Brothers, our Company and Guangdong Southern Media Venture Capital Center (Limited Partnership)* (廣東南方傳媒創業投資中心(有限合夥)) ("**Southern Media VC**") entered into a share transfer agreement pursuant to which Zhaoqing Senlong agreed to transfer 1,449,476 Shares to Southern Media VC for a consideration of RMB40,000,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.2 billion of our Company and was settled on August 7, 2023. The cost per Share of such transfer was approximately RMB27.60.

On July 26, 2023, Zhaoqing Senlong, the Li Brothers, our Company and Guangdong Yueke Jinsheng Venture Capital Center (Limited Partnership)* (廣東粵科金晟創業投資中心(有限合夥)) ("**Yueke Jinsheng**") entered into a share transfer agreement pursuant to which Zhaoqing Senlong agreed to transfer 2,837,350 Shares to Yueke Jinsheng for a consideration of RMB78,300,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.2 billion of our Company and was settled on August 17, 2023. The cost per Share of such transfer was approximately RMB27.60.

On December 18, 2023, Mr. Li Sen and Mr. Wan Yong entered into a share transfer agreement, pursuant to which Mr. Wan Yong agreed to transfer 2,838,053 Shares to Mr. Li Sen for a consideration of RMB53,748,600. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB7.0 billion of our Company. The first instalment of RMB23,000,000 was paid by Mr. Li Sen by December 29, 2023. After renegotiation, a supplemental agreement was entered into by Mr. Li Sen and Mr. Wan Yong on November 22, 2024, pursuant to which both parties agreed to adjust the total consideration of the share transfer from RMB53,748,600 to RMB43,000,000, after considering the change in valuation of our Company in 2024. The remaining balance of RMB20,000,000 was settled by Mr. Li Sen on November 29, 2024. In addition, both parties acknowledged in the supplemental agreement that the closing of the share transfer has taken place after Mr. Li Sen paid Mr. Wan Yong the first instalment of RMB23,000,000, and from the date of closing, Mr. Li Sen should have full title of the subject Shares and enjoy all the rights attached to them. The cost per Share of such transfer was approximately RMB15.15.

According to the decision of the State-owned Assets Supervision and Administration Commission of Gaoyao District, Zhaoqing City* (肇慶市高要區國有資產監督管理局), on May 7, 2024, Zhaoqing Gaoyao Construction Investment Development Group Co. Ltd* (肇慶市高要建投投資開發集團有限公司) ("**Gaoyao Construction**"), one of our [**REDACTED**] Investors in series C investments, and Zhaoqing Gaoyao District Gaohong Industrial Investment Development Co., Ltd* (肇慶市高要區高宏產業投資發展有限公司) ("**Gaoyao Industrial Investment**") entered into gratuitous transfer agreement pursuant to which Gaoyao Construction agreed to transfer 6,000,000 Shares, representing its entire interest in our Company, to Gaoyao Industrial Investment for nil consideration. Both Gaoyao Construction and Gaoyao Industrial Investment are ultimately controlled by the State-owned Assets Supervision and Administration Commission of Gaoyao District, Zhaoqing City.

On July 24, 2024, Guangzhou Yingtao and Beijing Huarui Wanxiang Investment Management Co. Ltd.* (北京華鋭萬象投資管理有限公司) ("**Huarui Wanxiang**") entered into a share transfer agreement pursuant to which Huarui Wanxiang agreed to transfer 297,945 Shares, representing all of the issued Shares held by Huarui Wanxiang in our Company to Guangzhou Yingtao for a consideration of RMB5,000,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB6.2 billion of the Company, considering the Huarui Wanxiang's original investment price in Series B Financing, being RMB16.78 per Share (calculated based on the number of Shares as adjusted after capitalization of our Company's capital reserve in December 2022), and its need of funds. The consideration was settled on August 14, 2024. Huarui Wanxiang is wholly-owned and controlled by Mr. Jin Xianrong (靳憲榮), an Independent Third Party. The cost per Share of such transfer was approximately RMB16.78.

On September 25, 2024, Guangzhou Yingtao and Sihua Xingsui entered into a share transfer agreement pursuant to which Sihua Xingsui agreed to transfer 362,369 Shares, representing all of the issued Shares held by Sihua Xingsui, to Guangzhou Yingtao for a consideration of RMB10,445,500. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB10.7 billion of the Company, considering Sihua Xingsui's original investment price in the share transfer dated May 31, 2023, being RMB27.60 per Share. The consideration was settled on November 29, 2024. The cost per Share of such transfer was approximately RMB28.83.

Sihua Xingsui is a limited partnership established under the laws of the PRC in October 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Sihua Xingsui is Guangdong Kuibu Consulting Co., Ltd.* (廣東跬步諮詢有限公司), which is ultimately controlled by Wang Dujuan (王杜鵑), an Independent Third Party. Sihua Xingsui has eight limited partners, among which, Luo Jinsi (羅金詩), an Independent Third Party, is its largest limited partner and holds 37.35% of the partnership interest in Sihua Xingsui. None of the remaining limited partners holds 30.00% or more of the partnership interest in Sihua Xingsui.

On November 13, 2024, Guangzhou Yingtao, our Company and CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund Partnership (Limited Partnership)* (中電中金(廈門)智能產業股權投資基金合夥企業(有限合夥)) ("**CEC & CICC Fund**") entered into a share transfer agreement pursuant to which CEC & CICC Fund agreed to transfer 1,787,600 Shares to Guangzhou Yingtao for a consideration of RMB36,650,000. The consideration was determined based on arm's length negotiation and with reference to a valuation of RMB7.6 billion of the Company, considering the CEC & CICC Fund's original investment price in Series B Financing, being RMB16.78 per Share (calculated based on the number of Shares as adjusted after capitalization of our Company's capital reserve in December 2022). The consideration was settled on November 28, 2024. The cost per Share of such transfer was approximately RMB20.50.

Our capital structure upon completion of the aforementioned [**REDACTED**] investments and share transfers is set forth as follows:

Name of Shareholder	Number of Shares	Shareholding Percentage
Mr. Li Sen	21,814,445	5.90%
Mr. Li Xin	19,338,761	5.23%
Mr. Li Yao	19,302,525	5.22%
Mr. Li Yan	19,041,130	5.15%
Mr. Li Wang	19,302,525	5.22%
Jiangxi Dongliang	75,356,831	20.39%
Zhaoqing Shengda	20,152,394	5.45%
Zhaoqing Senlong	9,156,821	2.48%
Guangzhou Yingtao	54,890,864	14.85%
Changsheng Investment	19,208,602	5.20%
CEC & CICC Fund	9,596,578	2.60%
Hubei Gaotai Yuntian II Equity Investment Partnership (Limited Partnership)* (湖北高泰雲天二期股權投資合夥企業(有限合夥)) ("**Gaotai Yuntian**")	8,636,877	2.34%
Zhongxiao Ruizheng (Shanghai) Venture Capital Partnership (Limited Partnership)* (中小鋭正(上海)創業投資合夥企業(有限合夥)) ("**Ruizheng Venture Capital**")	7,746,592	2.10%
Guotiao Strategic Emerging Industry Investment Fund (Chuzhou) Partnership (Limited Partnership)* (國調戰略性新興產業投資基金(滁州)合夥企業(有限合夥)) ("**Guotiao Zhanxin Fund**")	7,351,244	1.99%
Gaoyao Industrial Investment	6,000,000	1.62%
Guangdong National Kaide Technology Venture Capital Enterprise (Limited Partnership)* (廣東國民凱得科技創業投資企業(有限合夥)) ("**Kaide Technology**")	4,434,398	1.20%
Wuhu Tongshun CoStone Equity Investment Partnership (Limited Partnership)* (蕪湖桐順基石股權投資合夥企業(有限合夥)) ("**Tongshun CoStone**")	4,368,001	1.18%
Shenzhen Fortune Chuangcheng Private Equity Investment Fund Enterprise (Limited Partnership)* (深圳市達晨創程私募股權投資基金企業(有限合夥)) ("**Shenzhen Fortune**")	3,863,999	1.05%
Guozhong Private Equity Fund (Xi'an) Partnership (Limited Partnership)* (國中私募股權投資基金(西安)合夥企業(有限合夥)) ("**Guozhong Fund**")	3,359,999	0.91%

Name of Shareholder	Number of Shares	Shareholding Percentage
Gongqingcheng Ruoque Investment Management Partnership (Limited Partnership)* (共青城若缺投資管理合夥企業(有限合夥)) ("**Gongqingcheng Ruoque**")	2,878,879	0.78%
Yueke Jinsheng	2,837,350	0.77%
Beijing Fortune SME Development Fund Partnership (Limited Partnership)* (北京達晨財智中小企業發展基金合夥企業(有限合夥)) ("**Beijing Fortune**")	2,649,599	0.72%
Bosch (Shanghai) Venture Capital Co., Ltd.* (博世(上海)創業投資有限公司)* ("**Bosch VC**")	2,399,999	0.65%
Wuhu Xinxiao CoStone Equity Investment Partnership (Limited Partnership)* (蕪湖信肖基石股權投資合夥企業(有限合夥)) ("**Xinxiao CoStone**")	2,352,000	0.64%
Hangzhou Fortune Chuangcheng Equity Investment Fund Partnership (Limited Partnership)* (杭州達晨創程股權投資基金合夥企業(有限合夥)) ("**Hangzhou Fortune**")	2,318,400	0.63%
Other [REDACTED] Investors(1)	21,257,687	5.75%
Total	369,616,500	100.00%

Note:

1. Other [**REDACTED**] Investors include Huainan Fund, Shaanxi Dechuang Intelligent Automobile Venture Capital Fund Partnership (Limited Partnership)* (陝西德創智能汽車創業投資基金合夥企業(有限合夥)) ("**Dechuang Intelligent**"), Southern Media VC, Zibo Henglu, Longnan Jiantou Bauhinia Private Equity Fund Management Center (Limited Partnership)* (龍南市建投紫荊私募股權投資基金管理中心(有限合夥)) ("**Bauhinia Fund**"), Guangzhou Guangqi Xinsheng Management Consulting Partnership (Limited Partnership)* (廣州廣祺欣晟管理諮詢合夥企業(有限合夥) ("**Guangqi Xinsheng**"), Shanghai Boyuan Jiacheng Venture Capital Partnership (Limited Partnership)* (上海博原嘉成創業投資合夥企業(有限合夥)) ("**Boyuan Jiacheng**"), Changzhou Ruiliang Venture Capital Partnership (Limited Partnership)* (常州瑞良創業投資合夥企業(有限合夥)) ("**Changzhou Ruiliang**"), Guangdong Yuecai Industry Investment Fund Partnership (Limited Partnership)* (廣東粵財產業投資基金合夥企業(有限合夥)) ("**Yuecai Industry Investment**"), Guangde Changzheng Guotou Xinghuo Investment Partnership (Limited Partnership)* (廣德長證國投星火投資合夥企業(有限合夥)) ("**Guangde Changzheng**"), Ningbo Meishan Free Trade Port Zone Winshare Dingsheng Equity Investment Partnership (Limited Partnership)* (寧波梅山保稅港區文軒鼎盛股權投資合夥企業(有限合夥)) ("**Winshare Dingsheng**"), Guangdong Zhenghao, Shuimu Linghang One, Shenzhen Huachuang Xinshang No. 1 Industrial Investment Partnership (Limited Partnership)* (深圳華創信商一號產業投資合夥企業(有限合夥)) ("**Huachuang Xinshang**"), Changzhou Yilai, Xiangyang Changzheng, Shaanxi Ruijing, Henan Keyuan Industrial Investment Fund Partnership (Limited Partnership)* (河南科源產業投資基金合夥企業(有限合夥)) ("**Henan Keyuan**"), Shenzhen Fuchuan III Industrial Investment Partnership (Limited Partnership)* (深圳富川三號實業投資合夥企業(有限合夥)) ("**Fuchuan Investment III**"), Kejin II, Hainan Tongcen Investment Partnership (Limited Partnership)* (海南同岑投資合夥企業(有限合夥) ("**Hainan Tongcen**"), Guangdong Bosera Tiancheng New Energy Equity Investment Partnership (Limited Partnership)* (廣東博時天成新能源股權投資合夥企業(有限合夥)) ("**Bosera Tiancheng**"), Hainan Yilai, Guangzhou Lizhi, Shenzhen Caizhi Chuangying Private Equity Investment Enterprise (Limited Partnership)* (深圳市財智創贏私募股權投資企業(有限合夥)) ("**Shenzhen Caizhi**"), Guangzhou Chuangying Jianke Investment Partnership (Limited Partnership)* (廣州創盈健科投資合夥企業(有限合夥)) ("**Chuangying Jianke**") and Chutian Changxing (Wuhan) Enterprise Management Center (Limited Partnership)* (楚天長興(武漢)企業管理中心(有限合夥)) ("**Chutian Changxing**"), and the shareholding percentage of each of these [**REDACTED**] Investors was less than 0.50% upon completion of the aforementioned [**REDACTED**] investments and share transfers and up to the Latest Practicable Date.

OUR SUBSIDIARIES

The following table sets forth certain information of each of our subsidiaries as of the Latest Practicable Date.

Name	Principal business activities	Shareholding controlled by our Company	Date and jurisdiction of establishment
Jiangxi Ruida	Comprehensive recycling of retired lithium batteries, including the research, development, production, and sales of recycled and second-life products	100.00%	October 20, 2014, PRC
Guangzhou Jinsheng New Energy Trading Co., Ltd.* (廣州金晟新能源貿易有限公司)	Sale of various products of the Group	100.00%	July 13, 2022, PRC
Jiangxi Longsheng New Materials Co., Ltd.* (江西龍晟新材料有限公司)	Research, development, production, and sales of products relating to recycled retired ternary lithium-ion batteries	100.00%	November 16, 2022, PRC
Jiangxi Zhongda New Materials Technology Co., Ltd.* (江西眾大新材料科技有限公司)	No business operation except for leasing premise to Jiangxi Ruida for production	100.00%	September 21, 2019, PRC
Jiangxi Senneng New Materials Technology Co., Ltd.* (江西森能新材料科技有限公司) ("**Jiangxi Senneng**")	Research, development, production, and sales of anode materials	100.00%	September 16, 2022, PRC
Hainan Ruida New Energy Technology Co., Ltd.* (海南睿達新能源科技有限公司)	No actual operations since its inception	100.00%	March 23, 2022, PRC
Jiangxi Lida New Energy Co., Ltd.* (江西力達新能源有限公司) ("**Jiangxi Lida**")	Cease of operation as of the Latest Practicable Date	100.00%	November 23, 2022, PRC
Jiangxi Longxiang Lithium Battery Co., Ltd.* (江西龍祥鋰電池有限公司) ("**Jiangxi Longxiang**")	Dismantling and crushing of various retired lithium batteries	100.00%	June 13, 2023, PRC
Jiangxi Longxing Lithium Battery Materials Technology Co., Ltd.* (江西龍興鋰電材料科技有限公司)	Dismantling and crushing of various retired lithium batteries	100.00%	June 13, 2023, PRC
Jinsheng International New Energy Technology Co., Limited (金晟國際新能源科技有限公司)	Investment holding	100.00%	May 15, 2023, Hong Kong

Shareholding Changes in Our Subsidiaries

Jiangxi Lida

Jiangxi Lida was established as a limited liability company under the laws of the PRC in November 2022. Jiangxi Lida was beneficially owned as to 55.00% and 45.00% by Jiangxi Senneng and Chuzhou Dongjiangyu Environmental Protection Technology Co., Ltd.* (滁州東江譽環保科技有限公司) ("**Chuzhou Dongjiangyu**"), an Independent Third Party, at the time of its inception. On May 17, 2023, Chuzhou Dongjiangyu agreed to transfer its entire equity interest in Jiangxi Lida to Jiangxi Senneng for nil consideration to partially settle the indebtedness owned by its related party to the Group. After such equity transfer, Jiangxi Lida became a wholly-owned subsidiary of our Company.

Jiangxi Ruida

For the details of acquisition of Jiangxi Ruida, see "— Corporate Development and Major Shareholding Changes of Our Company — (2) Acquisition of Jiangxi Ruida and Share Swap."

Save as disclosed above, all other subsidiaries have been wholly owned, directly or indirectly, by our Company since their respective inceptions.

PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisor has confirmed that we have legally and properly completed, settled, and obtained the requisite legal approvals and completed requisite governmental registrations with relevant governmental authorities in the PRC with respect to all the aforesaid capital increases and equity transfers.

ACTING IN CONCERT ARRANGEMENT

Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan, Mr. Li Wang and Jiangxi Dongliang, a limited company established under the laws of the PRC in March 2014 and beneficially owned as to 20.00% by each of the Li Brothers, entered into an acting in concert agreement dated July 22, 2021 and supplemented by an AIC supplemental agreement dated November 16, 2024 (collectively the "**AIC Agreement**"), pursuant to which the parties agreed to maintain unanimity in the Company's decision making in order to consolidate control over the Company.

Pursuant to the AIC Agreement, before proposing a matter before the Board or the Shareholders, each of the parties to the AIC Agreement shall fully communicate on the matter in advance until all parties have reached a consensus before proposing the matter before the Board of Directors or Shareholders for approval and shall vote in unanimity on the matter. Furthermore, each of the parties to the AIC Agreement shall, prior to each Directors' meeting and Shareholders' meeting, consider and reach a consensus beforehand on the matters to be considered at the relevant meeting and to vote in unanimity. If the parties are unable to reach a consensus, the decision of Mr. Li Sen will be taken as the final decision.

As of the Latest Practicable Date, by virtue of the AIC Agreement, the Li Brothers and Jiangxi Dongliang were entitled to control the exercise of approximately 47.12% of the total voting rights of our Company. Furthermore, Mr. Li Sen was the general partner of Zhaoqing Shengda and Zhaoqing Senlong and controlled approximately 7.93% of the total voting rights of our Company that are held through Zhaoqing Shengda and Zhaoqing Senlong. Accordingly, the Li Brothers, Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong are entitled to collectively control the exercise approximately 55.05% and [**REDACTED**] of the total voting rights of our Company as of the Latest Practicable Date and upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), respectively, and therefore constitute a group of Controlling Shareholders of our Company.

EMPLOYEE INCENTIVE PLATFORM

In recognition of the contributions of our employees and to incentivize them to further promote our development, Zhaoqing Shengda was established in the PRC as our employee incentive platform.

Zhaoqing Shengda was established in the PRC as a limited partnership on March 9, 2021. Mr. Li Sen, as the sole general partner of Zhaoqing Shengda, is responsible for the management of Zhaoqing Shengda and exercising the voting rights attaching to the Shares held by Zhaoqing Shengda, in accordance with the partnership agreement entered into among the general and limited partners of Zhaoqing Shengda.

As of the Latest Practicable Date, Mr. Li Sen and Mr. Li Xin, our executive Directors held approximately 59.03% and 13.10% of the partnership interest in Zhaoqing Shengda, respectively. Mr. Liu Zhoumo and Mr. Li Jianqing, our supervisors, held 1.19% and 0.71% of the partnership interest in Zhaoqing Shengda, respectively. Mr. Xu Youbin, Ms. Fu Xiaohua and Mr. Ye Daxin, our senior management members, held approximately 6.21%, 3.10% and 1.90% of the partnership interest in Zhaoqing Shengda, respectively. Save as disclosed above, the remaining approximately 14.76% partnership interests in Zhaoqing Shengda were held by 12 of our employees who were not Directors, Supervisors or senior management of our Company.

As of the Latest Practicable Date, Zhaoqing Shengda held 5.45% of the issued Shares of our Company. Under the partnership agreement of Zhaoqing Shengda, Zhaoqing Shengda will distribute the profit it receive from our Company to its partners in proportion to the paid-up contribution of each partner. See "Statutory and General Information — 3. Further Information about our Directors and Supervisors — D. Employee Share Ownership Plan" in Appendix VIII for further details.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and until the Latest Practicable Date, we did not conduct any major acquisitions, disposals, or mergers.

[REDACTED] INVESTMENTS

We completed four rounds of [**REDACTED**] Investments, namely the Series A Financing, the Series B Financing, the Series B+ Financing and the Series C Financing. The table below summarizes the principal terms of the [**REDACTED**] Investments.

	Series A	**Series B**	**Series B+**	**Series C**
Date of subscription agreement(s)	July 22, 2021	July 31, 2022	September 29, 2022	December 28, 2022
Number of Shares issued/Amount of registered capital increased (RMB)	RMB10,400,167	7,714,282 Shares	12,635,079 Shares	9,616,500 Shares
Approximate amount raised	RMB130,000,000	RMB300,000,000	RMB610,000,000	RMB320,550,000
Date on which investment was fully settled	July 26, 2021	August 22, 2022	December 19, 2022	February 28, 2023
Cost per Share/RMB1.0 of registered capital[(1)]	RMB5.21	RMB16.78	RMB20.83	RMB33.33
[**REDACTED**] **to the** [**REDACTED**][(2)]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Basis of determining the consideration paid by each [**REDACTED**] **investor**	The consideration for the [**REDACTED**] Investments was determined based on arm's length negotiations between us and the [**REDACTED**] Investors after taking into consideration the timing of the investments, the status of our business and operating entities, development plan and prospect of our Company, the historical financial revenue of our Company, market conditions and sentiment and other applicable financial metrics of our Company.			
Use of proceeds from the [**REDACTED**] **Investments**	We utilized the proceeds from the [**REDACTED**] Investments for the operations of our Group. As of the Latest Practicable Date, the net proceeds received by our Company from the [**REDACTED**] Investments were fully utilized.			
Strategic benefits of the [**REDACTED**] **Investors brought to our Company**	At the time of the [**REDACTED**] Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the [**REDACTED**] Investors' investments in our Company and the [**REDACTED**] Investors' knowledge and experience. The [**REDACTED**] Investments also signify our [**REDACTED**] Investors' endorsement of and confidence in our Company.			
Lock-up period	The terms of the agreement under the [**REDACTED**] Investments did not impose any lock-up obligations over the Shares held by any of the [**REDACTED**] Investors upon [**REDACTED**]. However, pursuant to the PRC Company Law, the [**REDACTED**] Investors will not be able to transfer the Shares issued to them within one year from the [**REDACTED**].			

Notes:

(1) Calculated based on the number of Shares as adjusted after joint stock conversion in January 2022 and capitalization of our Company's capital reserve in December 2022.

(2) Calculated based on the [**REDACTED**] of [**REDACTED**], being the mid-point of the indicative [**REDACTED**] range, and the indicative exchange rate of HK$1.00 = RMB[0.9248].

Rights of the [REDACTED] Investors

The special rights granted to the [**REDACTED**] Investors included, among others, information rights, most-favored treatment rights and redemption rights. The redemption rights shall be automatically terminated on the same date as our first submission of an application for the [**REDACTED**] ("**First Filing**"). All other special rights which are required to be terminated pursuant to Chapter 4.2 of the Guide for New Listing Applicants will be terminated upon the [**REDACTED**]. The redemption rights which have been terminated on the date of First Filing shall be reinstated, as agreed between the Company and the respective [**REDACTED**] Investors, upon the occurrence of one or more of the following circumstances: (i) the withdrawal of the [**REDACTED**] application to the Stock Exchange by our Company; (ii) the Stock Exchange returning or rejecting our [**REDACTED**] application; (iii) the lapse of the [**REDACTED**] application; (iv) failing to re-submit the [**REDACTED**] application within certain period of time after the lapse of the previous [**REDACTED**] application; (v) failing to complete the [**REDACTED**] in the second [**REDACTED**] application; (vi) abandoning or suspending the [**REDACTED**] plan; (vii) the CSRC or the Stock Exchange or other securities regulatory authorities refusing to accept our [**REDACTED**] application; (viii) failing to obtain the approval of the [**REDACTED**] within 12 months after the First Filing; and (ix) failing to complete the qualified [**REDACTED**] (as defined in the respective agreements) within 12 months or the validity period after obtaining the approval of the [**REDACTED**] from the CSRC and/or the Stock Exchange.

Compliance with the [REDACTED] Investment Guidance

On the basis that (i) the [**REDACTED**], being the first day of [**REDACTED**] of the Shares on the Stock Exchange, will take place no earlier than 120 clear days after completion of the [**REDACTED**] Investments; and (ii) the special rights granted to the [**REDACTED**] Investors as set out above have been terminated or will terminate upon the First Filing or [**REDACTED**] (as applicable) as disclosed in "— Rights of the [**REDACTED**] Investors" above, the Joint Sponsors are of the view that the [**REDACTED**] Investments are in compliance with Chapter 4.2 of the Guide for New Listing Applicants.

Information about the [REDACTED] Investors

Guangzhou Yingtao

Guangzhou Yingtao is a company established under the laws of the PRC in July 2014 with limited liability and engaged in investment management. Guangzhou Yingtao is beneficially owned as to 80.00% by Mr. Zhou Xingyang (周興揚). Mr. Zhou Xingyang was one of our Directors between March 2021 and January 2022 and is the father of Mr. Zhou Chutao, one of our executive Directors. No other shareholders of Guangzhou Yingtao holds 30.00% or more equity interest in Guangzhou Yingtao.

Changsheng Investment

Changsheng Investment is a company established under the laws of the PRC in October 2014 with limited liability and engaged in investment management. Changsheng Investment is originally a shareholding platform for some of the employees and external investors who held equity interests in Jiangxi Ruida New Energy Technology Co., Ltd.* (江西睿達新能源科技有限公司), one of our major subsidiaries. Changsheng Investment became a shareholder of our Company through a share swap in December 2020. Changsheng Investment is beneficially owned by 16 shareholders, none of which holds 30.00% or more of the equity interest in Changsheng Investment. Mr. Zhou Chutao, one of our executive Directors, holds 2.71% equity interest in Changsheng Investment while Mr. Liu Zhoumo (劉周謨), one of our Supervisors, holds 7.69% equity interest in Changsheng Investment.

CEC & CICC Fund

CEC & CICC Fund is a limited partnership established under the laws of the PRC in May 2018 and principally engaged in investment management. The general partner of CEC & CICC Fund is CEC & CICC (Xiamen) Electronics Industry Private Equity Investment Management Co., Ltd.* (中電中金(廈門)電子產業私募股權投資管理有限公司) ("**CEC & CICC**") (holding 0.04% partnership interests in CEC & CICC Fund), which is owned by CICC Capital Management Co., Ltd.* (中金資本運營有限公司) ("**CICC Capital**") as to 51.00%, and by China Electronics Corporation Limited* (中國電子信息產業集團有限公司) ("**CEC**") through China Information Security Research Institute Co., Ltd.* (中國信息安全研究院有限公司), a wholly-owned subsidiary of CEC, and CE Optics Valley (Shenzhen) Industrial Development Co., Ltd.* (中電光谷(深圳)產業發展有限公司), a wholly-owned subsidiary of China Electronics Optics Valley Union Holding Company Limited, a company listed on the Stock Exchange (stock code: 798), which is ultimately controlled by CEC, as to 29.00% and 20.00%, respectively. CICC Capital is a wholly-owned subsidiary of China International Capital Corporation Limited, a company listed on the Stock Exchange (stock code: 3908) and Shanghai Stock Exchange (stock code: 601995).

CEC & CICC Fund has 15 limited partners, among which CICC Qirong (Xiamen) Equity Investment Fund Partnership (Limited Partnership)* (中金啟融(廈門)股權投資基金合夥企業(有限合夥)) ("**CICC Qirong**"), which is held as to 0.04% partnership interests by CICC Capital, is its largest limited partner and holds 21.27% of the partnership interest in CEC & CICC Fund. CICC Capital as a limited partner holds 0.89% of the partnership interest in CEC & CICC Fund. None of the remaining limited partners holds 30.00% or more of the partnership interest of CEC & CICC Fund. The general partner of CICC Qirong is CICC Capital.

Gaotai Yuntian

Gaotai Yuntian is a limited partnership established under the laws of the PRC in June 2021 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Gaotai Yuntian is Wuhan Gaotai Yuntian Investment Management Co., Ltd.* (武漢高泰雲天投資管理有限公司), which is owned as to 59.22% by Lited Group Co., Ltd.* (利泰集團有限公司) ("**Lited Group**"). Lited Group is ultimately owned as to 90.00% by Jiang Liming (江黎明), an Independent Third Party. Gaotai Yuntian has three limited partners among which, Lited Group is its largest limited partner and holds 58.82% of the partnership interest in Gaotai Yuntian. None of the remaining limited partners holds 30.00% or more of the partnership interest in Gaotai Yuntian. Lited Group is a company incorporated in the PRC in 1998 and principally engaged in sales of motor vehicles and motor vehicle parts in the PRC.

Ruizheng Venture Capital and Hainan Tongcen

Ruizheng Venture Capital is a limited partnership established under the laws of the PRC in December 2021 and primarily engaged in venture capital investment. The general partner of Ruizheng Venture Capital is Shanghai Ruishi Zhuozheng Management Consulting Partnership Enterprise (Limited Partnership)* (上海銳世卓正管理諮詢合夥企業(有限合夥)), which is ultimately controlled by Fosun International Limited, a multinational conglomerate headquartered in Shanghai, PRC and listed on the Stock Exchange (stock code: 0656). Ruizheng Venture Capital has eight limited partners, among which, Shanghai Fosun High Technology (Group) Co. Ltd.* (上海復星高科技(集團)有限公司), a wholly-owned subsidiary of Fosun International Limited, holds 35.00% of the partnership interest and China SME Development Fund Co., Ltd.* (國家中小企業發展基金有限公司) ("**China SME Fund**") holds 30.00% of the partnership interest in Ruizheng Venture Capital. China SME Fund is a state-owned enterprise established under the laws of the PRC in 2020 and engaged in investment management and consultancy. None of the remaining limited partners of Ruizheng Venture Capital holds 30.00% or more of the partnership interest of Ruizheng Venture Capital.

Hainan Tongcen is a limited partnership established under the laws of the PRC in March 2022 and primarily engaged in venture capital investment, information consulting services and investment holding. The general partner of Hainan Tongcen is Shanghai Fugeng Enterprise Management Co., Ltd.* (上海復耕企業管理有限公司), which is ultimately controlled by Tang Yan (唐豔) and Dong Ya (董娅), who are Independent Third Parties. Hainan Tongcen has seven limited partners, among which Ms. Xing Lizhe, our Non-executive Director holds 16.95% of the partnership interest in Hainan Tongcen and none of the remaining limited partners holds 30.00% or more of the partnership interest in Hainan Tongcen. Hainan Tongcen is an employee co-investing fund platform of Ruizheng Venture Capital.

Guotiao Zhanxin Fund

Guotiao Zhanxin Fund is a limited partnership established under the laws of the PRC in November 2021 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Guotiao Zhanxin Fund is Guotiao Zhanxin Investment Management (Anhui) Co. Ltd.* (國調戰新投資管理(安徽)有限公司), which is a state-owned enterprise engaged in investment management. Guotiao Zhanxin Fund has six limited partners, among which, the China State-owned Enterprises Structural Adjustment Fund Co., Ltd* (中國國有企業結構調整基金股份有限公司) ("**Guotiao Fund**") holds 49.38% of the partnership interest in Guotiao Zhanxin Fund and Chuzhou City Investment Xinchuang Asset Management Co., Ltd.* (滁州市城投鑫創資產管理有限公司) ("**Chuzhou Xinchuang Asset Management**") holds 43.54% of the partnership interest in Guotiao Zhanxin Fund. Both the Guotiao Fund and Chuzhou Xinchuang Asset Management are state-owned enterprises.

Gaoyao Industrial Investment

Gaoyao Industrial Investment is a company established under the laws of the PRC in April 2000 and engaged in investment and development of industrial projects. Gayao Industrial Investment is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Gaoyao District, Zhaoqing City* (肇慶市高要區國有資產監督管理局).

Kaide Technology

Kaide Technology is a limited partnership established under the laws of the PRC in December 2017 and primarily engaged in venture capital investment. The general partner of Kaide Technology is Guangdong National Innovation Venture Capital Management Co., Ltd.* (廣東國民創新創業投資管理有限公司), which is ultimately controlled by Peng Xingguo (彭星國), an Independent Third Party. Kaide Technology has seven limited partners, among which, Zhuhai Longxing Youda Investment Partnership (Limited Partnership)* (珠海龍星有達投資合夥企業(有限合夥)) ("**Longxing Youda**") holds 35.00% of the partnership interest in Kaide Technology and New Quality Productive Force Promotion Center of Ministry of Science and Technology* (科學技術部新質生產力促進中心) holds 30.00% of the partnership interest in Kaide Technology. The National Centre for Science and Technology Venture Development is a department directly under the PRC Ministry of Science and Technology. None of the remaining limited partners of Kaide Technology holds 30.00% or more of the partnership interest in Kaide Technology.

CoStone Capital Funds

Tongshun CoStone is a limited partnership established under the laws of the PRC in September 2021 and primarily engaged in equity investment, investment management and asset management. The general partners of Tongshun CoStone are Tibet Tianji CoStone Venture Capital Co., Ltd.* (西藏天璣基石創業投資有限公司), which is in turn a wholly-owned subsidiary of CoStone Asset Management Co., Ltd.* (基石資產管理股份有限公司) ("**CoStone**

Asset Management"), and Beijing Tonghui Taihe Investment Management Co., Ltd.* (北京通匯泰和投資管理有限公司), which is wholly-owned subsidiary of Shandong Tonghui Capital Investment Group Co., Ltd.* (山東通匯資本投資集團有限公司) and ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shandong Province* (山東省人民政府國有資產監督管理委員會). CoStone Asset Management is an investment firm in the PRC and ultimately controlled by Zhang Wei (張維), an Independent Third Party. Shanghai Gangtong Phase I Investment Partnership (Limited Partnership)* (上海港通一期投資合夥企業(有限合夥)) ("**Shanghai Gangtong**") is the only limited partner and holds 97.80% of the partnership interest in Tongshun CoStone. Shanghai Gangtong is a limited partnership established under the laws of the PRC in August 2019 and its general partner is Gangtong (Shanghai) Asset Management Co., Ltd.* (港通(上海)資產管理有限公司), which is ultimately controlled by Hao Jinpeng (郝金鵬), an Independent Third Party. Shanghai Gangtong has three limited partners, among which, Shandong Qijiao II Infrastructure Equity Investment Partnership (Limited Partnership)* (山東齊交二期基礎設施股權投資合夥企業(有限合夥)) ("**Shandong Qijiao**") is its largest limited partner and holds 61.29% of the partnership interest in Shanghai Gangtong. Shandong Qijiao is turn owned as to 95.23% by Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shandong Province. None of the remaining limited partners of Shanghai Gangtong holds 30.00% or more of the partnership interest in Shanghai Gangtong.

Xinxiao CoStone is a limited partnership established under the laws of the PRC in July 2022 and primarily engaged in equity investment, investment management and asset management. The general partner of Xinxiao CoStone is Urumqi Phoenix Cornerstone Equity Investment Management Limited Partnership* (烏魯木齊鳳凰基石股權投資管理有限合夥企業) ("**Phoenix Cornerstone**"), which is ultimately controlled by Zhang Wei (張維), an Independent Third Party. Xinxiao CoStone has eight limited partners, among which, Jinan Jili Ruijin Equity Investment Partnership (Limited Partnership)* (濟南吉力鋭金股權投資合夥企業(有限合夥)) ("**Jinan Ruijin**") is its largest limited partner and holds 49.80% of the partnership interest in Xinxiao CoStone. None of the remaining limited partners of Xinxiao CoStone holds 30.00% or more of the partnership interest in Xinxiao CoStone. Jinan Ruijin is a limited partnership established under the laws of the PRC in December 2022 with Beijing Jili Venture Capital Partnership (Limited Partnership)* (北京吉力創業投資合夥企業(有限合夥)) ("**Beijing Jili Venture Capital**") as its general partner. Beijing Jili Venture Capital is a limited partnership established under the laws of the PRC in July 2015 engaged in private equity and venture capital and ultimately controlled by Xia Shanmin (夏善民), an Independent Third Party. As of the Latest Practicable Date, Jinan Ruijin had 11 limited partners and its largest limited partner is Zhu Yenan (朱業男), an Independent Third Party, who holds 45.66% of the partnership interest in Jinan Ruijin. None of the remaining limited partners of Jilin Ruijin holds 30.00% or more of the partnership interest in Jinan Ruijin.

Fortune Venture Capital

Shenzhen Fortune is a limited partnership established under the laws of the PRC in March 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. Shenzhen Fortune has 21 limited partners, none of which holds 30.00% or more of the partnership interest in Shenzhen Fortune.

Hangzhou Fortune is a limited partnership established under the laws of the PRC in March 2022 and primarily engaged in equity investment. Hangzhou Fortune has 21 limited partners, none of which holds 30.00% or more of the partnership interest in Hangzhou Fortune.

Beijing Fortune is a limited partnership established under the laws of the PRC in April 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. Beijing Fortune has 19 limited partners, none of which holds 30.00% or more of the partnership interest in Beijing Fortune. Beijing Science and Technology Innovation Fund (Limited Partnership)* (北京市科技創新基金(有限合夥)) ("**Beijing Science**"), as one of the limited partners of Beijing Fortune, holds 4.65% of the partnership interests of Beijing Fortune. Beijing Science is held by, among others, (i) CICC Pucheng Investment Co., Ltd.* (中金浦成投資有限公司), a limited partner, as to 3.52%, which is wholly owned by China International Capital Corporation Limited, a company listed on the Stock Exchange (stock code: 3908) and Shanghai Stock Exchange (stock code: 601995); and (ii) Beijing Science and Technology Innovation Investment Management Co., Ltd.* (北京科技創新投資管理有限公司), a general partner, as to 1.00% which is held by CICC Capital as to 51.00%.

Shenzhen Caizhi is a limited partnership established under the laws of the PRC in June 2020 and primarily engaged in equity investment. Shenzhen Caizhi has 30 limited partners, none of which holds 30.00% or more of the partnership interest in Shenzhen Caizhi.

The general partner of each of Shenzhen Fortune, Hangzhou Fortune, Beijing Fortune and Shenzhen Caizhi is Shenzhen Fortune Venture Capital Management Co. Ltd.* (深圳市達晨財智創業投資管理有限公司), which is ultimately controlled by Hunan TV & Broadcast Intermediary Co., Ltd* (湖南電廣傳媒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000917).

Guozhong Fund

Guozhong Fund is a limited partnership established under the laws of the PRC in May 2021 and primarily engaged in equity investment, investment management, asset management, private equity investment and venture capital investment. The general partner of Guozhong Fund is Shenzhen Guozhong Changrong Asset Management Co. Ltd.* (深圳國中常榮資產管理有限公司), which is ultimately controlled by Shi Anping (施安平), an Independent Third Party. Guozhong Fund has nine limited partners, among which China SME Fund is its largest limited partner and holds 33.33% of the partnership interest in Guozhong Fund. None of the remaining limited partners holds 30.00% or more partnership interest in Guozhong Fund. China SME Fund is a state-owned enterprise established under the laws of the PRC in 2020 and principally engaged in investment management and consultancy.

Gongqingcheng Ruoque

Gongqingcheng Ruoque is a limited partnership established under the laws of the PRC in May 2017 and primarily engaged in project investment, investment management and industrial investment. The general partner of Gongqingcheng Ruoque is Guangdong Ruoque Private Equity Fund Management Co., Ltd.* (廣東若缺私募基金管理有限公司), which is ultimately controlled by Cheng Guifang (程桂芳), an Independent Third Party. Gongqingcheng Ruoque has seven limited partners, among which, Zeng Ruimin (曾睿敏), Cheng Guifang (程桂芳) and Chen Pian (陳翩), who are Independent Third Parties, are the largest limited partners and each holds 19.74% of the partnership interest in Gongqingcheng Ruoque. None of the remaining limited partners holds 30.00% or more of the partnership interest of Gongqingcheng Ruoque.

Southern Media VC

Southern Media VC is a limited partnership established under the laws of the PRC in October 2017 and primarily engaged in venture capital investment. The general partner of Southern Media VC is Zhuhai Hengqin Yueke Ruihe Investment Center (Limited Partnership)* (珠海市橫琴粵科瑞和投資中心(有限合夥)), which is ultimately controlled by Guangdong Yueke Financial Group Co., Ltd.* (廣東省粵科金融集團有限公司) ("**Yueke Financial Group**"). Yueke Financial Group is a state-owned enterprise established in 2000 under the supervision of the State-owned Assets Supervision and Administration Commission of the Guangdong Province* (廣東省人民政府國有資產監督管理委員會) and engaged in venture capital in the technology sector. Southern Media VC has two limited partners, among which, Guangdong Southern Media Investment Co., Ltd* (廣東南方傳媒投資有限公司) ("**Southern Media Investment**") is its largest limited partner and holds 69.31% partnership interest in Southern Media VC and Guangdong New Media Industry Fund (Limited Partnership)* (廣東省新媒體產業基金(有限合夥)) which holds 29.70% partnership interest in Southern Media VC. Southern Media Investment is a wholly-owned subsidiary of Southern Publishing Media Co., Ltd.* (南方出版傳媒股份有限公司), a state-owned enterprise established in December 2009 engaged in media publication and listed on the Shanghai Stock Exchange (stock code: 601900).

Yueke Jinsheng

Yueke Jinsheng is a limited partnership established under the laws of the PRC in July 2023 and primarily engaged in venture capital investment, equity investment, investment management, asset management and private equity investment. The general partners of Yueke Jinsheng are Guangdong Yueke Venture Capital Management Co., Ltd.* (廣東粵科創業投資管理有限公司) ("**Yueke VC**") and Cinda Capital Management Co., Ltd.* (信達資本管理有限公司) ("**Cinda Capital Management**"). Yueke VC is ultimately controlled by Yueke Financial Group and Cinda Capital Management is ultimately controlled by China Cinda Asset Management Co., Ltd.* (中國信達資產管理股份有限公司) ("**China Cinda**"), an asset management company established in 1999 and listed on the Stock Exchange (stock code: 1359). Yueke Jinsheng has one limited partner, where China Cinda holds 97.56% of the partnership interest in Yueke Jinsheng.

Bosch

Bosch VC is a company established under the laws of the PRC in January 2015 and a wholly-owned subsidiary of Bosch (Shanghai) Investment Consulting Co., Ltd.* (博世(上海)投資諮詢有限公司) ("**Bosch Consulting**") which is in turn a wholly-owned subsidiary of Bosch (China) Investment Co., Ltd.* (博世(中國)投資有限公司). Bosch (China) Investment Co., Ltd. is a wholly-owned subsidiary of Robert Bosch GmbH, a multinational engineering and technology company established and headquartered in Germany.

Boyuan Jiacheng is a limited partnership established under the laws of the PRC in May 2021 and primarily engaged in venture capital investment. The general partner of Boyuan Jiacheng is Boyuan (Shanghai) Private Equity Fund Management Co., Ltd.* (博原(上海)私募基金管理有限公司) ("**Boyuan Management**"), which is owned as to 50.00% by Bosch Consulting, 40.00% by Shanghai Liyuan Enterprise Management Partnership (Limited Partnership)* (上海麓鳶企業管理合夥企業(有限合夥)), whose general partner is Zhu Lin (朱璘) holding 50.00% of partnership interests and limited partner is Jiang Hongquan holding 50.00% of the partnership interest, and 10.00% by Gebi Chuangying (Shanghai) Venture Capital Management Co., Ltd.* (戈壁創贏(上海)創業投資管理有限公司), a company established under the laws of the PRC and ultimately controlled by Zhu Lin. Both of Zhu Lin and Jiang Hongquan are Independent Third Parties. Boyuan Jiacheng has nine limited partners, among which (i) Bosch VC holds 25.26% partnership interest in Boyuan Jiacheng; (ii) Wuxi Weifu High-Technology Group Co., Ltd.* (無錫威孚高科技集團股份有限公司) ("**Weifu High-Tech**") holds 16.84% partnership interest in Boyuan Jiacheng; and (iii) Hengqin Guangdong-Macao Deep Corporation Zone Industrial Investment Fund (Limited Partnership)* (橫琴粵澳深度合作區產業投資基金(有限合夥)), which is held as to 0.0001% partnership interests by CICC Capital as its general partner, holds 8.42% partnership interests in Boyuan Jiacheng. Weifu High-Tech is a company engaged in the production of automobile vehicle parts and listed on the Shenzhen Stock Exchange (stock code: 000581). None of the remaining limited partners hold 15.00% or more partnership interest in Boyuan Jiacheng.

Huainan Fund

Huainan Fund is a limited partnership established under the laws of the PRC in November 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Huainan Fund is Anhui Zhongan Capital Management Co., Ltd* (安徽中安資本管理有限公司), which is ultimately controlled by Anhui Investment Group Holding Co., Ltd.* (安徽省投資集團控股有限公司) ("**Anhui Investment Group**"). Anhui Investment Group is a state-owned enterprise established in 1998 under the supervision of the State-owned Assets Supervision and Administration Commission of Anhui Province* (安徽省人民政府國有資產監督管理委員會) and primarily engaged in investment management. Huainan Fund has four limited partners, among which, Huainan Construction Development Holding (Group) Co., Ltd.* (淮南建設發展控股(集團)有限公司) ("**Huainan Construction**") is its largest limited partner and holds 40.00% of the partnership interest in Huainan Fund. Huainan Construction is a state-owned enterprise established in 2015 and engaged in investment, development and construction of urban infrastructure and land projects. None of the remaining limited partners holds 30.00% or more of the partnership interest in Huainan Fund.

Dechuang Intelligent

Dechuang Intelligent is a limited partnership established under the laws of the PRC in January 2022 and primarily engaged in equity investment, investment management and private equity investment. The general partner of Dechuang Intelligent is Shaanxi Hongdeyuanchuang Private Equity Investment Management Co., Ltd.* (陝西鴻德源創私募投資管理有限公司), which is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Shaanxi Province* (陝西省人民政府國有資產監督管理委員會), Zhang Bo (張博), and Wang Qiongqiong (王瓊瓊), each an Independent Third Party. Dechuang Intelligent has three limited partners, among which Shaanxi Automobile Holding Group Co., Ltd.* (陝西汽車控股集團有限公司) ("**Shaanxi Automobile**") holds 48.39% of the partnership interest in Dechuang Intelligent and none of the remaining limited partners holds 30.00% or more of the partnership interest in Dechuang Intelligent. Shaanxi Automobile is a state-owned enterprise engaged in the production of heavy duty automobile vehicles and headquartered in Shaanxi Province, PRC and under the supervision of the State-owned Assets Supervision and Administration Commission of Shaanxi Province* (陝西省人民政府國有資產監督管理委員會).

Zibo Henglu

Zibo Henglu is a limited partnership established under the laws of the PRC in February 2023 and primarily engaged in investment activities. The general partner of Zibo Henglu is Shanghai Henglu Asset Management Co., Ltd.* (上海衡廬資產管理有限公司), which is ultimately controlled by Liu Shuwen (劉書文), an Independent Third Party. Zibo Henglu has 16 limited partners, none of which holds 30.00% or more partnership interest in Zibo Henglu.

Bauhinia Fund

Bauhinia Fund is a limited partnership established under the laws of the PRC in December 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Bauhinia Fund is Shenzhen Bauhinia Huifu Investment Management Partnership (Limited Partnership)* (深圳市紫荊匯富投資管理合夥企業(有限合夥)) ("**Bauhinia Huifu Investment**"), which is ultimately controlled by Fang Yongzhong (方永中) and Liu Guanghua (劉廣華), who are Independent Third Parties. Bauhinia Huifu Investment is a private equity fund management institution established in September 2011 in the PRC. Bauhinia Fund has two limited partners, among which, Longnan Jiankong Innovation Investment Holding Group Co., Ltd.* (龍南市建控創新投資控股集團有限責任公司) ("**Longnan Jiankong Innovation**") is the largest limited partner and holds 74.25% of the partnership interest in Bauhinia Fund. Longnan Jiankong Innovation is a subsidiary of Longnan Construction Investment Holding Group Co., Ltd.* (龍南建設投資控股集團有限責任公司), a state-owned enterprise engaged in investment of infrastructure projects under the supervision of the Longnan City Finance Bureau* (龍南市財政局) and Longnan Economic and Technological Development Zone Management Committee* (龍南經濟技術開發區管理委員會).

Guangqi Xinsheng

Guangqi Xinsheng is a limited partnership established under the laws of the PRC in July 2022 and primarily engaged in investment activities with its owned fund. The general partner of Guangqi Xinsheng is Guangzhou Yingpeng Private Equity Fund Management Co. Ltd.* (廣州盈蓬私募基金管理有限公司) ("**Guangzhou Yingpeng**"), which is an indirect wholly-owned subsidiary of Guangzhou Automobile Group Co., Ltd.* (廣州汽車集團股份有限公司), a company listed on the Stock Exchange (stock code: 2238) and the Shanghai Stock Exchange (stock code: 601238). Guangqi Xinsheng has three limited partners, among which, Taizhou Yinqi Equity Investment Fund Partnership (Limited Partnership)* (台州銀祺股權投資基金合夥企業(有限合夥)) ("**Taizhou Yinqi**") holds 54.35% of the partnership interest in Guangqi Xinsheng and Guangdong Guangqi Chentu No. 4 Equity Investment Partnership (Limited Partnership)* (廣東廣祺辰途肆號股權投資合夥企業(有限合夥)) ("**Guangqi Chentu**") holds 43.48% of the partnership interest in Guangqi Xinsheng.

Both Taizhou Yinqi and Guangqi Chentu are limited partnerships established under the laws of the PRC with Guangzhou Yingpeng as its general partner. Taizhou Yinqi has two limited partners, among which Zhejiang Yinlun Machinery Co., Ltd.* (浙江銀輪機械股份有限公司), a company established under the laws of the PRC and listed on the Shanghai Stock Exchange (stock code: 002126) is its largest limited partner and holds 75.00% of the partnership interest in Taizhou Yinqi. None of the remaining limited partners holds 30.00% or more of the partnership interest in Taizhou Yinqi. Guangqi Chentu has six limited partners, among which Guangzhou Chentu 10 Equity Investment Partnership (Limited Partnership)* (廣州辰途十號股權投資合夥企業(有限合夥)) ("**Chentu 10**") is its largest limited partner and holds 33.76% of the partnership interest in Guangqi Chentu with none of the remaining limited partners holding 30.00% or more of the partnership interest in Guangqi Chentu. Chentu 10 is a limited partnership established under the laws of the PRC with Guangzhou Xienuo Chentu Equity Investment Management Co., Ltd.* (廣州謝諾辰途股權投資管理有限公司) as its general partner, which is ultimately controlled by Chen Ruibiao (陳鋭彬), an Independent Third Party. Chentu 10 has 40 limited partners, none of which holds 30.00% or more of the partnership interest in Chentu 10.

Changzhou Ruiliang

Changzhou Ruiliang is a limited partnership established under the laws of the PRC in January 2022 and primarily engaged in venture capital investment. The general partner of Changzhou Ruiliang is Jiangsu Ruihua Venture Capital Management Co., Ltd.* (江蘇瑞華創業投資管理有限公司), which is ultimately controlled by Zhang Jianbin (張建斌), an Independent Third Party. Changzhou Ruiliang has five limited partners, among which, Tibet Ruihua Commercial Management Co., Ltd.* (西藏瑞華商業管理有限公司) ("**Tibet Ruihua**") holds 44.00% of the partnership interest in Changzhou Ruiliang and none of the remaining limited partners holds 30.00% or more of the partnership interest in Changzhou Ruiliang. Tibet Ruihua is company established under the laws of PRC and engaged in business management consulting and ultimately controlled by Zhang Jianbin (張建斌), an Independent Third Party.

Yuecai Investment

Yuecai Industry Investment is a limited partnership established under the laws of the PRC in December 2017 and primarily engaged in equity investment, equity investment management and investment consulting services. The general partner of Yuecai Industry Investment is Guangdong Yuecai Fund Management Co., Ltd.* (廣東粵財基金管理有限公司) ("**Yuecai Fund Management**"), which is a wholly-owned subsidiary of Guangdong Yuecai Investment Holding Co., Ltd.* (廣東粵財投資控股有限公司) ("**Yuecai Investment Holding**"). Yuecai Investment Holding is a state-owned enterprise established in the PRC in 2001 and engaged in financial investment and ultimately controlled by the People's Government of Guangdong Province* (廣東省人民政府). Yuecai Industry Investment has one limited partner, Yuecai Investment Holding, which holds 98.00% of the partnership interest in Yuecai Industry Investment.

Chuangying Jianke is a limited partnership established under the laws of the PRC in December 2017 and primarily engaged in investment consulting services and investment holding. The general partner of Chuangyin Jianke is Guangdong Yuecai Venture Capital Co., Ltd.* (廣東粵財創業投資有限公司), which is a wholly-owned subsidiary of Yuecai Investment Holding. Chuangying Jianke has 49 limited partners, none of which holds 30.00% or more of the partnership interest in Chuangying Jianke.

Changjiang Securities

Guangde Changzheng is a limited partnership established under the laws of the PRC in February 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Guangde Changzheng is Changjiang Growth Capital Investment Co., Ltd.* (長江成長資本投資有限公司) ("**Changjiang Growth**"), which is a wholly-owned subsidiary of Changjiang Securities Co., Ltd.* (長江證券股份有限公司) ("**Changjiang Securities**"), a company established in the PRC in 1997 and engaged in securities and investment banking business and listed on the Shenzhen Stock Exchange (stock code: 000783). Guangde Changzheng has two limited partners, among which Guangde State-owned Assets Investment and Management Co., Ltd.* (廣德市國有資產投資經營有限公司) ("**Guangde SAIC**") holds 50.00% of the partnership interest and Changjiang Securities Innovation Investment (Hubei) Co., Ltd.* (長江證券創新投資(湖北)有限公司) ("**Changjiang Innovation**") holds 30.00% of the partnership interest in Guangde Changzheng. Changjiang Innovation is a wholly-owned subsidiary of Changjiang Securities.

Xiangyang Changzheng is a limited partnership established under the laws of the PRC in January 2023 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Xiangyang Changzheng is Changjiang Growth. Xiangyang Changzheng has three limited partners, among which, Changjiang Innovation is its largest limited partner and holds 49.00% partnership interest in Xiangyang Changzheng. None of the remaining limited partners of Xiangyang Changzheng holds 30.00% or more of the partnership interest in Xiangyang Changzheng.

Chutian Changxing is a limited partnership established under the laws of the PRC in February 2017 and primarily engaged in business management consulting. The general partner of Chutian Changxing is Cao Hongfeng (曹宏鋒), an Independent Third Party. Chutian Changxing has 19 limited partners, none of which holds 30.00% or more of the partnership interest in Chutian Changxing. Chutian Changxing is an employee co-investing fund platform of Changjiang Growth.

Winshare Dingsheng

Winshare Dingsheng is a limited partnership established under the laws of the PRC in May 2016 and primarily engaged in equity investment. The general partner of Winshare Dingsheng is Chengdu Winshare Equity Investment Fund Management Co., Ltd.* (成都文軒股權投資基金管理有限公司), whose single largest shareholder is Winshare Investment Co., Ltd.* (文軒投資有限公司) ("**Winshare Investment**") holding 45.45% equity interest. Winshare Investment is a wholly-owned subsidiary of Xinhua Winshare Publishing and Media Co., Ltd.* (新華文軒出版傳媒股份有限公司) ("**Xinhua Winshare**") a company established in 2005 in the PRC and engaged in the publication business and listed on the Stock Exchange (stock code: 0811) and the Shanghai Stock Exchange (stock code: 601811). Winshare Dingsheng has two limited partners, among which, Winshare Investment is the largest limited partner and holds 66.45% of the partnership interest and Liangshan State Development (Holding) Group Co., Ltd.* (涼山州發展(控股)集團有限責任公司) ("**Liangshan Development**") which holds 33.22% of the partnership interest in Winshare Dingsheng. Liangshang Development is a state-owned enterprise engaged in investment holding.

Guangdong Zhenghao

Guangdong Zhenghao is a limited partnership established under the laws of the PRC in December 2022 and primarily engaged in venture capital investment, investment holding and securities investment consulting business. The general partner of Guangdong Zhenghao is Xinyu Jitai Huixin Investment Management Center (Limited Partnership)* (新余集泰慧鑫投資管理中心(有限合夥)), which is ultimately controlled by Li Jun (李軍), an Independent Third Party. Guangdong Zhenghao has 11 limited partners, among which, Huizhou Jinghui Investment Co., Ltd.* (惠州市精暉投資有限公司) ("**Jinghui Investment**") is its largest limited partner and holds 51.06% of the partnership interest in Guangdong Zhenghao. Jinghui Investment is owned as to 90.00% by Ye Xilian (葉細廉) and 10.00% by Ye Yuelian (葉月廉), both of which are Independent Third Parties. None of the remaining limited partners of Guangdong Zhenghao holds 30.00% or more of the partnership interest in Guangdong Zhenghao.

Shuimu Linghang One

Shuimu Linghang One is a limited partnership established under the laws of the PRC in May 2022 and primarily engaged in private equity fund management and venture capital fund management services. The general partner of Shuimu Linghang One is Shuimu Chunjin Capital Management Co., Ltd.* (水木春錦資本管理有限公司), which is ultimately controlled by Liu Yanhua (劉豔華), an Independent Third Party. Shuimu Linghang One has 19 limited partners, each limited partner of Shuimu Linghang One is holding less than 30.00% of the partnership interest therein.

Shaanxi Ruijing

Shaanxi Ruijing is a limited partnership established under the laws of the PRC in March 2023 and primarily engaged in investment with particular focus on core science and technological asset segments such as new energy and aviation and space industries in the PRC. The general partner of Shaanxi Ruijing is Xi'an Ruijing Private Equity Fund Management Partnership (Limited Partnership)* (西安瑞景私募基金管理合夥企業(有限合夥)), which is ultimately controlled by Yang Xuhai (楊旭海), an Independent Third Party. Shaanxi Ruijing has 13 limited partners, among which, Xi'an Royal-Power Asset Management Co., Ltd.* (西安瑞鵬資產管理有限公司) ("**Xi'an Royal-Power**") is its largest limited partner and holds 42.33% of the partnership interest in Shaanxi Ruijing. Xi'an Royal-Power is founded in December 2015 and engaged in investment with particular focus on core science and technological asset segments such as new energy and aviation and space industries in the PRC. Xi'an Royal-Power is ultimately controlled by Tian Yuchen (田雨辰), an Independent Third Party.

Huachuang Xinshang

Huachuang Xinshang is a limited partnership established under the laws of the PRC in November 2021 and primarily engaged in industrial investment, project investment and venture capital investment. The general partner of Huachuang Xinshang is Shenzhen Qianhai Zhongzhong Equity Investment Co., Ltd.* (深圳前海中眾股權投資有限公司), which is in turn a non-wholly owned subsidiary of Shenzhen Huachuang Shenda Investment Co., Ltd.* (深圳華創深大投資有限公司) ("**Huachuang Shenda**"), a company established in the PRC and engaged in investment and venture capital investment. Huanchuang Shenda is ultimately controlled by Huang Xiaomian (黃小勉), an Independent Third Party. Huachuang Xinsheng has 12 limited partners, none of which holds 30.00% or more partnership interest in Huachuang Xinsheng.

Ninebot

Changzhou Yilai is a limited partnership established under the laws of the PRC in January 2022 and primarily engaged in equity investment. Changzhou Yilai has three limited partners, among which, Ninebot (Hainan) Holdings Limited* (九號(海南)控股有限公司) ("**Ninebot Hainan**") is its largest limited partner and holds 74.25% of the partnership interest in

Changzhou Yilai. Ninebot Hainan is a wholly-owned subsidiary of Ninebot Limited, a company focusing on the development and manufacturing of intelligent short-range transportation and service robots and listed on the Shanghai Stock Exchange (stock code: 689009).

Hainan Yilai is a limited partnership established under the laws of the PRC in March 2021 and primarily engaged in equity investment. Hainan Yilai has two limited partners, among which, Ninebot Hainan is its largest limited partner and holds 99.50% of the partnership interest in Hainan Yilai.

Qianhai Qingyan Huashan Investment Management (Shenzhen) Co., Ltd.* (前海清岩華山投資管理(深圳)有限公司) is the general partner for both Changzhou Yilai and Hainan Yilai, which is owned by Ma Hongwen (馬洪文), Guan Mingjie (官明傑), and Jiao Junhui (焦君慧) as to 40.00%, 30.00% and 30.00%, respectively, and each an Independent Third Party.

Henan Keyuan

Henan Keyuan is a limited partnership established under the laws of the PRC in March 2018 and primarily engaged in non-securities equity investment and related advisory services. The general partner of Henan Keyuan is Henan Keyuan Yukai Investment Management Partnership (Limited Partnership)* (河南科源豫開投資管理合夥企業(有限合夥)) ("**Keyuan Yukai**"), which is ultimately controlled by Zhao Hang (趙航), an Independent Third Party. Henan Keyuan has two limited partners, Henan Zhongyu Industrial Investment Group Co., Ltd.* (河南中豫產業投資集團有限公司) ("**Zhongyu Industrial Investment**") which holds 92.42% partnership interest and Henan Zhongyu Urban Investment Development Co., Ltd.* (河南省中豫城市投資發展有限公司) ("**Zhongyu Urban Investment**"), which holds 7.39% partnership interest in Henan Keyuan. Both Zhongyu Industrial Investment and Zhongyu Urban Investment are part of the Zhongyuan Yuzi Investment Holding Group Co., Ltd.* (中原豫資投資控股集團有限公司), a state-owned enterprise established and headquartered in Henan Province, PRC and primarily engaged in investment holding.

Fuchuan Investment III

Fuchuan Investment III is a limited partnership established under the laws of the PRC in March 2018 and primarily engaged in equity investment. The general partner of Fuchuan Investment III is Shenzhen Fuchuan Investment Fund Management Co., Ltd.* (深圳富川投資基金管理有限公司) ("**Fuchuan Investment Management**"), which is ultimately controlled by Ou Zhichuan (歐志川), an Independent Third Party. Fuchuan Investment Management is a company established in the PRC in September 2015 and primarily engaged in asset management and investment. Fuchuan Investment III has 11 limited partners, none of which holds 30.00% or more of the partnership interest in Fuchuan Investment III.

Kejin II

Kejin II is a limited partnership established under the laws of the PRC in November 2020 and primarily engaged in equity investment, investment management and asset management. The general partner of Kejin II is Guangzhou Panyu Fund Management Co., Ltd.* (廣州番禺基金管理有限公司) ("**Panyu Fund**"). Panyu Fund is a state-owned enterprise established under the supervision of the State-owned Assets Supervision Administration of the People's Government of Panyu District, Guangzhou* (廣州市番禺區人民政府國有資產監督管理局) and primarily engaged in equity investment and equity investment fund managements. Kejin II has two limited partners, Guangzhou Science and Technology Financial Innovation Investment Holding Co., Ltd.* (廣州科技金融創新投資控股有限公司) ("**Guangzhou Science and Technology Financial Innovation Investment**") which holds approximately 48.75% partnership interest in Kejin II and Shenzhen Jintai Asset Management Co., Ltd.* (深圳市金泰資產管理有限公司) which holds 2.50% partnership interest in Kejin II. Guangzhou Science and Technology Financial Innovation Investment is a wholly-owned subsidiary of Guangzhou Industrial Investment Fund Management Co., Ltd.* (廣州產業投資基金管理有限公司) which is in turn a state-owned enterprise established in February 2013 and primarily engaged in equity investment, equity investment fund managements and investment consulting.

Bosera Tiancheng

Bosera Tiancheng is a limited partnership established under the laws of the PRC in January 2022 and primarily engaged in equity investment, investment management, asset management and private equity investment. The general partner of Bosera Tiancheng is Hainan Bosera Innovation Management Co., Ltd.* (海南博時創新管理有限公司) ("**Bosera Innovation**"), and the limited partner is the asset management scheme managed by Bosera Capital Management Co., Ltd.* (博時資本管理有限公司). Bosera Innovation is a wholly-owned subsidiary of Bosera Fund Management Co., Ltd.* (博時基金管理有限公司) ("**Bosera Fund**"). Bosera Fund was established in the PRC in July 1998 and is primarily engaged in asset management. Bosera Fund is owned as to 49.00% by China Merchant Securities Co., Ltd.* (招商證券股份有限公司), a state-owned enterprise engaged in investment banking and listed on the Stock Exchange (stock code: 6099) and Shanghai Stock Exchange (stock code: 600999).

Guangzhou Lizhi

Guangzhou Lizhi is a limited partnership established under the laws of the PRC in March 2023 and primarily engaged in investment holding and venture capital investment. The general partner of Guangzhou Lizhi is Li Zhipeng (黎志鵬), an Independent Third Party. Guangzhou Lizhi has three limited partners, among which Chen Jiacheng (陳嘉誠), an Independent Third Party, is its largest limited partner and holds 69.93% of the partnership interest in Guangzhou Lizhi. None of the remaining limited partners holds 30.00% or more of the partnership interest in Guangzhou Lizhi.

PREVIOUS LISTING ATTEMPT

Our Group once initiated the preparation for proposed listing of its Shares on the Main Board of the Shenzhen Stock Exchange (深圳證券交易所主板) and we had engaged China International Capital Corporation Limited as our tutoring institution for the A-share listing preparation and made a preliminary filing (上市輔導備案) with the Guangdong office of CSRC (中國證券監督管理委員會廣東監管局) on November 24, 2024. However, due to the market condition and a more reasonably foreseeable timeline of the proposed [**REDACTED**] on the Stock Exchange, and considering that the Stock Exchange would provide us with an international platform to gain access to foreign capital and overseas investors and establish a platform for our Company to expand its global business footprint, we suspended the preparatory work for the listing on the domestic stock exchange. Accordingly, the tutoring agreement with China International Capital Corporation Limited was terminated based on mutual agreement between parties on August 12, 2024.

As of the Latest Practicable Date, we had not (i) submitted any A-share listing application to the CSRC or Shenzhen Stock Exchange for review or (ii) received any comments or issues raised by the CSRC (including its local offices) or Shenzhen Stock Exchange. We do not plan to pursue the A-share listing preparation in the near future.

To the best of their knowledge, our Directors are not aware of (i) any matters or findings relating to the A-share listing preparation that may have material adverse implications on our Company's suitability for [**REDACTED**] on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this document; and (ii) any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the A-share listing preparation. Based on the above, our Directors are of the view that there are no matters in the A-share listing preparation that would potentially affect the suitability of our Company to [**REDACTED**] on the Stock Exchange. Based on the independent due diligence work performed by the Joint Sponsors and the information and representation given to the Joint Sponsors, nothing has come to the Joint Sponsors' attention that could cast doubts on the Directors' views set out above.

REASONS FOR THE [REDACTED]

Our Company is seeking a [**REDACTED**] of its H Shares on the Stock Exchange in order to establish a financing and capital operation platform in the international capital market, establish diversified financing channels, and optimize the investor structure. Furthermore, [**REDACTED**] on the Stock Exchange will allow our Company to deepen our brand influence and market awareness, to establish a platform to expand our business footprint, and to improve the internal governance structure and build a modern enterprise management system. For further details of our future plans, see "Future Plans and [**REDACTED**]."

CAPITALIZATION OF OUR COMPANY

Upon completion of the [**REDACTED**] Investments as described above, a number of capital increases and equity interest transfers among shareholders of our Company and conversion of our Company into a joint stock limited company, the table below is a summary of the capitalization of our Company as of the Latest Practicable Date and immediately after the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):

	As of the Latest Practicable Date			Immediately After Completion of the [REDACTED]		
Shareholder	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**
Mr. Li Sen	21,814,445	Unlisted Shares	5.90%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Mr. Li Xin	19,338,761	Unlisted Shares	5.23%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Mr. Li Yao	19,302,525	Unlisted Shares	5.22%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Mr. Li Yan	19,041,130	Unlisted Shares	5.15%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Mr. Li Wang	19,302,525	Unlisted Shares	5.22%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Jiangxi Dongliang	75,356,831	Unlisted Shares	20.39%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Zhaoqing Senlong	9,156,821	Unlisted Shares	2.48%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Zhaoqing Shengda	20,152,394	Unlisted Shares	5.45%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Guangzhou Yingtao	54,890,864	Unlisted Shares	14.85%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
Changsheng Investment	19,208,602	Unlisted Shares	5.20%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
CEC & CICC Fund	9,596,578	Unlisted Shares	2.60%	[**REDACTED**]	H Shares	[**REDACTED**]
Gaotai Yuntian	8,636,877	Unlisted Shares	2.34%	[**REDACTED**]	H Shares	[**REDACTED**]
Ruizheng Venture Capital	7,746,592	Unlisted Shares	2.10%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
				[**REDACTED**]	H Shares	[**REDACTED**]
Guotiao Zhanxin Fund	7,351,244	Unlisted Shares	1.99%	[**REDACTED**]	Unlisted Shares	[**REDACTED**]
				[**REDACTED**]	H Shares	[**REDACTED**]
Gaoyao Industrial Investment	6,000,000	Unlisted Shares	1.62%	[**REDACTED**]	H Shares	[**REDACTED**]
Kaide Technology	4,434,398	Unlisted Shares	1.20%	[**REDACTED**]	H Shares	[**REDACTED**]

	As of the Latest Practicable Date			Immediately After Completion of the [REDACTED]		
Shareholder	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**
Tongshun CoStone	4,368,001	Unlisted Shares	1.18%	[REDACTED]	Unlisted Shares	[REDACTED]
Shenzhen Fortune	3,863,999	Unlisted Shares	1.05%	[REDACTED]	H Shares	[REDACTED]
Guozhong Fund	3,359,999	Unlisted Shares	0.91%	[REDACTED]	H Shares	[REDACTED]
Gongqingcheng Ruoque	2,878,879	Unlisted Shares	0.78%	[REDACTED]	H Shares	[REDACTED]
Yueke Jinsheng	2,837,350	Unlisted Shares	0.77%	[REDACTED]	Unlisted Shares	[REDACTED]
Beijing Fortune	2,649,599	Unlisted Shares	0.72%	[REDACTED]	H Shares	[REDACTED]
Bosch VC	2,399,999	Unlisted Shares	0.65%	[REDACTED]	H Shares	[REDACTED]
Xinxiao CoStone	2,352,000	Unlisted Shares	0.64%	[REDACTED]	Unlisted Shares	[REDACTED]
Hangzhou Fortune	2,318,400	Unlisted Shares	0.63%	[REDACTED]	H Shares	[REDACTED]
Huainan Fund	1,811,846	Unlisted Shares	0.49%	[REDACTED]	H Shares	[REDACTED]
Southern Media VC	1,449,476	Unlisted Shares	0.39%	[REDACTED]	Unlisted Shares	[REDACTED]
Dechuang Intelligent	1,439,999	Unlisted Shares	0.39%	[REDACTED]	H Shares	[REDACTED]
Zibo Henglu	1,159,579	Unlisted Shares	0.31%	[REDACTED]	H Shares	[REDACTED]
Bauhinia Fund	1,119,000	Unlisted Shares	0.30%	[REDACTED]	Unlisted Shares	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]
Guangqi Xinsheng	1,072,605	Unlisted Shares	0.29%	[REDACTED]	H Shares	[REDACTED]
Boyuan Jiacheng	960,000	Unlisted Shares	0.26%	[REDACTED]	H Shares	[REDACTED]
Changzhou Ruiliang	960,000	Unlisted Shares	0.26%	[REDACTED]	H Shares	[REDACTED]
Yuecai Industry Investment	935,999	Unlisted Shares	0.25%	[REDACTED]	Unlisted Shares	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]
Guangde Changzheng	900,000	Unlisted Shares	0.24%	[REDACTED]	H Shares	[REDACTED]
Winshare Dingsheng	840,000	Unlisted Shares	0.23%	[REDACTED]	H Shares	[REDACTED]

	As of the Latest Practicable Date			Immediately After Completion of the [REDACTED]		
Shareholder	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**	**Number of Shares**	**Description of Shares**	**Approximate Ownership Percentage**
Guangdong Zhenghao	800,473	Unlisted Shares	0.22%	[REDACTED]	H Shares	[REDACTED]
Shuimu Linghang One	770,096	Unlisted Shares	0.21%	[REDACTED]	H Shares	[REDACTED]
Shaanxi Ruijing	750,104	Unlisted Shares	0.20%	[REDACTED]	H Shares	[REDACTED]
Huachuang Xinshang	750,000	Unlisted Shares	0.20%	[REDACTED]	H Shares	[REDACTED]
Xiangyang Changzheng	724,738	Unlisted Shares	0.20%	[REDACTED]	H Shares	[REDACTED]
Changzhou Yilai	724,738	Unlisted Shares	0.20%	[REDACTED]	H Shares	[REDACTED]
Henan Keyuan	720,001	Unlisted Shares	0.19%	[REDACTED]	H Shares	[REDACTED]
Fuchuan Investment III	720,001	Unlisted Shares	0.19%	[REDACTED]	H Shares	[REDACTED]
Kejin II	660,000	Unlisted Shares	0.18%	[REDACTED]	H Shares	[REDACTED]
Bosera Tiancheng	479,999	Unlisted Shares	0.13%	[REDACTED]	H Shares	[REDACTED]
Hainan Tongcen	464,795	Unlisted Shares	0.13%	[REDACTED]	Unlisted Shares	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]
Hainan Yilai	362,369	Unlisted Shares	0.10%	[REDACTED]	H Shares	[REDACTED]
Guangzhou Lizhi	362,369	Unlisted Shares	0.10%	[REDACTED]	H Shares	[REDACTED]
Shenzhen Caizhi	287,999	Unlisted Shares	0.08%	[REDACTED]	H Shares	[REDACTED]
Chuangying Jianke	24,001	Unlisted Shares	0.007%	[REDACTED]	Unlisted Shares	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]
Chutian Changxing	7,500	Unlisted Shares	0.002%	[REDACTED]	H Shares	[REDACTED]
Sub-total	**369,616,500**	**Unlisted Shares**	**100.00%**	[REDACTED]	**Unlisted Shares**	[REDACTED]
				[REDACTED]	**H Shares**	[REDACTED]
Public shareholders	–	–	–	[REDACTED]	H Shares	[REDACTED]
Total	**369,616,500**		**100.00%**	[REDACTED]		[REDACTED]

FULL CIRCULATION

Our Company has applied for H Share full circulation to convert an aggregate of [**REDACTED**] Unlisted Shares held by [**REDACTED**] existing Shareholders, representing approximately [**REDACTED**] of the total issued Shares of our Company as of the Latest Practicable Date and approximately [**REDACTED**] of the total issued Shares of our Company upon completion of the [**REDACTED**] of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). For details, please refer to the section headed "Share Capital — Completion of the [**REDACTED**]."

PUBLIC FLOAT

Upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), (i) Li Brothers together with their controlled entities, namely Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong; and (ii) Guangzhou Yingtao will hold approximately [**REDACTED**] and [**REDACTED**] of the total issued Shares of our Company, respectively. Accordingly, the Li Brothers together with their controlled entities and Guangzhou Yingtao will be core connected persons of our Company and the Shares held by these Shareholders will not be counted towards the public float for the purposes of Rule 8.08 of the Listing Rules.

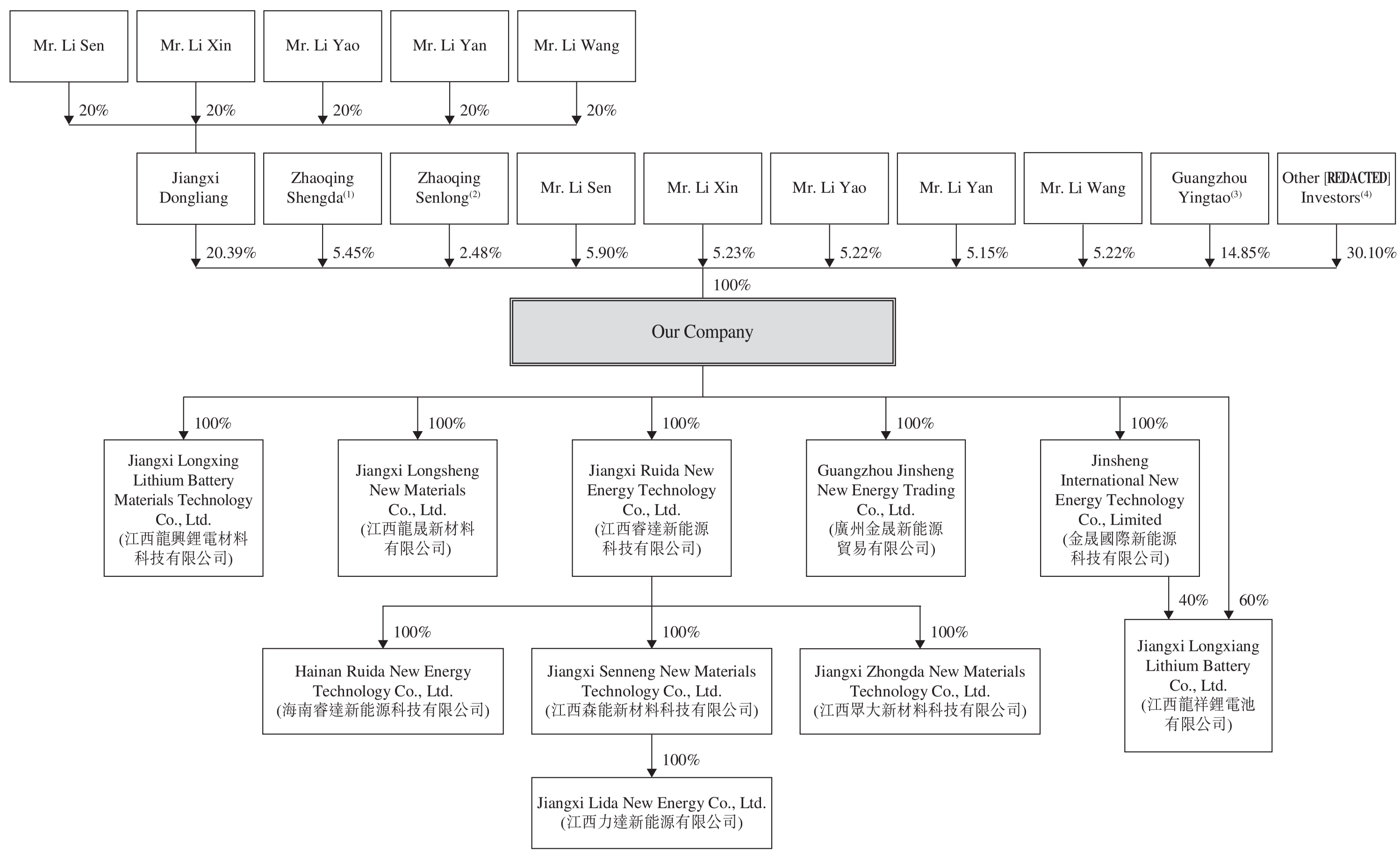
Immediately upon the completion of the [**REDACTED**] and the [**REDACTED**] of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), our Company will have [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares in issue. The [**REDACTED**] Unlisted Shares (representing approximately [**REDACTED**] of our total issued Shares upon [**REDACTED**], assuming the [**REDACTED**] is not exercised) will not be considered as part of the public float as such Unlisted Shares will not be [**REDACTED**] into H Shares. As none of the Unlisted Shares held by the Li Brothers, their controlled entities, or Guangzhou Yingtao will be [**REDACTED**] from Unlisted Shares to H Shares, all of the [**REDACTED**] H Shares to be [**REDACTED**] from the Unlisted Shares held by other existing Shareholders together with the [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**], representing approximately [**REDACTED**] of the total issued Shares upon the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), shall be counted towards the public float for the purposes of Rule 8.08 of the Listing Rules. Therefore, our Company will be able to meet the minimum public float requirement under Rule 8.08 of the Listing Rules.

Pursuant to the applicable PRC laws, all of the Unlisted Shares in issue prior to the [**REDACTED**] (including Shares held by the [**REDACTED**] Investors) are subject to a lock-up period of one year from the [**REDACTED**].

CORPORATE AND SHAREHOLDING STRUCTURE

Corporate structure immediately before completion of the [REDACTED]

The chart below sets out the corporate structure of our Group immediately before the [**REDACTED**]:



Notes:

(1) Zhaoqing Shengda is our employee incentive platform. For the details of Zhaoqing Shengda, see "— Employee Incentive Platform."

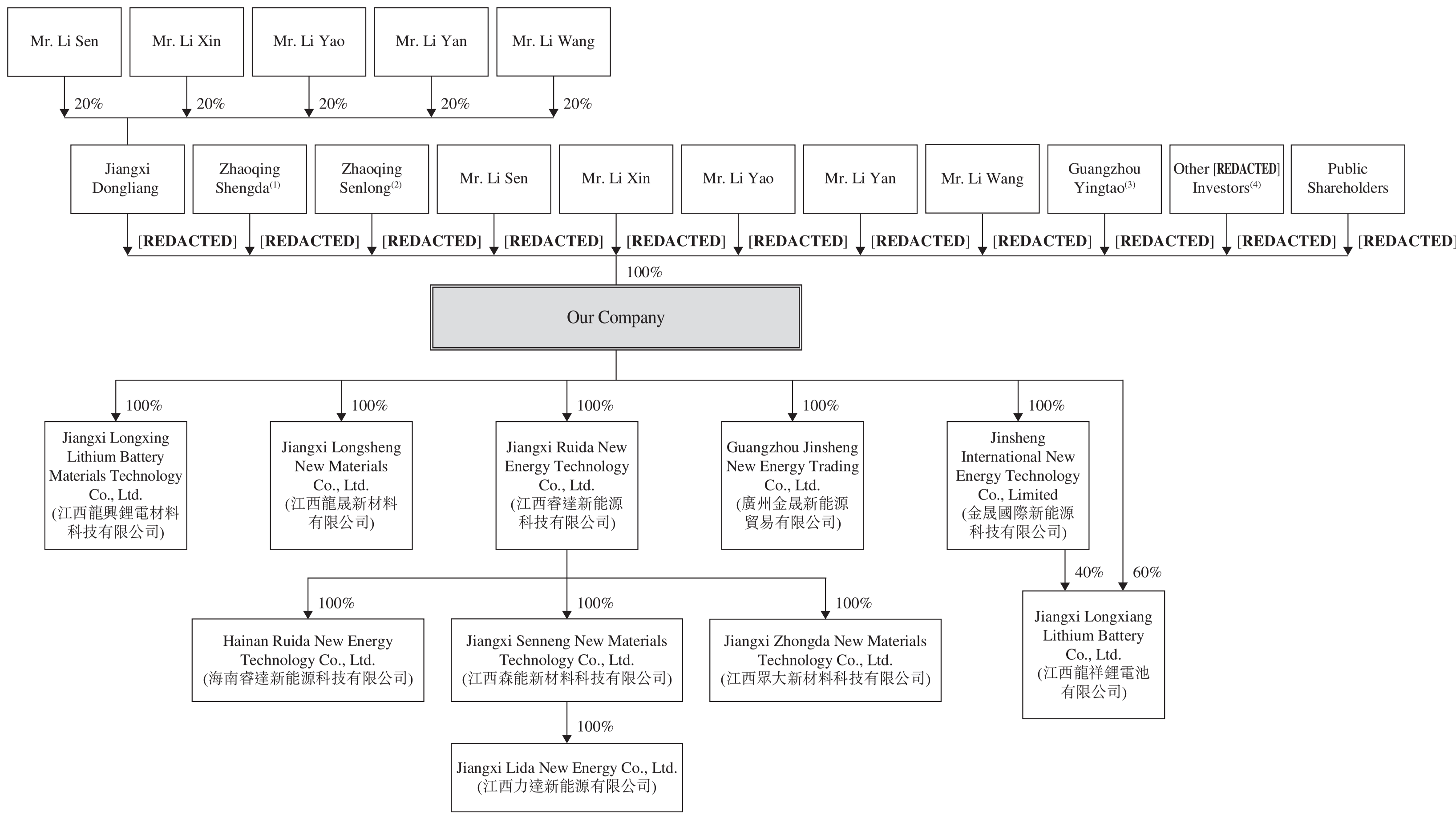
(2) For details of the background of Zhaoqing Senlong, see "— Corporate Development and Major Shareholding Changes of Our Company — (5) Share transfer in December 2021."

(3) Guangzhou Yingtao is a company established under the laws of the PRC in July 2014 with limited liability and engaged in investment management. Guangzhou Yingtao is beneficially owned as to 80.0% by Mr. Zhou Xingyang (周興揚). Mr. Zhou Xingyang was one of our Directors between March 2021 and January 2022 and is the father of Mr. Zhou Chutao, one of our executive Directors. No other shareholders of Guangzhou Yingtao holds 30.00% or more equity interest in Guangzhou Yingtao.

(4) For the identities and respective shareholding of the Other [**REDACTED**] Investors, please refer to the paragraph headed "Capitalization of our Company."

Corporate structure immediately following the [REDACTED]

The chart below sets out the shareholding structure of our Group immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised):



For notes (1) to (4): Please see "Corporate structure immediately before completion of the [**REDACTED**]."

OVERVIEW

Who We Are

We are a global leader in the lithium-ion battery recycling and reutilization solution industry dedicated to exploring a circular and clean future. According to the F&S Report, in terms of sales revenue of recycled products in 2023, we were the world's second-largest lithium-ion battery recycling and reutilization enterprise and the world's largest third-party lithium-ion battery recycling and reutilization enterprise. As one of mainland China's earliest enterprises engaged in lithium-ion battery recycling since 2014, leveraging our strong first-mover advantage and comprehensive capabilities, we have established an integrated, closed-loop ecosystem for lithium-ion battery recycling that encompasses:

- "**Full Element**" Recovery of all valuable materials of retired lithium-ion batteries, such as lithium, nickel, cobalt, manganese, and iron;

- "**Full Component**" Reutilization of both battery cathodes and anodes; and

- "**Full System**" Coverage which represents our comprehensive and end-to-end production capability that covers the dismantling and crushing of retired batteries, the production of lithium-ion battery materials for cathodes and anodes, and the second-life-use for light-duty applications.

Our recycling business covers mainstream battery systems including ternary lithium-ion batteries and LFP batteries. Our products serve major downstream applications in the lithium-ion battery industry, including EVs, energy storage systems, and consumer electronics. This strategic positioning has enabled us to establish a comprehensive, vertically integrated business model with a complete closed-loop industrial chain. According to the F&S Report:

- We lead mainland China's ternary lithium-ion battery recycling industry in metal recovery rates, supported by our proprietary technology and technical know-how;

- We are a leading lithium-ion battery recycling and reutilization enterprise in mainland China that has achieved "full element" recovery of lithium, nickel, cobalt, manganese, and iron, "full component" reutilization of battery cathodes and anodes, and "full system" coverage of dismantling and crushing, recycling, and second-life-use, establishing a comprehensive and complete lithium-ion battery recycling industry chain; and

- We are a leading lithium-ion battery recycling and reutilization enterprise in mainland China with comprehensive recycling capabilities across mainstream battery systems including ternary lithium-ion and LFP batteries, enabling us to process the full spectrum of lithium-ion battery technologies.

Our Business Model

Battery recycling represents a critical link in the lithium-ion battery value chain, bridging downstream applications with upstream material production while enabling circular economy principles within the industry. Through our sophisticated recycling platform, we process both retired lithium-ion batteries and production scrap materials. This is particularly significant given the approaching wave of retired lithium-ion batteries in the coming years. By enabling both environmental protection through proper battery disposal and recycle of resource through the recovery of critical metals, we support the lithium-ion battery industry's sustainability objectives and China's "dual carbon" goals while addressing the growing challenge of battery waste management.

We conduct "full component" reutilization of retired lithium-ion batteries and production scraps, producing raw materials for ternary and LFP battery cathode materials and anode materials. These products are ultimately remanufactured into lithium-ion batteries by our downstream customers, creating a closed-loop recycling system. Our recycling process primarily includes:

- *Cathode — Ternary Batteries:* We dismantle and crush retired ternary batteries and production scraps to produce black mass rich in high-value metal elements. Through chemical processing of the black mass, we produce battery materials such as lithium carbonate, nickel sulfate, and cobalt sulfate, which are used by downstream customers to produce ternary precursors and cathode materials for ternary lithium-ion batteries. We expect to tap into the downstream market through synthesizing electrodeposited nickel and electrodeposited cobalt, which have broader application scenarios beyond ternary batteries, by 2025.

- *Cathode — LFP Batteries:* We process retired LFP batteries into battery cathode materials such as lithium carbonate and iron phosphate, which are used to synthesize LFP cathode materials. We expect to begin producing LFP cathode materials in 2025.

- *Anode* — We recycle and process graphite anode materials from retired batteries and production scraps to manufacture graphite anode materials suitable for use in new lithium-ion batteries.

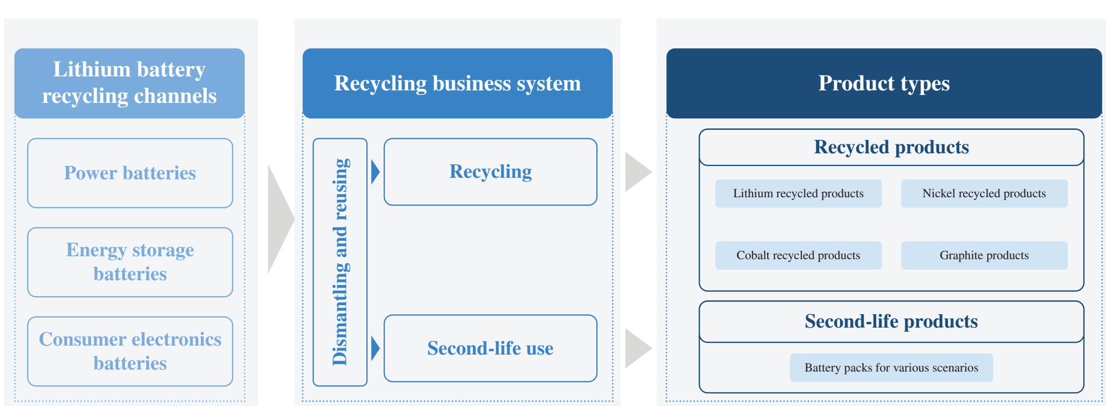
- *Second-life-use* — We also repurpose lithium-ion batteries that no longer meet EV requirements into batteries suitable for light-duty applications such as energy storage systems, street lights, and low-speed electric vehicles. After second-life-use, batteries that become obsolete can undergo material recycling.

Our primary raw materials include black mass produced from the dismantling and crushing of retired lithium-ion batteries and production scraps as well as the retired lithium-ion batteries and production scraps themselves. While we primarily source black mass from suppliers across the lithium-ion battery supply chain, including battery and battery material manufacturers, "mass shredding" plants and trading companies, we have also developed our own black mass production capabilities. This in-house production enables us to directly process retired battery packs, improve overall recycling efficiency, and enhance cost control of front-end operations, thereby increasing profit margins. Our technological leadership in this area was recognized in December 2024, when we were designated to lead a national-level key research project aimed at advancing the robotic dismantling of next-generation EV batteries. During the Track Record Period, the proportion of our direct procurement of retired lithium-ion batteries and production scraps has continuously increased, reaching 17.7% in the first half of 2024. We have established ongoing cooperative relationships with renowned battery and battery material manufacturers and EV manufacturers including Dongfeng Hongtai, Gotion High-tech and Lishen Battery to ensure the supply of high-quality retired battery materials. Looking forward, with the approaching wave of lithium-ion battery retirements, the global and mainland China's power battery scrap volume is expected to reach 5,344.6 thousand tons and 3,091.6 thousand tons respectively by 2030, representing CAGRs of 42.4% and 42.5% from 2023 to 2030. As such, we anticipate retired battery packs will gradually become one of our important raw material sources.

During the Track Record Period, our primary products were critical metal materials used in battery cathode material production, including lithium carbonate, nickel sulfate, and cobalt sulfate, which we sold to manufacturers of ternary precursors, ternary cathode materials, and LFP cathode materials. With the maturation of anode material recycling technology, we expanded into the anode material business in 2023. We are now strategically expanding downstream into cathode material production, having established LFP battery recycling production bases and secured relevant patents and technical know-how. We plan to launch our LFP battery cathode material products in 2025. In addition, we plan to further tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2025, which we expect will further diversify our product matrix, enhance our profit margin and enrich the application scenarios of our products.

This vertical integration, which facilitates direct cooperation with downstream lithium-ion battery manufacturers and EV manufacturers, will create a comprehensive closed-loop value chain for lithium-ion battery recycling. We believe this will continuously enhance our overall gross margins, reduce our exposure to market price fluctuations, and strengthen our competitive position in the market.

The diagram below demonstrates our lithium-ion battery recycling and reutilization business model.



Our Market Opportunities

According to the F&S Report, the global transition to clean energy, coupled with the rapid development of EV and energy storage industries and other emerging applications, has made the importance of lithium-ion batteries and lithium resources (often referred to as "white oil") increasingly prominent. However, traditional mineral extraction faces significant challenges in meeting the growing demand for lithium resource.

- *Resource scarcity* — high-grade lithium mineral resources are scarce globally, making long-term reliance on mineral extraction unsustainable. Given the accelerating adoption of electric vehicles and energy storage devices, global lithium resource demand is projected to reach 531 thousand tons by 2030, with a supply gap of 81 thousand tons.

- *Environmental Impact* — lithium mining causes significant environmental damage to land, water resources, and ecosystems. The extraction process not only depletes water resources and disrupts local ecosystems but also requires substantial energy consumption, contributing to carbon emissions.

Through lithium-ion battery recycling, we can significantly reduce both environmental pollution and energy consumption, aligning with global environmental protection trends and demonstrating our commitment to sustainable development.

Moreover, according to the F&S Report, while mainland China has established a sophisticated lithium-ion battery industry chain and strong market demand, it lacks domestic lithium mineral resources. This dependency on imported lithium materials creates high costs and supply chain vulnerabilities. By developing a localized lithium-ion battery recycling system in mainland China, we can facilitate resource self-circulation, support supply chain stability, reduce the impact of international market fluctuations, and effectively promote circular economy development, while creating new employment opportunities and economic growth drivers.

Looking ahead, according to the F&S Report, the global lithium-ion battery recycling and reutilization solutions market is expected to continue rapid development, reaching a treatment volume of 14.3 million tons by 2030, representing a CAGR of 44.8% from 2023. Set forth below is a summary of the key industry trends and driving factors:

- ***The approaching retirement wave of lithium-ion batteries has created an urgent need for standardized recycling and reutilization solutions, while high-quality recycling capacity remains scarce.*** According to the F&S Report, EV power batteries typically have a lifespan of five to eight years. The installed capacity of power batteries in mainland China increased from 61.6 GWh in 2019 to 387.2 GWh in 2023, representing a CAGR of 58.3%. As these batteries begin to retire, the volume of retired power battery in mainland China is expected to reach 3,091.6 thousand tons by 2030, representing a CAGR of 42.5% from 2023. Additionally, retired energy storage batteries will bring further growth to the battery recycling market, with the volume of retired energy storage battery in mainland China expected to reach 20.0 thousand tons by 2030, representing a CAGR of 93.1% from 2023 to 2030. Meanwhile, the wide spread adoption of consumer electronics and their rapid replacement cycles have generated significant volumes of retired lithium-ion batteries in with retired consumer battery volume projected to reach 286.2 thousand tons in 2030 in mainland China, representing a CAGR of 15.2% from 2023.

- ***While mainland China leads global production in the lithium-ion battery industry chain, it faces significant shortages of core mineral resources, creating significant opportunities for the lithium-ion battery recycling and reutilization industry driven by circular economy goals.*** According to the F&S Report, in 2023, the production volume of lithium-ion batteries in mainland China accounted for 65.0% of the global production volume. Mainland China also maintains its position as the world's largest producer of EVs, accounting for 64.1% of the global production volume of EVs in 2023. In the energy storage sector, the production volume of lithium-ion batteries in mainland China has also increased significantly in recent years, accounting for 64.9% of the global production volume in 2023. However, mainland China faces a severe shortage of core mineral resources, such as lithium, nickel and cobalt. In 2023, the exploitable reserves of lithium, nickel and cobalt in mainland China accounted for 10.7%, 3.2% and 1.3% of the global resource reserves, respectively. In 2023, the production volume of lithium, nickel and cobalt ores in mainland China represented 18.3%, 3.1% and 1.0% of the global production volume, respectively. This substantial gap between mainland China's dominant position in battery production and its limited domestic mineral resources underscores the strategic importance of recycling and reutilization in securing a stable and sustainable supply of these critical materials.

- ***Battery recycling plays a crucial role in achieving carbon reduction targets, creating significant opportunities supported by global policy initiatives.*** The global commitment to addressing climate change and achieving green, sustainable development, as exemplified by the Paris Agreement's temperature targets, has driven widespread adoption of sustainability measures. China has established its "dual carbon" goals, targeting peak carbon emissions before 2030 and carbon neutrality before 2060. The development of the EV industry has emerged as a key component of global carbon reduction efforts, with regulatory frameworks increasingly emphasizing recycling requirements. For instance, the Members of the European Parliament endorsed that the minimum levels of lithium to be recovered from waste batteries shall be 50% by 2027 and 80% by 2031; and the European Commission has mandated that by 2035, new power batteries and industrial batteries must contain at least 20% recycled cobalt and 12% recycled nickel from retired batteries — a significant increase from current levels, which stand at less than 6% for cobalt and 3% for nickel in the EU. According to the F&S Report, recycled lithium-ion battery products can reduce overall carbon emissions by 20-30%, demonstrating how our recycling processes can contribute significantly to the lithium-ion battery industry's carbon reduction objectives.

Leveraging our comprehensive capabilities as outlined below, we believe we are well positioned to capitalize on these industry opportunities in the growing lithium-ion battery recycling market in mainland China while supporting global sustainability objectives.

Our Comprehensive Capabilities

As a global leader in lithium-ion battery recycling, we have established significant first-mover advantages through our "full element" recovery, "full component" reutilization, and "full system" coverage. Our strong R&D and production capabilities, robust product quality, premium customer base, and comprehensive supply chain enable us to capture booming market opportunities in mainland China and globally, driving continuous market and customer base expansion and rapid business growth. Specifically:

- ***Continuous R&D and Technology Leadership.*** As one of the earliest entrants in lithium-ion battery recycling in mainland China, we have developed extensive technological expertise and proprietary technologies over the past decade that enable industry leading recovery rates and cost-effective operations. We are a National-level HNTE (國家級高新技術企業) and National-level SRDI "Little Giant" Enterprise (國家級專精特新"小巨人"企業) and have also participated in formulating multiple industry standards. Such strong technological foundation drives our continuous innovation in recycling processes and positions us at the forefront of industry advancement. Our technological leadership was further recognized in December 2024 when we were designated to lead the National Key Research and Development Program Project — New Energy Vehicle Battery Robotized Dismantling Key Technology and Application Demonstration (國家重點研發計劃項目—新能源汽車電池機器人化拆解關鍵技術與應用示範), a national-level key research project aimed at advancing the robotic dismantling of next-generation EV batteries.

- ***Scale Advantages and Operational Excellence.*** According to the F&S Report, we ranked second in mainland China's lithium-ion battery recycling and reutilization solutions market in terms of production volume in 2023. As of the Latest Practicable Date, we have established three bases in Zhaoqing (Guangdong Province) and Yichun and Ganzhou (Jiangxi Province), creating significant scale advantage in lithium-ion battery recycling. Our facilities feature advanced automation and comprehensive quality management systems, enabling us to continuously achieve high production efficiency and product quality that exceeds industry standards. We believe such operational excellence positions us well to consistently deliver high-quality products and capture the significant growth opportunities of the industry.

- ***Premium Customer Base and Comprehensive Supply Chain.*** We have established deep partnerships with industry leaders across the industry value chain. Upstream, we have built a robust supply system, expanding cooperation with vehicle manufacturers, battery manufacturers and automotive service providers such as insurance companies while maintaining stable third-party black mass and retired battery material supply. This comprehensive supply chain positions us to capture significant market opportunities in the upcoming lithium-ion battery retirement wave. Downstream, we have established ourselves as a qualified supplier to various industry leaders including leading battery material manufacturers and entered the supply chains of several top-tier lithium-ion battery manufacturers. We believe this comprehensive network of suppliers and customers creates strong barriers to entry and ensures our sustainable growth.

These comprehensive capabilities, which are further be detailed below, enable us to capture the growing market opportunities in mainland China and globally. Our comprehensive solutions, combining technological innovation, operational efficiency, and strategic upstream and downstream partnerships, position us competitively to address society's growing needs for high-quality, sustainable battery recycling solutions.

OUR STRENGTHS

Global Leader in the Rapidly Growing Battery Recycling Industry with Significant First-mover Advantages and Scale Benefits

We are a global leader in lithium-ion battery recycling and reutilization. Leveraging our strong first-mover advantages and comprehensive capabilities, we have established an integrated, closed-loop ecosystem encompassing:

- "**Full Element**" Recovery of all valuable materials of retired lithium-ion batteries, such as lithium, nickel, cobalt, manganese, and iron;
- "**Full Component**" Reutilization of both battery cathodes and anodes; and
- "**Full System**" Coverage which represents our comprehensive and end-to-end production capability that covers the dismantling and crushing of retired batteries, the production of lithium-ion battery materials for cathodes and anodes, and the second-life-use for light-duty applications.

According to the F&S Report, we ranked second in the global lithium-ion battery recycling and reutilization solutions market in terms of production volume in 2023. We believe our current scale, strong market position and operational excellence are supported by, among others:

- Our comprehensive recycling capabilities across mainstream battery systems including ternary lithium-ion and LFP batteries;
- Significant operational scale through three strategic production bases, with expanding production capacity and high facility utilization rates reaching 77.0% in 2023; and
- Superior operational efficiency, achieving impurity levels below industry average and a product yield rate of 99.5%, exceeding the industry average of 95% and ranking among the top in mainland China according to the F&S Report.

While there are numerous market participants in the lithium-ion battery recycling industry, few possess the core technologies required for efficient recycling and second-life applications. Among the 148 companies on the MIIT's "whitelist," we are among the only 15 enterprises that have achieved "dual whitelist" status by qualifying for both recycling and second-life-use operations. This dual qualification, combined with our scale advantages and technological expertise, positions us favorably as industry consolidation accelerates, particularly evident in our ability to secure high-quality retired battery materials from upstream OEMs and battery manufacturers as well as in our strong relationships with premium downstream customers including leading battery material and battery producers within major OEM supply systems.

Looking ahead, with the approaching retirement wave of lithium-ion batteries, there is an urgent need for standardized, environmentally friendly recycling and reutilization solutions. According to the F&S Report, mainland China's retired battery volumes for power, energy storage, and consumer applications are expected to reach 3,091.6 thousand tons, 20.0 thousand tons and 286.2 thousand tons in 2030, respectively, representing CAGRs of 42.5%, 93.1% and 15.2% from 2023, respectively. Our comprehensive recycling capabilities contribute to addressing such growing supply gaps for critical battery materials driven by energy transition and continued rapid development of the lithium-ion battery industry, which by 2030 are expected to reach 81 thousand tons for lithium, 450 thousand tons for nickel, and 18 thousand tons for cobalt.

As an industry pioneer and leader in mainland China's lithium-ion battery recycling industry with "dual whitelist" status, comprehensive recycling capabilities, significant operational scale and strong R&D, we believe we are well positioned to increase sales volume and enhance profit margins while expanding our market leadership in this thriving industry.

Strong R&D Capabilities with Industry-Leading Technologies that Drive Continuous Cost Reduction, Efficiency Improvement, and Margin Enhancement

As one of mainland China's earliest entrants in lithium-ion battery recycling and reutilization solution market, we have developed extensive technological expertise over the past decade through our first-mover advantage. We are recognized as a National-level HNTE and a National-level SRDI "Little Giant" Enterprise. Our technological leadership was further recognized in December 2024 when we were designated to lead a national-level key research project aimed at advancing the robotic dismantling of next-generation EV batteries. We have established multiple provincial-level research platforms, including the Guangdong Provincial Research Center for Clean Technology of Waste Lithium-ion Batteries, Jiangxi Provincial Technology Innovation Center for Lithium-ion Battery Recycling, and Jiangxi Provincial Engineering Research Center for Clean Reutilization of Waste Lithium-ion Battery Resources. As of June 30, 2024, we had 167 R&D employees. During the Track Record Period, we invested approximately 3.5% of our annual revenue in technology advancement and process optimization — which is higher than the industry average according to the F&S Report. During the Track Record Period, we undertook nine national and provincial-level research projects, participated in formulating 22 industry standards including the "Technical Specifications for Dismantling and Harmless Crushing and Sorting of Retired Power Batteries," and established research partnerships with leading institutions including South China University of Technology, and Central South University.

As of June 30, 2024, we owned 42 authorized invention patents and 131 utility model patents. We have mastered several industry-leading core technologies, including multi-component salt separation technology for nickel-lithium extraction, integrated nickel-cobalt reduction leaching technology, and optimized extraction separation process technology. These technologies enable us to achieve green, efficient, streamlined, low-cost, high-recovery, low-energy consumption, and comprehensive metal purification and reutilization, thereby optimizing production processes, controlling production costs, mitigating the impact of metal price fluctuations, and enhancing our price resilience and gross margin levels. According to the F&S Report, our lithium metal recovery rate exceeds 95%, surpassing the industry average of 90%, while our unit costs (excluding cost of raw materials) are approximately 10% lower than the industry average. Specifically:

- Our multi-component salt separation technology for nickel-lithium extraction enables one-step lithium salt extraction through physical methods.

- Our integrated nickel-cobalt reduction leaching technology significantly reduces extraction costs for lithium salt and nickel metal.

- Our optimized extraction separation process technology substantially increases nickel metal extraction content and utilization rates while significantly reducing production costs.

Focused on continuously streamlining recycling processes, reducing costs, and improving utilization rates, we maintain a production-oriented approach to R&D and continue to develop innovative technologies, including:

- Next-generation ternary battery impurity separation and integration technology, which systematically improves process efficiency by modifying key processes including dissolution, impurity removal, and extraction.

- One-step synthesis technology for LFP battery recycling, which achieves shorter process flows and complete element recovery through advanced technologies such as organic coupling low-acid reduction leaching, new hydroxyl-type oxide and phosphate salt composite adsorbents, and atmospheric medium-temperature synthesis technology. This eliminates the need for intermediate products such as lithium carbonate and iron phosphate, enabling direct synthesis of LFP cathode materials.

Premium Customer Base Built on Long-term Partnerships and Deep Integration into Industry Leaders' Supply Systems

We have established ourselves as a qualified supplier to various industry leaders including leading battery and battery material manufacturers such as Dongfeng Hongtai, Gotion Hi-tech and Lishen Battery. According to the F&S Report, our customers include seven of the top ten battery material manufacturers in mainland China in terms of sales volume of ternary precursors in 2023 and we have entered into the supply chain of three of the top five lithium-ion battery manufacturers in mainland China in terms of shipment volume in 2023. These industry leaders maintain stringent requirements for suppliers' technical R&D capabilities, production capacity, production process advancement, quality control systems, and environmental protection standards. According to the F&S Report, these companies typically implement supplier qualification systems and conduct rigorous assessments of suppliers' comprehensive capabilities. Given the lengthy qualification process, once a raw material supplier is approved, these relationships tend to be highly stable. Our outstanding comprehensive capabilities and robust product quality have enabled us to successfully enter these industry leaders' supply systems, creating strong industry barriers.

In 2023, we expanded our customer base to include futures traders as part of our mitigation measures against market price fluctuations of battery materials, enabling us to lock in selling prices upon entering sales contracts with futures traders to mitigate against price volatility before delivery. According to the F&S Report, futures traders often have strict quality standards for lithium-ion battery material products, further validating the high quality of our products.

We are actively expanding our downstream operations to include LFP cathode material, and anode material production. Our anode material products were successfully launched in November 2023, and we have established facilities for LFP battery recycling. We expect to introduce our LFP cathode material products to the market by 2025. This downstream expansion will create a closed-loop value chain, enabling direct partnerships with EV manufacturers and major battery producers while building an integrated ecosystem for lithium-ion battery recycling. Through this vertical integration, we expect to enhance our overall profit margins, reduce our exposure to raw material price fluctuations, and strengthen our competitive advantage in the market. In addition, we plan to further tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2025, which we expect will further diversify our product matrix, enhance our profit margin and enrich the application scenarios of our products.

Comprehensive Upstream Supply Chain System Ensuring Stable Supply of High-quality Raw Materials

Leveraging our strong comprehensive capabilities, we have established a diverse and stable supply chain system with broad raw material sourcing channels. During the Track Record Period, our recycling feeds was primarily black mass. Through our advantages in low cost, high recovery rates, and robust product quality, we have established stable partnerships with leading battery manufacturers, battery material producers, battery recycling processors, and nickel-cobalt intermediate producers to ensure steady raw material supply.

Anticipating the approaching retirement wave of lithium-ion batteries, we have strategically developed our own black mass production capabilities which enables us to directly process retired battery packs, improving overall recycling efficiency while enhancing our cost control and profit margins. During the Track Record Period, we have continuously increased our direct procurement of retired lithium-ion batteries and production scraps, reaching 17.7% in the first half of 2024. Leveraging our industry-leading position, "dual whitelist" status, and comprehensive strengths in R&D, production and quality control, we have established ongoing partnerships with renowned battery and battery material manufacturers including Dongfeng Hongtai, Gotion Hi-tech and Lishen Battery to secure high-quality retired battery materials. With the approaching retirement wave of lithium-ion batteries, we expect retired battery packs to gradually become one of our important raw material source.

Our partnership with Dongfeng Hongtai represents an exemplary case of collaboration in the lithium battery recycling and reutilization industry. Through market-oriented operations, we process retired battery packs from Dongfeng's EVs — converting suitable batteries into second-life-use batteries for light-duty applications while recycling the remainder to produce LFP precursors and anode materials for resale, thereby creating a complete and integrated circular value chain. According to the F&S Report, major automotive and battery manufacturers maintain strict partner selection criteria, with a strong preference for leading recycling enterprises that possess large processing capacity and diverse battery recycling capabilities. We believe our comprehensive strengths will enable us to replicate this successful partnership model with other EV manufacturers, particularly as we prepare for the upcoming wave of EV battery retirements, thereby expanding our value chain, achieving closed-loop battery reutilization, and further enhancing our profitability.

Experienced Management Team with Strong Track Record of Innovation and Strategic Vision

Our success depends largely on our experienced management team. Our senior management team possesses extensive industry experience, strong execution capabilities, and entrepreneurial spirit characterized by continuous innovation, strategic vision, and pioneering mindset. With over 20 years of average experience in management, R&D, and production, their deep industry insights enable us to understand broader market trends, identify emerging opportunities, and strategically position our business for sustained growth.

Our senior management team is led by Mr. Li Sen, our Chairman and general manager. Mr. Li Sen has received numerous honors including "Top 10 Cantonese Person (十佳廣府人物)" at the Second World Canton Association Conference and "Top 10 Outstanding Person" at the Third World Canton Conference. He has also served as vice chairman of the eighth Council of Guangdong Private Enterprise Chamber of Commerce and vice chairman of the National Industrial and Commercial Federation New Energy Chamber of Commerce.

Experienced in entrepreneurial and corporate management, Mr. Li Sen possesses keen business acumen and innovative thinking. Throughout his career, he has founded multiple enterprises across various sectors including gold mining, non-ferrous metal recycling, and lithium-ion battery recycling, successfully transitioning from traditional mining to urban mining. His strategic foresight led him to identify the significant opportunities in lithium-ion battery recycling as early as 2014, establishing our strong first-mover advantage in the industry. Emphasizing technological innovation, Mr. Li Sen has been awarded the Third Prize in Scientific and Technological Progress by the China Non-ferrous Metals Industry Association. Under his leadership, we have invested nearly RMB100 million annually in R&D for 2022 and 2023, establishing four provincial-level R&D platforms and one provincial-level post-doctoral innovation practice base, successfully building an integrated innovative ecosystem for lithium-ion battery recycling.

Our management team adheres to a "value-oriented, innovation-driven" management philosophy and has established a comprehensive modern enterprise management system covering R&D, production, procurement, and sales to ensure efficient and orderly operations. We provide competitive employee incentive programs to encourage employee development.

OUR STRATEGIES

Expand Upstream and Downstream in the Lithium-ion Battery Materials Value Chain to Enhance Our Closed-loop Ecosystem

Active and deep collaboration between upstream and downstream participants in the lithium-ion battery industry value chain represents a key market trend. We believe that expanding into upstream and downstream lithium-ion battery material production will help us create a closed-loop value chain, establishing direct connections with EV manufacturers and major battery producers while building a comprehensive, integrated ecosystem for lithium-ion battery recycling.

We plan to continue expanding our upstream capacity by enhancing our black mass production capabilities. Specifically, we plan to expand our Ganzhou Base's capacity to produce approximately 70 thousand tons of black mass annually. Upon completion, this expansion will strengthen our ability to directly process retired battery packs, improve overall recycling efficiency, enhance our cost control of front-end operations, and increase profit margins. We also plan to further develop supply channels with leading battery manufacturers and automotive manufacturers to ensure stable supply of high-quality retired battery packs.

Furthermore, we are expanding downstream by developing in-house production capabilities for cathode materials including LFP cathode materials and anode materials such as graphite. Our production facilities under construction at Yichun, Jiangxi Province, are designed with an annual capacity of 10,000 tons for LFP cathode materials. We believe this downstream expansion will enable us to (i) strengthen our market leadership position, enhance sales stability, and reduce the impact of lithium-ion battery raw material price fluctuations on product sales; (ii) extend our stringent quality control measures to downstream production, ensuring the manufacture of high-performance, cost-competitive LFP cathode materials and graphite anode materials; and (iii) continuously expand our premium battery manufacturer and automotive manufacturer customer base by enriching our product portfolio and variety to meet diverse customer needs, further enhancing our closed-loop ecosystem.

Further Expand Lithium-ion Battery Material Production Capacity to Increase Market Share and Strengthen Industry Leadership

We plan to increase our production capacity through the construction of new production lines and facilities to capture growing demand for lithium-ion battery materials and expand our market share in the industry. Our production facilities have maintained relatively high utilization rates. In 2023, our capacity utilization rates for battery-grade lithium carbonate, nickel sulfate, and cobalt sulfate were 91.2%, 76.5% and 70.3%, respectively. According to the F&S Report, the production volume of ternary materials in mainland China is expected to grow from 611.1 thousand tons in 2023 to 1,683.3 thousand tons in 2030, with a CAGR of 15.6%. According to the same source, the production volume of power batteries in mainland China is expected to increase from 675 GWh in 2023 to 2,756 GWh in 2030, with a CAGR of 22.3%. The price decline of relevant products such as lithium carbonate from late 2022 through the first half of 2024 has led to accelerated industry consolidation, with well-established players strengthening their competitive positions. During this period, we demonstrated our resilience by increasing our sales volume of lithium carbonate, nickel sulfate, and cobalt sulfate from 38,729 tons in 2022 to 52,645 tons in 2023, further expanding our market share.

To capture the growth opportunities, we plan to gradually expand the capacity of our production facilities for the treatment of 280,000 tons of retired ternary lithium-ion batteries per year in 2025. This expansion, which includes new leaching and extraction workshops equipped with advanced production equipment, will enhance our ability to serve customers with high-quality products while achieving greater economies of scale. The project aligns with China's "dual carbon" goals and will significantly improve our operational efficiency. For details, see "Business — Production — Production Expansion Plans" and "Future Plans and [**REDACTED**]."

Strengthen Our R&D Capabilities and Attract High-caliber Talent

We believe strong research and development capabilities are critical to our continued success in the industry. To this end, we plan to strengthen our R&D capabilities and upgrade our R&D centers to develop new products that complement our existing portfolio, optimize product quality, and improve operational and production efficiency.

Specifically, we plan to strengthen our R&D capabilities through several key initiatives, including advancing robotic dismantling technologies for next-generation EV batteries, developing high-voltage and high-nickel cathode precursor materials, and optimizing one-step synthesis processes for both ternary and LFP battery recycling. These innovations aim to enhance our production efficiency and strengthen our industry-leading position. For details, see "— Research and Development — Future R&D Directions."

Furthermore, we aim to continuously expand and develop our talent pool while leveraging our deep understanding of downstream supply chains and strong customer relationships to enhance our core competitiveness. We believe loyal, stable, and experienced employees are key to our long-term success. To maintain our independent innovation capabilities, we plan to continuously recruit, retain, develop, and motivate high-caliber R&D talent through various initiatives, including valuable training programs and incentive schemes.

Promote Green and Sustainable Development with High ESG Standards

We are committed to fulfilling our social responsibilities and promoting green and sustainable development with high ESG standards. Specifically, we plan to implement initiatives in the following areas:

- ***Green Supply Chain.*** We plan to continuously monitor our environmental impact throughout the supply chain and conduct comprehensive green supply chain evaluations to ensure our supply chain partners comply with all applicable environmental standards.

- ***Green Production.*** Our production processes have achieved green and harmless operations. We plan to continuously enhance our green production efficiency and capabilities by implementing eco-design concepts in product development and integrating environmental management systems into all aspects of production. We will closely monitor energy-saving and environmental protection technologies for our facilities and equipment, including heat recovery, solid waste treatment, and exhaust emissions. We aim to maximize the recycling and reuse of all production waste where practically feasible.

- ***Energy Management.*** We plan to increase our use of green energy sources such as solar, wind, and hydroelectric power to reduce fossil fuel and biofuel consumption in our operations. Additionally, we plan to utilize facility management and control systems to closely monitor electricity, gas, and water consumption data for optimized energy resource allocation, balance forecasting, and conservation management.

- ***Battery Recycling.*** We plan to leverage our technology to minimize the environmental impact of the recycling process and contribute sustained value to China's "dual carbon" goals. From an industry positioning perspective, metals recycled through lithium-ion battery recycling reduce carbon emissions by approximately 20-30% compared to traditional mining production processes, representing a secondary carbon reduction —with EV and energy storage replacing traditional energy sources being the primary carbon reduction. Going forward, we will continue to focus on reducing emissions throughout the lithium-ion battery manufacturing process by optimizing our technology, improving recycling efficiency, and further reducing carbon emissions.

Advance Global Expansion

The overseas markets present diverse growth opportunities. Given the accelerating adoption of electric vehicles and energy storage devices, global lithium resource demand is projected to reach 531 thousand tons by 2030, with a supply gap of 81 thousand tons. We are committed to advancing our global expansion through several key initiatives. We plan to expand our overseas retired battery pack recycling operations to access high-quality raw material sources globally, while further developing channels to integrate our products into global automotive and battery manufacturers' supply chains. We will prudently advance the establishment of overseas manufacturing facilities to achieve localized production and sales of recycled battery materials, which we expect will further reduce costs and improve operational efficiency. To support these initiatives, we aim to gradually build a global team and develop local talent. Additionally, we may strategically and prudently pursue overseas acquisition opportunities, focusing on targets with strong brands, technological capabilities, and established sales channels.

OUR PRODUCTS

Overview

We specialize in the recycling, resource recovery, and reuse of lithium-ion batteries, offering a wide range of recycled products, primarily including lithium carbonate, nickel sulfate, cobalt sulfate and graphite. Sales of lithium and nickel recycled products accounted for over 70% of our total revenues in the six months ended June 30, 2024.

The table below sets forth a breakdown of our revenues by product types for the periods indicated:

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in RMB thousands, except percentages)						*(unaudited)*			
Lithium recycled products	130,900	11.5	1,439,966	49.6	1,455,704	50.4	763,128	49.9	380,983	38.2
Nickel recycled products	703,434	62.1	924,839	31.8	926,598	32.0	532,027	34.7	395,872	39.8
Cobalt recycled products	289,286	25.5	516,691	17.8	400,411	13.8	169,147	11.0	139,034	14.0
Graphite products	–	–	–	–	273	0.0	–	–	3,145	0.3
Second-life battery products	–	–	2,681	0.1	17,046	0.6	10,906	0.7	12,915	1.3
Others[1]	9,716	0.9	21,228	0.7	91,513	3.2	56,231	3.7	63,474	6.4
Total	**1,133,336**	**100.0**	**2,905,405**	**100.0**	**2,891,545**	**100.0**	**1,531,439**	**100.0**	**995,423**	**100.0**

Note:

(1) Mainly includes sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate, and revenue from provision of certain processing services.

The table below sets forth a breakdown of the sales volume and average selling price of our major recycled products for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume[1]	Average Selling Price per ton	Sales Volume[1]	Average Selling Price per ton	Sales Volume[1]	Average Selling Price per ton	Sales Volume[1]	Average Selling Price per ton	Sales Volume[1]	Average Selling Price per ton
	ton	*RMB*	*ton*	*RMB*	*ton*	*RMB*	*ton*	*RMB*	*ton*	*RMB*
Lithium carbonate	1,685	77,687	3,633	396,334	7,410	196,443	3,193	238,964	4,442	85,764
Nickel sulfate	23,831	29,518	26,628	34,732	32,827	28,227	17,608	30,216	15,433	25,651
Cobalt sulfate	4,181	69,195	8,468	61,015	12,407	32,273	5,042	33,549	5,098	27,274

Note:

(1) Sales volumes of different lithium, nickel and cobalt compounds are converted to that of lithium carbonate, nickel sulfate and cobalt sulfate based on the contents of metal, i.e. lithium, nickel and cobalt contained in these compounds to provide meaningful information.

Our products

We recycle retired lithium-ion batteries of all major types — both ternary and LFP batteries — along with battery production remnants and excess materials. These retired lithium-ion batteries along with battery production remnants and excess materials, undergo a mechanical size reduction process referred to as "mass shredding," leading to the extraction of valuable metals and components referred to as "black mass." This black mass intermediate product then undergoes sophisticated hydrometallurgy processing to yield compounds in both solid or liquid form, such as lithium carbonate and nickel sulphate which are critical battery material products.

We sell these refined products to producers of ternary precursors and cathode materials, which are then used to manufacture new lithium-ion batteries, thereby forming a circular economy model. During the Track Record Period, lithium recycled products and nickel recycled products accounted for a majority of our recycled products. We also produced other metal compounds including cobalt sulfate as well as other lithium compounds such as lithium sulfate and lithium sulfate solution. Looking forward, we plan to tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2025, which we expect will further diversify our product matrix, enhance our profit margin and enrich the application scenarios of our products.

Our comprehensive recycling capabilities extend beyond cathode materials. Since 2023, we have begun recycling and producing graphite for anode materials, which we sold to producers of anode materials. Leveraging our manufacturing facility dedicated to recycling LFP batteries and producing lithium carbonate and iron phosphate, we also plan to produce LFP cathode materials in the future. We believe these initiatives position us to serve a broader range of customers along the lithium-ion battery value chain.

Apart from our recycled products, we also convert retired EV batteries into batteries suitable for light-duty applications. These second-life batteries can be reused in ESS, low-speed EVs, and streetlights, among other application scenarios. We sell or rent second-life batteries produced by us to our customers according to their needs. Our second-life battery products are typically customized in accordance with the application scenarios and have the advantages of low carbon emissions and low costs compared to new batteries produced from traditional ore mining.

The table below sets forth a summary of our main recycled products.

Product Type	Product Picture	Features	Applications
Lithium carbonate . . .		Colorless and monoclinic crystals.	Primarily used in lithium-ion battery cathode materials, including ternary cathode materials and LFP cathode materials.
Nickel sulfate .		Emerald-green granular crystals.	Primarily used as raw material for ternary lithium-ion batteries.
Cobalt sulfate .		Rose-red crystals, which turn into a red powder upon dehydration.	Primarily used as raw materials for ternary lithium-ion batteries.
Graphite		Black crystalline flakes.	Primarily used in anode materials for lithium-ion batteries.

Product Type	Product Picture	Features	Applications
Second-life battery products		Capacity varies depending on specific application scenario.	Primarily used in ESS, low-speed EVs, and streetlights.

PRODUCTION

Overview

We have established integrated production capability for lithium-ion battery recycling, resource recovery, and reuse. Our production capability features:

- **"Full Element" Recovery**: We are able to recover all valuable materials of retired lithium-ion battery, such as lithium, nickel, cobalt, graphite, manganese, and iron.

- **"Full Component" Reutilization**: We have established capability for resource recovery for both battery cathodes and anodes.

- **"Full System" Coverage**: We have built comprehensive, end-to-end production capability that covers the dismantling and crushing of retired batteries, the production of lithium-ion battery materials for battery cathodes and anodes, and the second-life use for light-duty applications.

Lithium-ion battery recycling links the downstream applications of lithium-ion batteries with upstream battery material production, creating a circular economy model within the lithium-ion battery industry. See "Industry Overview — Global and mainland China's lithium-ion battery recycling and reutilization solution market — Market drivers of global and mainland China's lithium-ion battery recycling and reutilization solution" for details. According to the F&S Report, our recycling capacity of retired lithium-ion batteries and production capacity of recycled products from lithium-ion battery recycling rank second in the world in 2023. As of December 31, 2023, our comprehensive capabilities to recycle retired lithium-ion batteries and battery production remnants and excess materials include the licensed capacity to recycle:

- 100 thousand tons of retired ternary lithium-ion batteries per year, which is expected to increase to 280 thousand tons in 2025. For more details, please see "— Production — Production Expansion Plans;"

- 40 thousand tons of retired LFP batteries per year;
- 18 thousand tons of anode materials per year; and
- over 7,000 tons of second-life battery products per year.

Our comprehensive recycling capabilities extend beyond cathode materials. We began recycling and producing lithium-ion battery anode materials in June 2024. Leveraging our production facilities with an annual production capacity of 18 thousand tons, we expect to gradually increase our output of lithium-ion battery anode materials based on market conditions.

In the future, we plan to expand our business to the downstream of the industry chain, producing LFP cathode materials. By extending our industry value chain, we aim to continually improve overall gross margins and strengthen our competitiveness. Specifically, our production facilities at Yichun, Jiangxi Province, currently under construction, are designed to produce 10,000 tons of LFP cathode materials annually and are expected to be completed in 2025. We believe that our established comprehensive capabilities, accumulated industry know-how, and the ability to produce high-quality products will enable us to rapidly replicate our success in new factories, achieving efficient production within a short timeframe.

Production Process

Our integrated production for recycling is a two-phase process: an automated de-manufacturing process called "mass shredding", followed by a targeted chemical extraction phase utilizing hydrometallurgical and carbonite and sulphate circuits. This hydrometallurgy process enables us to separate the valuable materials and produce critical battery material products, including lithium carbonate, nickel sulfate, and cobalt sulfate.

In the "mass shredding" process, retired batteries undergo a mechanical size reduction process that breaks them down into three main components: black mass, shredded metals and separators. Black mass, a powder-like substance, contains valuable metals, such as lithium, nickel and cobalt. Black mass is an intermediate product which is significantly easier and safer to transport than lithium-ion batteries. Our mechanical crushing process enables us to dismantle batteries efficiently. This capability has become increasingly important as EV lithium-ion battery packs become larger and automakers implement cell-to-pack architecture with minimal dismantle options, according to the F&S Report.

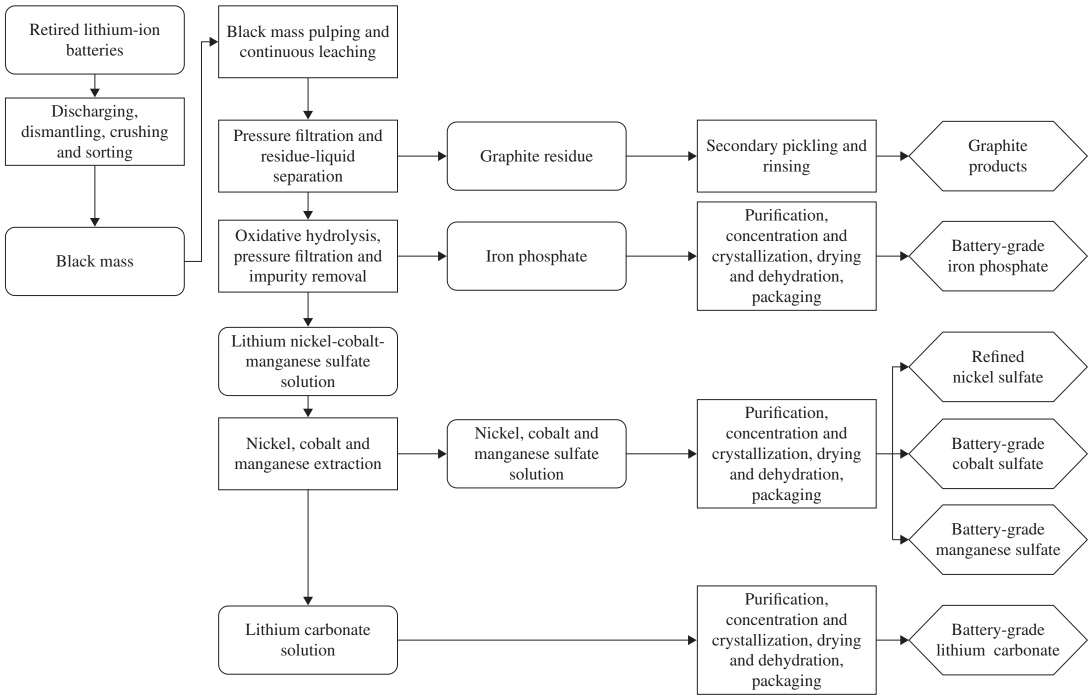
The black mass obtained from the "mass shredding" process will be further refined through the hydrometallurgy process to produce critical battery material products. During this process, the black mass is processed through the technology of low-acid reduction leaching to extract valuable metals, including lithium, nickel, cobalt and manganese. This is followed by a series of purification and impurity removal steps, solvent extraction and refining. The process culminates in concentration and crystallization to produce battery-grade materials, including lithium carbonate, nickel sulfate, and cobalt sulfate, as demanded by high-energy density cathode material manufacturers for the production of both ternary lithium-ion batteries and LFP batteries. The production process of our lithium, nickel and cobalt recycled products from "mass shredding" to the final products typically takes approximately 30 days.

We outsourced the refinery process of some of our battery-grade lithium carbonate to third-party manufacturers, who were all Independent Third Parties, in 2023 and the six months ended June 30, 2024 to mainly to meet urgent delivery schedules of certain customers. All required raw materials, such as crude lithium carbonate and lithium sulphate, were provided by us. We have strict quality control measures with these third-party manufacturers to maintain our product standards, including requiring them to satisfy our technical specifications and comply with all applicable industrial and national quality standards. We also deployed our quality control personnel and technicians to the production facilities of third-party manufacturers. For the year ended December 31, 2023 and the six months ended June 30, 2024, the production of approximately 644.7 tons and 1,519.0 tons of battery-grade lithium carbonate were outsourced, respectively. In the future, subject to actual business needs, we may still outsource the production of battery-grade lithium carbonate to third-party manufacturers from time to time.

Since November 2023, we have expanded our capabilities to include the recycling and production of graphite for anode materials. During our hydrometallurgical process, we separate graphite residue through filtration and physical separation methods alongside our main extraction process. This graphite residue then undergoes secondary acid washing and water washing steps to produce purified graphite suitable for anode material manufacturers. As this is a complementary process to our core recycling operations, we are able to maximize the recovery value from our battery recycling stream. We are currently at an early stage of marketing our graphite products. In 2023 and the six months ended June 30, 2024, we had produced 924.5 tons and 553.5 tons of graphite, respectively.

Looking forward, we plan to tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt through cathode and anode circulation with specific current density in electrodeposition tanks by 2025, which we expect will further diversify our product matrix, enhance our profit margin and enrich the application scenarios of our products.

The following diagram illustrates the key production steps for our recycling process:



Separately, we also maintain capabilities for producing second-life batteries, demonstrating our commitment to maximizing battery resource reutilization. The production process for second-life batteries starts with collecting retired battery packs, which are then disassembled into individual battery cells. Battery cells which are suitable for second-life-use are assembled into new battery packs, while unsuitable battery cells are directed to our "mass shredding" process for material recovery. The qualified cells undergo rigorous performance testing before being reassembled for second-life-use in various light-duty applications. We believe our "full process" approach optimizes resource reutilization by extending the useful life of suitable batteries while ensuring complete material recovery from those that no longer meet performance standards, further strengthening the circular economy model in the lithium-ion battery industry.

Production Planning

Our operations department is responsible for preparing our production plans. We devise our monthly production plans based on actual orders received from customers and forecasts on the demand of downstream customers. These forecasts are good indications of our customer demands based on which we are able to allocate our internal resources to plan for our production and manage our inventory level in accordance with these forecasts and to accommodate any downward or upward revisions that our customers may make. We will adjust production plans according to our inventory level and further orders received from customers.

Production Facilities

As of the Latest Practicable Date, we operated three lithium-ion battery recycling, resource recovery, and reuse facilities. The table below sets forth the location, primary products produced and GFA of our production facilities.

Facility Name	Location	Primary products produced	GFA
			(sq.m.)
Zhaoqing Base (肇慶基地)	Zhaoqing City, Guangdong Province	Nickel sulfate, cobalt sulfate, lithium carbonate, second-life batteries	75,826.42
Yichun Base (宜春基地)	Yichun City, Jiangxi Province	Nickel sulfate, cobalt sulfate, lithium carbonate, manganese sulfate, iron phosphate, lithium iron phosphate, anode graphite materials, second-life batteries	105,107.94
Ganzhou Base (贛州基地)	Ganzhou City Jiangxi Province	Black mass	109,755.05

Production Capacity and Utilization

Our production lines are designed to cover the various mainstream lithium categories, including ternary lithium-ion batteries, LFP batteries, and lithium cobalt oxide batteries and primarily produces lithium-ion battery cathode materials including lithium carbonate, nickel sulfate and cobalt sulfate. For the year ended December 31, 2023, the overall production capacity utilization rate for our primary products reached 77.0%.

The table below sets forth our production capacity and our production capacity utilization rates for our primary products for the periods indicated.

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)	Production Capacity(1)	Actual Production(2)	Utilization Rate(3)
	(ton)		%	*(ton)*		%	*(ton)*		%	*(ton)*		%
Lithium carbonate	1,972	1,724	87.4	5,688	3,815	67.1	9,374	8,549	91.2	5,362	4,083	76.2
Nickel Sulfate	28,080	23,750	84.6	36,913	27,168	73.6	42,480	32,484	76.5	23,078	17,470	75.7
Cobalt sulfate	4,947	4,319	87.3	12,657	9,942	78.5	16,788	11,795	70.3	9,638	5,972	62.0
Overall	**34,999**	**29,794**	**85.1**	**55,258**	**40,925**	**74.1**	**68,641**	**52,827**	**77.0**	**38,078**	**27,526**	**72.3**

Notes:

(1) Production capacity is calculated based on the assumption that our production facilities operate at their maximum capacity during the respective period.

(2) Actual production volumes of different lithium, nickel and cobalt compounds are converted to that of lithium carbonate, nickel sulfate and cobalt sulfate based on the contents of metal, i.e. lithium, nickel and cobalt contained in these compounds to provide meaningful information.

(3) The utilization rate is calculated based on the production volume for the relevant period divided by the production capacity for the relevant period.

Critical Equipment and Machinery

We invest significantly in our production equipment and machinery as we believe the quality of our equipment and machinery is essential to increasing automation, ensure reliability as well as cost efficiency. We either own or lease the critical equipment and machinery for the production of our products. We source our critical production machinery and equipment from domestic industrial players in mainland China.

Many of the machines we use only require limited human operation, allowing us to reduce labor costs and focus our production facilities staffing on maintenance and supervisory functions. According to F&S Report, our automation level exceeds the industry average. We endeavor to continue to streamline our production process and increase automation, digitalization, reliability and cost efficiency. We calculate depreciation on our critical production machinery and equipment under our property, plant and equipment using the straight-line method over their estimated useful lives, ranging from five to ten years.

The table below sets forth the details of our critical machinery and equipment used in our production operations.

Critical machinery and equipment	Function
Battery dismantling and crushing equipment	Dismantling, physical crushing and sorting of batteries
Extraction tank	Battery solution separation and purification
Mechanical vapor recompression (MVR) evaporation and concentration equipment	Concentration and crystallization
Distributed control system (DCS) and low voltage control cabinet	Production automation

Maintenance

We carry out inspections and maintenance at our production facilities and for our machinery and equipment on a periodic basis. We have developed and periodically updated internal repair and maintenance protocols at our production facilities according to the characteristics and requirements of the particular equipment and machinery to ensure our production lines perform at optimal levels. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspension of operations due to failures of our machinery or equipment at our production facilities.

Production Expansion Plans

It is an industry trend that market participants across the lithium-ion battery industry value chain increasingly form in-depth cooperation in recent years, according to the F&S Report. We believe that expanding upstream and downstream along the lithium-ion battery production industry value chain will help us create a close-looped and integrated ecosystem for lithium-ion battery recycling, resource recovery, and reuse, directly linking us with automobile assembly plants, battery production plants and battery operators.

Looking forward, with the approaching wave of lithium-ion battery retirements, the volume of global and China's retired power batteries is expected to reach 5,344.6 thousand tons and 3,091.6 thousand tons respectively by 2030, representing CAGRs of 35.7% and 37.5% from 2023 to 2030. Given such trend, we anticipate retired batteries will gradually become an important source of raw material and plan to continue expanding our manufacturing capacity upstream by increasing our black mass processing capability. Specifically, we aim to expand the capacity of our production facilities at Ganzhou City, Jiangxi Province, to process 70 thousand tons of black mass annually. Upon completion, this project will enhance our ability to directly process retired lithium-ion batteries, improving our overall recycling efficiency, increasing our cost control, and further increasing our gross profit margins.

To capitalize on the growing demand for lithium-ion battery materials and increase our market share in the lithium-ion battery materials industry, we plan to further enhance our production capacity for critical metal materials of lithium-ion batteries. Our production facilities have demonstrated strong operational efficiency and utilization despite significant capacity expansions. For lithium carbonate, we have significantly increased production capacity from 1,972 tons per year with utilization rate of 87.4% in 2021 to 9,374 tons per year in 2023 with utilization rate of 91.2%. Our nickel sulfate production capacity has grown from 28,080 tons per year in 2021 to 42,480 tons per year in 2023, with utilization rates reaching 76.5% in 2023. Similarly, we expanded our cobalt sulfate production capacity from 4,947 tons per year in 2021 to 16,788 tons per year in 2023, achieving a utilization rate of 70.3% in 2023. Both our nickel sulfate and cobalt sulfate utilization rates exceed the industry average of approximately 60% in 2023 for such metals according to the F&S Report. According to the F&S Report, the production volume of ternary battery material in mainland China is expected to grow from 611.1 thousand tons in 2023 to 1,683.3 thousand tons in 2030, with a CAGR of 15.6%. According to the same source, the production volume of power batteries in mainland China is expected to increase from 675 GWh in 2023 to 2,756 GWh in 2030, with a CAGR of 22.3%. To capture such growth opportunities, we plan to gradually expand the capacity of our production facilities for the treatment of retired ternary lithium-ion batteries and retired LFP batteries.

For downstream expansion, we plan to establish in-house production of LFP cathode materials. Our production facilities currently under construction at Yichun, Jiangxi Province, are designed with an annual capacity of 10,000 tons for LFP cathode materials and are expected to be completed in 2025.

There is no guarantee that any of our expansion projects will proceed as planned. Our Directors may determine in the future that postponing a project is in the best interest of the Company after taking into account the prevailing market conditions, our financial resources and other relevant factors. We may also invest in additional expansion projects as we continue to grow our business.

RESEARCH AND DEVELOPMENT

Overview

Our unwavering commitment to R&D and technological innovation positions us at the forefront of the lithium-ion battery recycling and resource recovery industry. With a robust intellectual property portfolio, advanced R&D infrastructure, and strategic partnerships, we are well-equipped to drive sustainable growth and deliver cutting-edge solutions that meet the evolving needs of the market.

As one of the first Chinese companies engaging in the lithium-ion battery resource recovery business, we have accumulated significant technologies and industry know-how over the past decade by leveraging our first-mover advantages. Primarily due to our advantages in technologies, we have been recognized as a National-level HNTE (國家級高新技術企業) and a National-level SRDI "Little Giant" Enterprise (國家級專精特新"小巨人"企業).

We have established an in-house R&D Institution. Our Research Institute spearheads major innovation and R&D activities, setting annual R&D plans and goals to continuously improve production processes, maintain our technological advantages, and enhance our competitiveness. Specifically, our Research Institute initiates R&D projects based on our operational and production needs, overseeing the design, research, development, and testing of innovative processes and products. Our Research Institute collaborates with our operations and production departments closely to ensure the smooth execution of R&D projects.

As of June 30, 2024, we had a total of 167 R&D employees, many of whom hold bachelor's degree or above in chemistry, refining, engineering, and other scientific fields essential to the lithium-ion battery recycling business, and have extensive work experience in related fields. We incurred RMB42.8 million, RMB98.0 million, RMB100.0 million and RMB35.5 million of research and development expenses in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, accounting for approximately 3.8%, 3.4%, 3.5% and 3.6% of our revenue during the respective periods. We have several provincial-level R&D platforms, including, the Clean Recycling Technology Research Center for Secondary Lithium-ion Batteries in Guangdong Province, the Technology Innovation Center for Comprehensive Recycling and Resource Recovery of Lithium-ion Battery in Jiangxi Province, and the Engineering Research Center for Clean Reutilization of Secondary Lithium-ion Battery Resources in Jiangxi Province.

During the Track Record Period, we have participated in the formulation of multiple industry standards, such as the Technical Specifications for the Dismantling, Harmless Crushing, and Sorting of Retired Power Batteries.

R&D Achievements and Key Technologies

As a result of our long-term dedication in R&D, we have developed a wealth of key technologies that are used in our production process and applied in our products. Leveraging these advanced technologies and our R&D capabilities, together with our manufacturing expertise, we are able to produce high-quality products that meet our customers' requirements while maintaining cost efficiency.

Specifically, we have developed several industry-leading core technologies, including multi-component salt separation technology for lithium and nickel extraction, nickel-cobalt reduction leaching technology, and optimized extraction separation process technology. These technologies and our various R&D achievements enable us to achieve an efficient, effective, and environmental-friendly manufacturing process with high recovery rates while maintaining low production costs and energy consumption. According to the F&S Report, our lithium recovery rate exceeds 95%, outperforming the industry average of 90%, while our unit costs (excluding cost of raw materials) are approximately 10% lower than the industry average.

Our R&D capabilities are validated by our successful undertaking of numerous national and provincial R&D projects and our growing intellectual property portfolio of various in-house developed technologies and know-how. As of the Latest Practicable Date, we had registered 180 patents in mainland China (including 126 utility patents, 49 invention patents and five design patents). For more details, see "— Intellectual Property."

Set forth below are certain of our key technologies and their applications in the ternary battery lithium filed:

- *Multi-Component Salt Separation Technology for Nickel and Lithium Extraction (多組份分鹽法分離提取鎳鋰技術)*: this technology can realize efficient nickel and lithium recycling through multi-stage purification. The extraction and preparation process of nickel salt and lithium salt minimizes material losses during phase separation, significantly improving the recovery rate. Through this multi-stage purification method, we create a controlled impurity concentration gradient, which significantly improves product purity. Our cost reduction is mainly reflected in reduced use of acid and alkali and energy consumption in the impurity separation process and improved impurity separation efficiency.

- *Nickel-Cobalt Reduction Leaching Technology (鎳鈷還原浸出聯合技術)*: this technology significantly lowers the extraction costs of lithium and nickel.

- *Optimized Extraction Separation Process Technology (最優化萃取分離工藝技術)*: this technology enhances the yield and reutilization of nickel while reducing production costs.

- *Composite Hydroxyl Magnetic Fluid Adsorption Technology (複合羥基型磁流體吸附除雜技術)*: this technology improves recovery rates of lithium, nickel and cobalt metals, and reduces impurity residues.

Set forth below are certain of our key technologies and their applications in the LFP battery filed include:

- *Low-Acid Reduction Leaching One-Step Impurity Removal Technology (低酸還原浸出一步除雜技術):* This technology leverages the distinct precipitation characteristics and solubility differences of iron, aluminum and phosphorus elements to achieve efficient impurity removal. By adopting low-acid reduction leaching and one-step impurity removal techniques, we significantly reduce chemical consumption in the LFP powder treatment process.

- *New Hydroxyl Oxide and Phosphate Composite Adsorbent Technology (新型羥基型氧化物與磷鹽複合吸附劑技術):* This technology utilized our innovative hydroxyl oxide and phosphate composite adsorbent to remove aluminum impurities under specific pH conditions.

- *High Enthalpy Crystal Phase Transition Control Technology (高熱焓晶型轉變控制技術):* By precipitating in high enthalpy liquid phase, we produce iron phosphate with several improved structural properties, including more ordered crystal structure, higher crystallinity of primary particles and more compact crystal arrangement.

- *Intermediate Phase Iron Phosphate Composite Synthesis Technology (中間相磷鐵複合物合成技術):* Through our innovative synthesis process, we produce soluble intermediate phase iron phosphate complexes with fixed iron-to-phosphorus ratios. We can adjust this ratio according to the requirements of customers while ensuring consistent product quality across batches.

R&D Collaboration

We routinely engage in R&D collaborations with research institutions and universities. Specifically, we have established partnerships with top universities, including South China University of Technology and Central South University, to jointly advance our research efforts. These partnerships foster a synergistic environment for innovation, allowing us to leverage academic expertise and cutting-edge research to advance our technological capabilities. We have undertaken a number of projects to carry out research in new technologies, providing important technical support for our subsequent product development.

We sign cooperation agreements for specific projects with research institutions and universities. Although every joint technology agreement varies, we generally specify in the agreement as to the specific types and the specifications of the products. We will also take the initiative in preparing the design and work plan and work seamlessly with research institutions and universities to deliver R&D results.

The major terms of our joint technology development agreement typically include the following:

Major terms	Content
Ownership of intellectual property rights	The new intellectual property rights and related rights and interests developed independently by each of the two parties belong to themselves respectively, and the new intellectual property rights and related rights and interests jointly developed by both parties shall be shared by both parties.
Confidentiality	Any information obtained during joint development shall not be disclosed to any other third party. The confidentiality obligation under the agreement shall not be affected by termination or lapse of the agreement.
Term and termination	The term of the agreements varies from one to three years.
Development progress	Each party shall inform the other in writing of any delay or any anticipatory delay in development of the relevant products.

Future R&D Directions

We are committed to continuous improvement and innovation in battery recycling. We will further expand our patent portfolio to cover new and emerging technologies in battery recycling, enhance our R&D infrastructure to support advanced research and development initiatives, and strengthen our strategic partnerships with leading universities to foster innovation and technological advancement. Our R&D efforts aim to keep pace with emerging industry developments while prioritizing technologies that can significantly improve our productivity and advance our environmental sustainability goals. Examples of our current focus areas include key technologies for the robotic dismantling of next-generation EV batteries, the preparation of high-voltage and high-nickel cathode precursor materials, the efficient recycling and purification of lithium nickel-cobalt-manganese from retired lithium-ion ternary batteries, one-step synthesis of the ternary precursor in nickel-cobalt-manganese mixed solution, and one-step synthesis of LFP recycling. We believe these innovations will help enhance our production efficiency and strengthen our industry leading position.

In December 2024, we were designated to lead the National Key Research and Development Program Project — New Energy Vehicle Battery Robotized Dismantling Key Technology and Application Demonstration, which demonstrates our technical capabilities and industry recognition. National Key Research and Development Programs strategically focus on addressing major scientific and technological challenges critical to national development, economic competitiveness, and social welfare. Key objectives of this project include lowering energy consumption, reducing carbon emissions and pollutants, and improving overall efficiency in EV battery recycling.

PROCUREMENT AND SUPPLIERS

Raw Materials and Procurement

Our recycling feeds derived primarily from: (i) black mass, and (ii) lithium-ion battery production remnants and excess materials and retired lithium-ion batteries.

We have established a diverse and stable supply chain with a broad and reliable source of raw materials, ensuring a continuous supply of high-quality raw materials. During the Track Record Period, our recycling feeds was primarily black mass. We primarily source raw materials from domestic suppliers, including major lithium-ion battery manufactures, lithium-ion battery material producers, "mass shredding" plants and trading companies for lithium-ion battery production remnants and excess materials. In anticipation of the approaching wave of retirement for EV power batteries and ESS batteries, we foresaw the need to strategically expand upstream into black mass production. This initiative allows us to directly recycle retired lithium-ion batteries, significantly enhancing overall operational efficiency, improving our control over costs, and increasing profit margins. During the Track Record Period, the proportion of our direct procurement of retired lithium-ion batteries and production scraps has steadily increased, reaching 17.7% in the first half of 2024. Looking ahead, we expect that retired lithium-ion batteries will gradually become an important source of our raw materials.

In order to supplement our in-house production capacity when our customers' demand temporarily exceeded our production capacity, we outsourced the "mass shredding" process to third-party manufacturers, who were all Independent Third Parties, in 2023 and the six months ended June 30, 2024. We have strict quality control measures with these third-party manufacturers to maintain our product standards, including requiring them to satisfy our technical specifications and comply with all applicable industrial and national quality standards. We also deployed our quality control personnel and technicians to the production facilities of third-party manufacturers. All required raw materials were provided by us. For the year ended December 31, 2023 and the six months ended June 30, 2024, approximately 2,493.2 tons and 250.2 tons of "mass shredding" were subcontracted, respectively. We further produced black mass and critical metal materials for lithium-ion batteries from the shredded materials. In the future, subject to actual business needs, we may still outsource the "mass shredding" process to third-party manufacturers from time to time.

In 2021, 2022 and 2023 and the six months ended June 30, 2024, costs of raw materials that constitute the cost of sales amounted to RMB823.6 million, RMB2,229.1 million, RMB2,690.1 million, and RMB832.1 million, respectively, accounting for 87.3%, 89.6%, 88.1%, and 81.1% of our cost of sales for the same periods.

Supply Agreements

We generally enter into single-order agreements or purchase orders and may occasionally enter into long-term framework agreements with our suppliers setting forth general terms governing the terms of the purchase order. We specify the type of product, specification, unit price, quantity, delivery timeline and destination and other terms in each purchase agreement or purchase order we send to our suppliers. Our framework agreements typically have terms of one year. Depending on the type of raw material and supplier, prices are typically determined taking into account the prevailing market price when placing orders. We typically settle our trade payables by bank transfers or bank acceptance notes. Some of our suppliers require a certain percentage of prepayment, whilst others require payment upon delivery of the raw materials. Our supply agreements also include comprehensive product quality assurance provisions. Product inspection including sample tests on the raw materials shall take place within a specified period after delivery of the raw materials to us. We shall be entitled to return to the suppliers the defective raw materials that do not meet the agreed quality standard, and the suppliers shall remedy the same, including product return and replacement. For further details of our quality control on procurement, see "— Quality Control — Quality Control on Procurement."

With our industry-leading position and recognition as a "dual whitelist" enterprise for lithium-ion battery recycling by the MIIT, along with our comprehensive capabilities in R&D, production, and quality control, we have entered into strategic cooperation agreements with companies within the ecosystems of well-known EV OEMs such as Dongfeng Hongtai and Lishen Battery or battery production plants. Pursuant to the terms of these strategic cooperation agreements, we and these EV OEMs shall explore cooperation in the fields of (i) establishing and operating recycling network for retired EV power batteries, (ii) second-life use for retired EV power batteries, (iii) technical and academic research on recycling, resource recovery, and reuse for retired EV power batteries, and (iv) formulating national and industrial standards for recycling, resource recovery, and reuse for retired EV power batteries, among others. The strategic cooperation agreements typically have a term of one to three years. The parties are subject to customary confidentiality clauses. These partnerships are expected to ensure a steady supply of high-quality retired lithium-ion batteries.

The procurement prices of our raw materials typically closely follow the prevailing commodity prices of the relevant metal compounds, such as lithium carbonate, nickel sulfate and cobalt sulfate, listed on the Shanghai Metals Market. During the Track Record Period, lithium prices exhibited particularly high volatility, which in turn led to corresponding volatility in retired battery prices. For details, see "Industry Overview — Global and mainland China's lithium-ion battery recycling and reutilization solution market — Average Prices of Retired Lithium-ion Batteries." We mainly relied on (i) our pricing strategy for individual orders and the price adjustment mechanism in our sales framework agreements, which allowed us to reflect the price fluctuation in raw materials on our selling prices of battery products, and (ii) the management of our inventory levels based on the prudent estimation of the market trends and our production needs, to mitigate the impact of raw material cost fluctuations on the supply side.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any breach of agreements by suppliers that resulted in suspension or interruption of our production operations, did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues.

Our Suppliers

Our suppliers are primarily raw material providers in mainland China. We carefully select our suppliers and require them to satisfy various assessment criteria. We consider several factors in the selection of suppliers, including but not limited to the potential supplier's material performance, supply quality, prices offered, years of operation and quality control accreditations. Potential key raw materials suppliers are subject to inspection conducted by us in order to evaluate their production processes and quality-control. We also carry out audits of qualified suppliers each year.

In each of 2021, 2022 and 2023 and the six months ended June 30, 2024, purchases from our largest supplier for the respective period amounted to RMB155.3 million, RMB518.3 million, RMB353.2 million and RMB168.4 million, respectively, representing 12.0%, 14.7%, 11.6% and 14.7% of our total amount of purchase during the respective period, while purchases from our five largest suppliers for the respective period amounted to RMB543.9 million, RMB1,596.4 million, RMB1,217.0 million and RMB527.5 million, respectively, representing 42.1%, 45.3%, 39.8% and 46.1% of our total amount of purchase during the respective period. We believe that we have a good cooperation relationship with our key suppliers. To the best knowledge of the Company, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest suppliers during the Track Record Period and as of the Latest Practicable Date.

The tables below set forth the details for each our five largest suppliers during the Track Record Period.

For the Year Ended December 31, 2021

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount	Percentage of total purchase
			(RMB'000)	*(%)*
Supplier A[(1)] .	Black mass and retired lithium-ion batteries	2021	155,349	12.0
Supplier B[(2)] .	Crude nickel sulfate	2020	142,017	11.0
Supplier C[(3)] .	Nickel hydroxide and nickel carbonate	2020	113,053	8.8
Supplier D[(4)] .	Black mass, nickel materials and cobalt materials	2019	69,950	5.4
Supplier E[(5)] .	Black mass and nickel materials	2020	63,489	4.9
			543,858	42.1

Notes:

(1) A group of companies engaged in recycling, and production of renewable energy materials and technologies in mainland China under the common control of a company, including (i) a company located in Huizhou, Guangdong province; Incorporated in 2018; RMB2,800.0 million registered capital; and (ii) a company located in Jiangmen, Guangdong province; Incorporated in 2019; RMB21.5 million registered capital. (Sources: official website and commercial database)

(2) A group of companies engaged in refining common and precious metals and manufacturing various non-ferrous metals and alloys under the common control of a company; including (i) a company located in Shanghai; Incorporated in 2013; RMB100.0 million registered capital; (ii) a company located in Hangzhou, Zhejiang province; Incorporated in 2011; RMB1,280.0 million registered capital; and (iii) a company located in Shangrao, Jiangxi province; Incorporated in 2006; RMB89.2 million registered capital. (Sources: official website and commercial database)

(3) A group of companies mainly engaged in supplying metal products and battery materials under the common control of a company, including (i) a company located in Fuzhou, Fujian province; Incorporated in 2019; RMB50.0 million registered capital; (ii) a company located in Putian, Fujian province; Incorporated in 2021; RMB10.0 million registered capital; and (iii) a company located in Fuzhou, Fujian province; Incorporated in 2022; RMB10.0 million registered capital. (Source: commercial database)

(4) A group of companies engaged in the production of cobalt sulfate, cobalt chloride, carbon materials, and ceramic materials under the common control of a company, including (i) a subsidiary of a Shenzhen Stock Exchange-listed company located in Yingde, Guangdong province; Incorporated in 2003; RMB166.5 million registered capital; and (ii) a subsidiary of a Shenzhen Stock Exchange-listed company located in Qingyuan, Guangdong province; Incorporated in 2016; RMB10.0 million registered capital. (Sources: official website and commercial database)

(5) A group of companies engaged in the sales of new energy materials, battery materials, and non-ferrous metal materials containing nickel, cobalt, lithium under the common control of a company, including (i) a company located in Shenzhen, Guangdong province; Incorporated in 2012; RMB43.9 million registered capital; (ii) a company located in Liyang, Jiangsu province; Incorporated in 2022; RMB50.0 million registered capital; and (iii) a company located in Jiangmen, Guangdong province; Incorporated in 2021; RMB150.0 million registered capital. (Sources: official website and commercial database)

For the Year Ended December 31, 2022

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount	Percentage of total purchase
			(RMB'000)	*(%)*
Supplier E . . .	Black mass, lithium-ion battery production remnants and excess materials	2020	518,259	14.7
Supplier F(1) .	Black mass	2022	326,089	9.3
Supplier C . . .	Black mass and nickel materials	2020	314,623	8.9
Supplier G(2) .	Black mass, nickel materials and cobalt materials	2020	240,706	6.8
Supplier H(3) .	Black mass, nickel materials and cobalt materials	2022	196,729	5.6
			1,596,406	45.3

Notes:

(1) A group of companies engaged in the production and sales of chemical products, electronic materials, and synthetic materials under the common control of a company, including (i) a company located in Ningbo, Zhejiang province; Incorporated in 2022; RMB10.0 million registered capital; and (ii) a company located in Ningbo, Zhejiang province; Incorporated in 2022; USD20.0 million registered capital. (Sources: official website and commercial database)

(2) Company mainly engaged in the development and research of recycling technologies for new energy materials, as well as the recycling and processing of retired lithium-ion batteries and lithium-ion battery cathode; Incorporated in 2020; RMB108.9 million registered capital. (Source: commercial database)

(3) Company mainly engaged in manufacturing metal materials and sales of metal materials, located in Xiamen, Fujian province; Incorporated in 2021; RMB300 million registered capital. (Sources: official website and commercial database)

For the Year Ended December 31, 2023

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount	Percentage of total purchase
			(RMB'000)	*(%)*
Supplier E	Black mass and crude graphite powder	2020	353,242	11.6
Supplier I[(1)]	Black mass	2022	258,940	8.5
Supplier A	Black mass, nickel materials and cobalt materials	2021	254,255	8.3
Supplier J[(2)]	Black mass, lithium-ion battery production remnants and excess materials and retired lithium-ion batteries	2023	183,989	6.0
Supplier K[(3)]	Black mass and nickel materials	2022	166,543	5.4
			1,216,969	39.8

Notes:

(1) Recycling and materials production company in mainland China, engaged in the recovery of retired batteries, production and sale of cathode and anode powders. Incorporated in 2022; RMB60.0 million registered capital. (Source: commercial database)

(2) A group of companies engaged in the acquisition, processing, and sales of renewable resource products under the common control of a company, including (i) a company located in Wuhu, Anhui province; Incorporated in 2021; RMB10 million registered capital; and (ii) a company located in Tongling, Anhui province; Incorporated in 2008; RMB50 million registered capital. (Sources: official website and commercial database)

(3) A group of companies engaged in the supply of Nickel-copper alloy, scrap metal recycling under the common control of a company, including (i) a company located in Shanghai; Incorporated in 2010; RMB5 million registered capital; (ii) a company located in Xinyu, Jiangxi province; Incorporated in 2013; RMB5 million registered capital; and (iii) a company located in Xinyu, Jiangxi province; Incorporated in 2014; RMB20 million registered capital. (Source: commercial database)

For the Six Months Ended June 30, 2024

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount	Percentage of total purchase
			(RMB'000)	*(%)*
Supplier E . . .	Black mass and retired lithium-ion batteries	2020	168,428	14.7
Supplier H. . .	Black mass, lithium-ion battery production remnants and excess materials and nickel materials and cobalt materials	2022	129,477	11.3
Supplier L[(1)] .	Black mass, lithium-ion battery production remnants and excess materials and retired lithium-ion batteries and nickel carbonate	2024	109,802	9.6
Supplier K. . .	Black mass and nickel materials	2022	68,438	6.0
Supplier M[(2)].	Black mass and lithium-ion battery production remnants and excess materials	2021	51,362	4.5
			527,507	46.1

Notes:

(1) Company mainly engaged in the recycling and processing of renewable resources, manufacturing metal materials; Incorporated in 2022; RMB100.0 million registered capital. (Source: commercial database)

(2) A group of companies mainly engaged in the treatment of waste electrical and electronic products, the recycling and reutilization of retired power batteries for new energy vehicles under the common control of a company, including (i) a company located in Tongren, Guizhou province; Incorporated in 2018; RMB31.4 million registered capital; and (ii) a company located in Huaian, Jiangsu province; Incorporated in 2022; RMB40.0 million registered capital. (Sources: official website and commercial database)

SALES, MARKETING AND CUSTOMERS

Sales and Marketing

We have dedicated sales and marketing teams for our products. As of June 30, 2024, we had a sales and marketing team of 18 personnel. Our sales and marketing personnel are primarily responsible for maintaining communication with existing customers to understand their needs and feedback on our products. Our sales and marketing personnel also seek to expand our customer base through showcasing the strengths of our products and services to potential customers.

Our main marketing activities include sponsorship of and participation in industry exhibitions and conferences, such as the industry exhibitions held by China International Battery Fair and the OFweek New Energy Industry Collaborative Development Conference. We believe our active participation in these exhibitions and conferences allows us to keep abreast of the latest industry policies and trends and exchange information and ideas with other companies in our industry.

Pricing Policy

We price our products based on various factors including raw material costs, production overheads, order volumes, delivery requirements, warranty offered, competitors' pricings, prevailing market conditions (such as Shanghai Metals Market or London Metal Exchange international quotes), payment methods and specification of products requested by customers. According to the F&S Report, our pricing for battery material products is generally in line with prevailing market practice.

During the Track Record Period, the pricing of our products fluctuated significantly due to the change in the price of raw materials. We closely monitor the price fluctuations in our raw material purchases and review the pricing of our products when necessary. We conduct review on the pricing of our products on a regular basis to capture the fluctuation of prices in the market. In particular, we inspect the price trend of key raw materials from time to time to grasp the current and future purchase price, and to identify the potential discrepancies between supply and demand in the industry. However, our pricing strategies mentioned above may not be able to fully cover the risks associated with the decrease in raw material prices. See "Risk Factors — We are exposed to fluctuations in market prices of our products, which could significantly impact our financial condition and results of operations" and "Risk Factors — Price fluctuation of our raw materials and inadequate or interrupted supply of our raw materials could adversely affect our business, financial condition and results of operations."

Sales Agreements

We typically enter into single-order agreements or quarterly/annually renewable framework sales agreements with our major customers, under which our customers will enter into individual purchase orders with us. Our sales agreements typically contain the following terms.

Specification	Since our business involves the development of products and technologies for customers, we usually set relevant technical parameters in the sales contract. Those parameters specify certain characteristics of the products to be delivered.
Price	We specify the price of each product and service provided to customers in the sales agreement, including unit price and total price.
Purchase volume	The exact purchase volume is typically specified in the single-order agreements or the individual purchase orders under framework sales.
Payment term	We grant credit period to our customers according to their credit profile and historical performance. Payment terms are specified in individual agreements with our customers and vary depending on our business relationship and commercial arrangements. In 2021, 2022, 2023 and the six months ended June 30, 2024, our trade and bills receivables turnover days were 78 days, 38 days, 49 days and 56 days, respectively. For details, see "Financial Information — Discussion of certain key items of consolidated statements of financial positions — Current assets and liabilities — Trade and bills receivables."
Delivery term	Delivery is usually made in accordance with the terms specified in the single-order agreements or purchase orders. Ownership of our products is transferred to the customers upon their inspection and acceptance of the products.
Duration and termination	The term of the framework sales agreements are generally less than one year and may vary on a case-by-case basis. The renewals of framework agreements are negotiated on a case-by-case basis.

Warranty period	We usually provide our customers with a warranty of three months to one year depending on the type of products. Generally, we accept sales return only if there are product defects for which we are responsible and the relevant products in question are still within the warranty duration prescribed in sales agreements or production specification.
Confidentiality	We usually set confidentiality clauses in the framework sales agreements with customers, and the period of confidentiality obligations may be extended to after the expiration of the sales contract.

Our Customers

Our customers are primarily leading battery material manufacturers and recycled product traders in mainland China. According to the F&S Report, our customer base includes seven of the top ten battery material manufacturers in mainland China in terms of sales volume of ternary precursors in 2023; and we have entered into the supply chain of three of the top five lithium-ion battery manufacturers in mainland China in terms of shipment volume in 2023. Through long-term collaboration, we have established strong relationships with these industry leaders.

According to the F&S Report, these industry leaders impose stringent requirements on their suppliers regarding technological research and development capabilities, advanced production processes, quality control, environmental sustainability, and production capacity. Specifically, these leading companies typically implement a supplier admission system and conduct rigorous comprehensive evaluations before selecting a supplier. Due to the stringent requirements for suppliers, these leading companies tend to have high loyalty to their selected raw material suppliers. Our comprehensive capabilities and robust product quality have enabled us to enter into these industry leaders' supply chain.

We have also expanded our customer base to futures traders. According to the F&S Report, futures traders often have strict quality standards for lithium-ion battery material products, further validating the high quality of our products. The collaboration with futures traders enables us to lock in selling prices upon entering sales contracts with futures traders to mitigate price volatility before delivery. For details of our pricing arrangement in respect of products sold to futures traders, see "Financial Information — Path to Profitability."

In each of 2021, 2022 and 2023 and the six months ended June 30, 2024, sales to our largest customer for the respective period accounted to RMB441.6 million, RMB402.4 million, RMB532.7 million, RMB238.6 million, respectively, representing 39.0%, 13.9%, 18.4% and 24.0% of our revenue during the respective period, while our five largest customers for the respective periods accounted to RMB842.4 million, RMB1,529.5 million, RMB1,194.8 million, RMB537.9 million respectively, representing 74.3%, 52.7%, 41.3% and 54.2% of our revenue during the respective period. To the best knowledge of the Company, none of our Directors or their respective associates or any Shareholder holding more than 5% of our issued share capital held any interest in any of our five largest customers during the Track Record Period and as of the Latest Practicable Date.

The tables below set forth the details for each our five largest customers during the Track Record Period.

For the Year Ended December 31, 2021

Customer	Procurement type	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
			(RMB'000)	*(%)*
Customer A[1] .	Nickel recycled products, cobalt recycled products	2017	441,634	39.0
Customer B[2] .	Nickel recycled products, cobalt recycled products	2017	223,032	19.7
Customer C[3] .	Lithium recycled products	2021	86,657	7.6
Customer D[4] .	Nickel recycled products, cobalt recycled products	2021	49,025	4.3
Customer E[5] .	Nickel recycled products, cobalt recycled products	2019	42,028	3.7
			842,376	74.3

Notes:

(1) A group of companies engaged in the supply engaged in the supply of nickel and cobalt salt materials, manufacturing of basic chemical raw materials, chemical products under the common control of an individual, including (i) a subsidiary of a Shanghai Stock Exchange-listed company, located in Quzhou, Zhejiang province; Incorporated in 2016; RMB2,265.0 million registered capital; (ii) a company located in Quzhou, Zhejiang province; Incorporated in 2016; RMB606.0 million registered capital; (iii) a company located in Quzhou, Zhejiang province; Incorporated in 2018; USD159.0 million registered capital; (iv) a subsidiary of a Shanghai Stock Exchange-listed company, located in Quzhou, Zhejiang province; Incorporated in 2011; RMB2,401.2 million registered capital; (v) a subsidiary of a Shanghai Stock Exchange-listed company; located in Jiaxing, Zhejiang province; Incorporated in 2018; RMB500.0 million registered capital; (vi) a company located in Jiaxing, Zhejiang province, Incorporated in 2006; RMB70.1 million registered capital; (vii) a company located in Quzhou, Zhejiang province; Incorporated in 2017; RMB1,138.0 million registered capital; and (viii) a company located in Hohhot; Incorporated in 2019; RMB700.0 million registered capital. (Sources: official website and annual report)

(2) A group of companies engaged in the supply of nickel salt and cobalt salt materials, with core business operations in the research, development, production, processing, and sale of new materials, batteries, and new energy products, including (i) a subsidiary of a Shenzhen Stock Exchange-listed company, located in Tongren, Guizhou province; Incorporated in 2014; RMB937.0 million registered capital; and (ii) a company located in Ningxiang, Hunan province; Incorporated in 2016; RMB4,197.0 million registered capital. (Sources: official website and commercial database)

(3) A group of companies mainly engaged in the supply of lithium salt materials, primarily focused on the processing and product development, production, and sales of lepidolite and lithium-containing ores under the common control of a company, including (i) a company located in Yichun, Jiangxi province; Incorporated in 2017; RMB500.0 million registered capital; and (ii) a company located in Yichun, Jiangxi province; Incorporated in 2022; RMB300.0 million registered capital. (Sources: official website and commercial database)

(4) Company mainly engaged in the supply of nickel salt and cobalt salt materials, with main business activities in sales of metal materials, non-metallic minerals and products, non-ferrous metal alloys, synthetic materials, batteries, high-purity elements and compounds, and chemical products; Incorporated in 2009; RMB200.0 million registered capital. (Sources: official website and commercial database)

(5) Company mainly engaged in the research and production of ternary cathode precursor materials for lithium-ion batteries (including sodium-ion batteries); Incorporated in 2017; RMB900.0 million registered capital. (Sources: official website and commercial database)

For the Year Ended December 31, 2022

Customer	Procurement type	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
			(RMB'000)	*(%)*
Customer A. . .	Nickel recycled products, cobalt recycled products	2017	402,410	13.9
Customer C. . .	Lithium recycled products	2021	360,831	12.4
Customer F[(1)] .	Lithium recycled products	2020	296,267	10.2
Customer G[(2)] .	Lithium recycled products	2022	264,226	9.1
Customer H[(3)] .	Nickel recycled products	2019	205,785	7.1
			1,529,519	52.7

Notes:

(1) Company mainly engaged in the recycling and reutilization of retired batteries for new energy vehicles, and processing of both metal and non-metal waste and manufacturing chemical raw material; Incorporated in 2011; RMB96.5 million registered capital. (Source: commercial database)

(2) Company mainly engaged in the supply of lithium salt materials and the production of chemical products; Incorporated in 2018; RMB700.0 million registered capital. (Sources: official website and commercial database)

(3) A group of companies engaged in the supply of nickel salt materials, with business activities in the recycling and repurpose of retired power batteries for new energy vehicles, and the sales of high-performance non-ferrous metals and alloy materials under the common control of a company, including (i) a company located in Ningde, Fujian province; Incorporated in 2019; RMB1,290.0 million registered capital; (ii) a company located in Changsha, Hunan province; Incorporated in 2008; RMB60.0 million registered capital; (iii) a company located in Ningbo, Zhejiang province; Incorporated in 2019; RMB10.0 million registered capital; and (iv) a company located Foshan, Guangdong province; Incorporated in 2005; RMB132.0 million registered capital. (Sources: official website and commercial database)

For the Year Ended December 31, 2023

Customer	Procurement type	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
			(RMB'000)	*(%)*
Customer A. . .	Nickel recycled products, cobalt recycled products, lithium recycled products	2017	532,730	18.4
Customer G . .	Lithium recycled products	2022	268,036	9.3
Customer H . .	Nickel recycled products	2020	162,042	5.6
Customer I(1) .	Lithium recycled products	2023	127,536	4.4
Customer J(2) .	Lithium recycled products	2023	104,496	3.6
			1,194,840	41.3

Notes:

(1) Company mainly engaged in sales of chemical products, non-ferrous metal alloys, electronic specialty materials, and synthetic materials; Incorporated in 2022; RMB10.0 million registered capital. (Source: commercial database)

(2) Company mainly engaged in the sale of lithium salt materials, lepidolite, petalite, and other mineral products; Incorporated in 2017; RMB234.0 million registered capital. (Source: commercial database)

For the Six Months Ended June 30, 2024

Customer	Procurement type	Year of commencement of business relationship with us	Revenue	Percentage of total revenue
			(RMB'000)	*(%)*
Customer K(1) . .	Cobalt recycled products, lithium recycled products	2022	238,582	24.0
Customer H . . .	Nickel recycled products	2020	126,188	12.7
Customer L(2) . .	Nickel recycled products	2018	76,247	7.7
Customer M(3) .	Cobalt recycled products	2020	51,386	5.2
Customer N(4) . .	Lithium recycled products	2023	45,512	4.6
			537,915	54.2

Notes:

(1) A group of companies mainly engaged in providing non-ferrous metals and alloy materials, high-purity elements and compounds, electronic special materials under the common control of a company, including (i) a Shenzhen Stock Exchange-listed company, located in Hangzhou, Zhejiang province; Incorporated in 1999; RMB708.0 million registered capital; and (ii) a company located in Hangzhou, Zhejiang province; Incorporated in 2017; RMB844.0 million registered capital; and (iii) a company located in Changsha, Hunan; Incorporated in 2018; RMB927.0 million registered capital. (Source: commercial database)

(2) Company mainly engaged in providing nickel recycled and cobalt recycled materials, with main business activities including battery sales, recycling and reutilizing of retired power batteries for new energy vehicles, located in Xinxiang, Henan province; Incorporated in 2016; RMB600.0 million registered capital. (Sources: official website and commercial database)

(3) A group of companies mainly engaged in the sales of nickel alloys, battery materials under the common control of a company, including (i) a company located in Lanzhou, Gansu province; Incorporated in 2004; RMB16,932.7 million registered capital; and (ii) a company located in Lanzhou, Gansu province; Incorporated in 2016; RMB19,000.0 million registered capital. (Sources: official website and commercial database)

(4) A group of companies mainly engaged in the sales of metal materials; sales of metal ores; sales of high-performance non-ferrous metals and alloy materials under the common control of the company, including (i) a Shanghai Stock Exchange-listed company, located in Xiamen, Fujian province; Incorporated in 1996; RMB22,042.3 million registered capital and (ii) a subsidiary of a Shanghai Stock-listed company, located in Shanghai; Incorporated in 2023; RMB2,000.0 million registered capital. (Sources: official website and commercial database)

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, to the best knowledge of our Directors, we had seven major suppliers who are also our customers, or vice versa. All of them were our raw material suppliers who also procured recycled products from us. According to the F&S Report, due to the nature of the industry, it is a common practice in the lithium-ion battery recycling and reutilization solution industry to have overlapping customers and suppliers, where we may purchase retired batteries or battery production remnants and excess materials from battery manufactures and sell our recycled products to the same company.

The table below sets forth the revenue and purchases attributable to our overlapping customers and suppliers during the Track Record Period.

Name	Year/Period	Products We Sold	Products We Purchased	Revenue	Percentage of Our Total Revenue in the Year/ Period	Purchase Amount	Percentage of Our Total Purchase in the Year/ Period
				RMB'000		*RMB'000*	
Customer E. .	2022	Nickel recycled products, cobalt recycled products	Nickel, cobalt and manganese materials	136,177	4.7%	10,354	0.3%
Customer F. .	2023	Lithium recycled products	Black mass and lithium iron phosphate powder	82,476	2.9%	42,425	1.4%

Name	Year/Period	Products We Sold	Products We Purchased	Revenue	Percentage of Our Total Revenue in the Year/ Period	Purchase Amount	Percentage of Our Total Purchase in the Year/ Period
				RMB'000		*RMB'000*	
	Six months ended June 30, 2024			29,579	3.0%	29,882	2.6%
Supplier E . .	2021	Nickel and cobalt recycled products	Black mass and nickel materials	947	0.1%	63,489	4.9%
	2023			7,446	0.3%	353,242	11.6%
	Six months ended June 30, 2024			12,617	1.3%	168,428	14.7%
Supplier D . .	2021	Nickel recycled products, cobalt recycled products	Black mass, nickel materials and cobalt materials	10,113	0.9%	69,950	5.4%
	2022			76,705	2.6%	30,715	0.9%
	2023			90,602	3.1%	6,651	0.2%
Supplier F . .	2023	Lithium recycled products	Black mass	127,536	4.4%	102,690	3.4%
Supplier I . .	2022	Anode sheets	Black mass	96	*	138,021	3.9%
Supplier H . .	Six months ended June 30, 2024	Lithium recycled products	Black mass, nickel materials and cobalt materials	45,512	4.6%	129,477	11.3%

Note:

* Below 0.1%

Our Directors have confirmed that all of our sales to and purchases from these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms. During the Track Record Period, our sales and purchases with the overlapping customers and suppliers were not inter-conditional with each other. The terms of our agreements with these overlapping customers and suppliers are substantially the same as those with our other suppliers and customers. As of the Latest Practicable Date, to the best information and knowledge of our Directors, all of these overlapping customers and suppliers were Independent Third Parties.

WAREHOUSING, LOGISTICS AND INVENTORY MANAGEMENT

Warehousing

Our supply chain is coordinated to achieve synergy and allocation of resources amongst order placement, procurement management, product manufacturing, shipping and other processes. We have also adopted digitized management systems that cover the entire supply and delivery chain to ensure efficient operation. During the Track Record Period, our warehousing needs were mainly satisfied by warehouses at our production bases.

Logistics

We enter into service agreements with Jiangxi Taiyun which provide logistics and transportation services for the delivery of our products to customers, and for the collection of raw materials from our suppliers in the event that such delivery service is not available. See "Connected Transactions — Partially Exempt Continuing Connected Transactions — Jiangxi Taiyun Framework Service Agreement." We also procure delivery services from third-party logistics service providers. During the Track Record Period, we had constantly collaborated with over three third-party logistics service providers. We select logistics service providers primarily based on their qualification, track record, geographic coverage and quotation. We maintain a list of qualified logistics service providers and evaluate their service quality. Our arrangements with Jiangxi Taiyun and third-party logistics service providers allow us to provide efficient delivery services of our products, reduce our capital investment and reduce the risk of incurring liability for traffic accidents, delivery delays or loss. Once our logistics service providers confirm receipt of the products to be delivered, the risks relating to the transportation and delivery of our products are transferred to the logistics service providers.

During the Track Record Period, we did not experience any material disruption in the delivery of our products or suffer any material loss as a result of delays in delivery or poor handling of goods.

Inventory Management

Our inventory primarily consists of raw materials, work-in-progress and finished goods. We generally maintain a sufficient inventory of our principal raw materials based on market conditions and our order quantity, while we also review our inventory levels on a regular basis to minimize the risk of inventory build-up. For other raw materials, we generally make purchase orders based on our production schedules. We leverage a variety of information technology systems to assist us in planning and managing our inventories, such as our OA and ERP systems. Such systems provide our management with real-time information and transparency of our inventories. For further details on our information technology systems, see "— Information Technology." We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. To ensure stable and continuous production, we generally maintain a safety level of inventory which is determined based on historical sales, market demands and sales projections.

QUALITY CONTROL

Our commitment to product quality has earned us strong reputation among our customers. As of June 30, 2024, we had a quality control team comprising of 89 personnel that oversee various aspects of our business, including R&D, procurement and production of our products, to ensure product quality. We implement an internal quality control system to perform various inspections over the course of the entire product trading and production process, to ensure full compliance with customer requirements and our own specifications and standards. As a result of our commitment to stringent quality control, during the Track Record Period and up to the Latest Practicable Date, there was no incident of failure in our quality control system which had a material impact on us.

We have received various quality control related certifications from recognized organizations. For example, our Company and Jiangxi Ruida are certified to ISO 9001-2015 quality management system, ISO 14001-2015 environmental management system and ISO 45001:2018 occupational health and safety management system, all of which are evidence that our quality control system is on par with international practices.

Quality Control on R&D

Our quality control begins at the initial stage of our R&D activities. Our quality control team works closely with our research and development team to test and evaluate the effectiveness, capacity and quality of new products and technologies in accordance with relevant quality standards and customer specifications.

Quality Control on Procurement

We manage our suppliers and the procurement process through a series of internally formulated supplier management control systems. These supplier management policies specify social responsibility requirements from various aspects, including business ethics, labor standards, occupational health and safety and environmental management. We regularly evaluate our suppliers based on their ability to meet our raw material quality standards, production capacity, delivery timelines, financial stability, and credit terms. We may also conduct inspections of our suppliers' facilities. Upon delivery, we perform sample tests on raw materials, and our quality control system is designed to identify and address defective or sub-quality raw materials as early as possible in the production process.

Quality Control on Production

We strictly adhere to our customers' quality specifications and relevant industry standards throughout our production process. Our quality control team conducts daily quality checks of semi-finished products at key control points, in accordance with our internal quality control system, to ensure compliance with our and our customers' quality standards at each stage of production. Additionally, some of our customers may inspect our production facilities onsite.

As a result of our strict quality control policies, during the Track Record Period, and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the government or other regulatory bodies in mainland China, (ii) receive any material product return request from our customers or (iii) receive any material complaints from consumers. During the Track Record Period, we did not record any provision for product warranty.

Quality Control on Logistics, Delivery and Warehousing

Before delivery, our quality control team conducts sample checks for every batch of finished products. We also perform packaging inspections to ensure that our packaging sufficiently protects the quality of our finished products during transportation. Our warehouse is regularly inspected, and we have safety measures in place to minimize the risks of fire hazards, water damage, and other potential threats to our finished products.

INFORMATION TECHNOLOGY

We believe that information technology is essential to maintain our competitive position. We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to sales management, material procurement, production, quality control, inventory management, financial reporting and human resources. The following information technology systems are the most critical to our business among our collective integrated information systems:

ERP System.	Our enterprise resources planning system, or ERP system, regulates our operations, inventory control, procurement, production and sales management. Timely access to inventory and sales data allows our management to monitor our sales performance and make appropriate adjustments in response to the market conditions. It also facilitates our procurement, marketing strategies and decision-making process.
OA System	We utilize the office automation system, or OA system which provides a platform for paperless information sharing and dissemination within our Company and our subsidiaries, enhances administrative record management and optimizes various approval procedures for our business operations.
DCS Production Control System.	Our DCS Production Control System provides us with automated control over critical production processes, including real-time monitoring, data acquisition, and automated control of key operational nodes to ensure process stability and efficiency.

The capabilities and the stability of our IT infrastructure are vital to our business operations. The IT department performs system checks, data back-ups, system maintenance and other activities to secure the continual operation of the critical IT systems and facilities. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material failure or breakdown of our IT systems which had resulted in a material adverse impact on our overall business operations.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. As of June 30, 2024, we had 1,020 employees, all of whom were based in mainland China. The following table sets forth the number of our employees by function as of June 30, 2024.

	Number of employees	Percentage of Total
		(%)
Function		
Production	635	62.3
Research and development	167	16.4
Procurement	66	6.5
Management and general administration	152	14.9
Total	**1,020**	**100.0**

We place great importance on attracting and recruiting qualified employees. Our human resource department is responsible for recruiting employees. We recruit our employees primarily through on-campus recruitment, mainstream recruitment platforms and referral. We treat our employees fairly and ensure that they enjoy fair opportunities and conditions. In order to attract and retain employees and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide training periodically and across operational functions, including introductory training for new employees, technical training, product training, sales training, management training and occupational safety training, etc.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety conditions in the workplace and dispute resolution. We also enter into standard confidentiality agreements and non-competition agreements with our core employees, including mid to senior management personnel and engineers, as well as sales personnel having access to important client information. As required by PRC Law, we participate in various social security plans for our employees including housing provident fund, pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance.

During the Track Record Period, we had not been subject to any administrative penalties in connection with the labor laws and regulations in mainland China including regulations in relation to social insurance and housing provident fund contributions for our employees. Our PRC Legal Advisor is of the view that we were in compliance with labor laws and regulations in mainland China in material aspects during the Track Record Period.

During the Track Record Period, we have not experienced any significant difficulty in recruiting employees, nor have we experienced any labor shortages during the Track Record Period that materially affected our operations.

Our Company has established a labor union that represents relevant employees with respect to labor disputes and other employee matters. During the Track Record Period, we did not experience any major disputes with our employees, and we believe we have maintained a good relationship with our employees and is expected to remain amicable in the future.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual property. As of the Latest Practicable Date, we had registered 180 patents in mainland China (including 126 utility patents, 49 invention patents and five design patents), 22 trademarks, nine copyrights and two domain names. For details of our intellectual property portfolio, see "Appendix VIII — Statutory and General Information — 2. Further Information about our Business — B. Our Material Intellectual Property Rights."

We have various measures and tools to minimize our risk exposure to IP rights infringement. We incorporate IP search and review into the evaluation of new product design to prevent infringement of IP rights by us. If the IP search results identify potential risks from the supplier side, we will ask the supplier to provide a commitment of non-infringement to minimize our risk exposure to infringement of intellectual property rights. If the IP search results indicate potential risks in relation to a product design specified by customers, we would promptly inform the customers of such risks.

ENVIRONMENTAL, HEALTH, SAFETY AND SOCIAL RESPONSIBILITIES

ESG governance

We are strategically positioned at the downstream of the new energy industry and at the forefront of the circular economy, focusing on the recycling and reutilization of retired lithium-ion batteries, as well as the R&D and production of advanced lithium battery materials. By developing a comprehensive lithium battery lifecycle value chain, we are committed to establishing an ESG committee within six months of the [**REDACTED**]. The committee is to be chaired by our Executive Directors, and the committee will primarily consist of department heads and individuals with expertise in ESG risk identification and management.

To further strengthen ESG governance, we have engaged an independent ESG consultant to ensure compliance with the latest regulatory requirements and to support the Board and management in fulfilling ESG responsibilities. We also plan to establish a three-tier ESG management system with clear responsibilities:

- ***Decision-Making Level:*** The Board of Directors will act as the highest authority for ESG management and disclosures. It will: (i) approve ESG strategies, goals, policies, work plans, and material issues; (ii) address significant ESG and climate-related risks and opportunities; (iii) review and approve ESG reports and key disclosures; (iv) ensure effective ESG risk management and internal controls.

- ***Management Level:*** The ESG Committee, under the Board, will oversee ESG strategies and execution. It will: (i) develop sustainability strategies and goals; (ii) coordinate resources and monitor implementation progress; (iii) review the annual ESG report before Board approval; (iv) handle tasks authorized by the Board.

- ***Execution Level:*** The ESG working group, under the ESG Committee, will execute ESG initiatives. It will: (i) engage stakeholders and gather feedback; (ii) monitor and address ESG risks in daily operations; (iii) prepare ESG reports and disclosures; (iv) coordinate ESG training and communication; (v) implement ESG strategies and action plans.

We aim to formulate the Group's ESG management system within six months after the [**REDACTED**], and clearly define the division of duties of each department to effectively manage ESG matters. The relevant policies will be formulated in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules.

Environmental Protection and Climate-related Matters

Overview

We have established a robust climate governance framework to ensure the Board prioritizes climate change issues. We have implemented the ISO14001 Environmental Management System and the Environmental Management System Guidelines, designating responsible departments and personnel, and established a regular reporting mechanism to assess climate impacts on operations. To address environmental risks, we have formulated the Emergency Preparedness and Response Control Procedures to manage incidents effectively and mitigate impacts. Additionally, with the ISO50001 Energy Management System, we are accelerating low-carbon technology innovation and seizing opportunities in clean technology to drive low-carbon economic growth.

Our safety and environmental protection expenses for administrative expenses amounted to approximately RMB9.9 million, RMB10.7 million, RMB12.1 million, and RMB5.7 million in 2021, 2022, 2023, and the six months ended June 30, 2024, respectively. During the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or penalties related to breaches of any applicable environmental laws or regulations that could have a material adverse effect on our business, financial condition and results of operations of our Group taken as a whole. During the Track Record Period and up to the Latest Practicable Date, we obtained all permits, licenses, and approvals related to environmental protection and safety production.

Strategy

As a leading enterprise engaged in the recycling of retired lithium batteries in mainland China, we are committed to innovation-driven development, increasing R&D investment, and advancing green production to contribute to the China's "dual carbon" goals.

- *Clean production:* We upgrade production processes, improve energy efficiency, and reduce carbon emissions. Our clean production practices are certified by the Guangdong Economic Development Promotion Association, with recognition as a 2024 Guangdong Provincial-level Green Factory (廣東省省級綠色工廠). Our subsidiary, Jiangxi Ruida, was recognized as a National-level Green Factory (國家綠色工廠) in 2022 and a Jiangxi Green Supply Chain Enterprise (江西省綠色供應鏈企業) in 2023.

- *R&D innovation meets the clean technology opportunities:* We conduct greenhouse gas audits and product carbon footprint analysis, reducing energy consumption and carbon emissions across the product lifecycle, including procurement, manufacturing and logistics. With the rapid growth of the EV industry and the increasing retirement of lithium-ion batteries, we focus on second-life battery applications. Partnering with battery and battery material manufacturers and EV manufacturers, we have established a recycling network and apply retired lithium-ion batteries to low-speed EVs, energy storage, backup power and solar streetlights. This ensures residual energy utilization and secures supply for our lithium-ion battery recycling and reutilization business.

Risks Management

We have established a risk assessment team, led by the Board and comprising members from the Audit Committee, senior management, and department heads. This team is tasked with identifying climate-related risks, formulating response strategies, and implementing risk management procedures. It provides regular reports on the overall risk landscape to the risk management committee. Through market research, internal discussions, expert consultations, situational analysis, policy studies, and industry benchmarking, we have identified the most material climate risks for our business. These risks have been categorized into two main types: (1) physical risks and (2) transition risks.

- *Physical Risks:* Physical risks refer to the immediate threats from extreme weather events, such as typhoons, heavy rains, and floods, as well as long-term risks like sea-level rise and climate warming. These events can disrupt production, cause hazardous spills, and contaminate soil and water. To address these risks, we have established emergency protocols and conduct regular drills to ensure our employees are prepared for disasters. We also have contingency plans for production facility safety and continuously monitor our supply chain to assess alternative suppliers.

- *Transition Risks:* Transition risks include legal, policy, technological, market, and reputational risks that may affect our business in the short to medium term. Changes in government policies, such as emission reduction subsidies or tax incentives, could impact our financial position and project returns. Stricter technical standards may also require additional investment in technological upgrades. To cope with the relevant risks, we continue to pay attention to the relevant policy changes, increase investment in technological research and development and innovation, flexibly adjust our market strategy, and actively carry out reputation management to ensure our long-term sustainable development and competitiveness.

Metrics and Targets

In response to China's "Dual Carbon" goal, which targets at "reaching peak carbon emissions by 2030 and carbon neutrality by 2060", we have promoted the formulation of carbon emission goals and action plans and regularly reviewed the progress. Since 2022, by replacing biomass fuel with natural gas, we have reduced the emissions of sulfur dioxide and particulate matters.

Greenhouse gas emission management

The table below sets forth our greenhouse gas emissions for the periods indicated.

		Year ended December 31			Six months ended June 30
Climate Indicators	**Unit**	**2021**	**2022**	**2023**	**2024**
Scope 1 direct greenhouse gas emissions(1)	tCO_2e	622,633.35	32,651.02(4)	867,398.73(5)	74,297.07
Scope 2 indirect greenhouse gas emissions(2)	tCO_2e	18,250.23	33,817.22	44,377.84(6)	19,613.71
Scope 3 greenhouse gas emissions(3) . .	tCO_2e	/	8.20	18.26	164.63

Notes:

(1) Scope 1 greenhouse gas emissions primarily result from the direct energy consumption in our operations, including gasoline, diesel, and natural gas.

(2) Scope 2 greenhouse gas emissions mainly come from the consumption of indirect energy, such as purchased electricity, in our operations.

(3) Since 2022, we have been tracking Scope 3 greenhouse gas emissions, including Category 6: emissions from business travel for the 2022-2023 period. In 2024, we include Category 7: employee commuting in our Scope 3 emissions reporting. Going forward, we will actively identify the relevance and materiality of Scope 3 emission categories and improve our reporting scope. For the relevant data, refer to the Reporting Guidance on Environmental KPIs issued by the Stock Exchange of Hong Kong Limited. As to the greenhouse gas emission factors of purchased electricity, refer to the average emission factors of national grids for 2022. We also evaluate our environmental performance through a number of metrics including pollutant management, resources management and water resource Management.

(4) In 2021, we used biomass boilers which led to elevated Scope 1 direct greenhouse gas emissions. The sharp decline of Scope 1 direct greenhouse gas emissions in 2022 was attributed to our transition to natural gas as a fuel source.

(5) Scope 1 direct greenhouse gas emissions have significantly increased since 2022, primarily due to the increase in number of business trips in 2023. As a result, the use of vehicles increased, driving an increase in gasoline consumption.

(6) Scope 2 indirect greenhouse gas emissions have significantly increased since 2021 primarily due to the construction of new production facilities and plant areas in 2022 and 2023 to meet the demand driven by business growth, which led to an increase in electricity consumption and use of vehicles.

Pullulation management

We are subject t*o the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), *the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), and other relevant laws and regulations. We have formulated internal management systems such as the Exhaust Gas Emission Management System, the Wastewater Discharge Management System, the Solid Waste Management System and the Noise Control Management System, to strictly control the exhaust gas, wastewater, noise and solid waste generated from production and operation, thus to ensure compliant emission.

We continuously improve our emissions management. In May 2023, we obtained ISO 14001 Environmental Management System Certification.

- *Exhaust Gas Management:* The main pollutants in our production process are VOCs, nitrogen oxides, sulfur dioxide, and particulate matter. In 2023, we upgraded production workshops to treat VOCs, adding activated carbon adsorption and regenerative catalytic oxidation (RCO) facilities, reducing VOC emissions by 70%, and receiving recognition and subsidies from the Municipal Ecology and Environment Bureau.

- *Wastewater Management:* We monitor industrial and domestic wastewater to ensure we meet discharge standards. Treated wastewater is reused within our production bases for purposes such as toilet flushing and dust removal, enhancing water reuse rates.

- *Solid and Hazardous Waste Management:* Our hazardous waste includes waste activated carbon and filter cloth. We maintain a solid and hazardous waste management ledger, collect and store waste in accordance with regulations, and outsource disposal to a qualified third-party service provider.

The table below presents the volume of our emissions of exhaust gas, solid waste and hazardous waste in tons for the periods indicated.

		Year ended December 31			Six months ended June 30
Indicators	**Unit**	**2021**	**2022**	**2023**	**2024**
Exhaust gas	Ton	6.85	4.06	1.11	1.91
Solid waste.	Ton	6,344.28	13,431.03	7,993.17	3,511.64
Hazardous waste.	Ton	31.71	43.56	48.61	5.36

Energy management

We continuously improve our energy management system based on the principles of "Standardized Management, Energy Saving, Scientific Development, Cleaner Production, Continuous Improvement, and Excellence." Key internal procedures, such as Energy Saving and Consumption Reduction Control, Energy Resource Management, and Energy Review, ensure clear responsibilities and regular analysis of energy use for ongoing improvement. We are also committed to building low-carbon, energy-efficient green factories. In 2023, we obtained ISO 14001 and ISO 50001 certifications.

Our direct energy consumption includes natural gas, diesel, and gasoline, while indirect consumption is from purchased electricity and steam. We promote energy saving and emission reduction through technological upgrades, optimized processes, and energy-efficient solutions such as LED lighting, efficient motors, and thermal insulation. We also provide regular training, including specialized sessions for department heads on energy management and sustainable practices.

The table provides an overview of our total energy consumption, including purchased electricity, gasoline, diesel, natural gas, steam and biomass fuel for the periods indicated.

Energy Management Indicators	Unit	Year ended December 31			Six months ended June 30
		2021	2022	2023	2024
Total energy consumption	TCE	143,422,797.05	15,583,664.61	424,127,001.86[1]	38,105,353.82
Consumption of purchased electricity .	kWh	32,001,107	59,297,239	77,814,898	34,391,916
Electricity consumption intensity	kWh/Thousand revenue	28.24	20.41	26.91	34.38
Consumption of gasoline	Ton	/	10,547.66	248,594.66	13,600.61
Consumption of diesel .	Ton	/	/	22,454.19	5,095.60
Consumption of natural gas	Cubic meter (m^3)	/	/	18,659,160.00	7,833,320.00
Consumption of steam .	Ton	34,416.60	70,897.80	93,746.90	38,978.60
Consumption of biomass fuel	Ton	371,717.15	261.06	1,313.73	581.50

Note:

(1) Our total energy consumption had significantly increased since 2023 primarily due to the construction of new production facilities and plant areas in 2022 and 2023 to meet the demand driven by business growth, which led to an increase in energy consumption.

Water Resource Management

We have strengthened water resource management through the implementation of a Water Saving Management System, covering water use responsibilities, metering, statistics, and facility maintenance to improve efficiency and reduce waste. Our main water source is municipal water, and we have not experienced any shortages.

- ***Water Facility Maintenance:*** We conduct regular inspections and maintenance of water facilities to prevent leaks and ensure proper functioning. Spot checks are also conducted to maintain equipment in good condition.

- ***Water Saving Technology:*** We actively implement water-saving technologies, such as using MVR evaporation facilities to treat saline wastewater and reuse condensate water in production. This achieves reuse of water for processes like battery material dissolution and pure water preparation. We reward departments and individuals with outstanding water-saving results.

- ***Water Saving Education:*** We regularly conduct water-saving campaigns to raise awareness among employees, encouraging habits like turning off taps after use and avoiding water waste.

The table outlines our water use intensity per thousand revenues for the periods indicated.

Water Management Indicators	Unit	Year ended December 31			Six months ended June 30
		2021	2022	2023	2024
Consumption intensity of water resource . . .	Cubic meter (m^3)/Thousand revenue	0.39	0.22	0.22	0.21

Health, Safety and Social Responsibilities

We have been and will continue to be highly committed to sustainable corporate responsibility projects through various charitable endeavors for different social causes. For example, we participate in regional rural development programs, contributing to sustainable economic growth in rural areas through various support initiatives, including supporting infrastructure development and economic advancement projects in nearby villages and towns

We are committed to fostering diversity within our Group and have implemented a Board Diversity Policy that considers factors such as experience, expertise, gender, age, and cultural background. We actively promote diversity and ensure equal treatment for all employees, while continuously investing in their training and career development. We prioritize employee well-being and organize initiatives that support a healthy work-life balance.

Our operations in mainland China are governed by laws and regulations related to occupational health and work safety. During the Track Record Period, we did not experience any accidents with a material impact on our business and have not encountered significant non-compliance issues. We have implemented internal safety guidelines covering fire, operational, and warehouse safety, along with emergency response measures. Our occupational health and safety management systems are ISO 45001 certified. We ensure the safety of critical machinery through detailed operation and maintenance manuals and have procedures for identifying and preventing accidents. We hold the required hazardous chemical and waste operation permits and monitor production conditions, including the handling of volatile materials. We provide safety training, conduct regular safety checks and medical exams for at-risk employees, and ensure compliance with safety standards through periodic inspections and corrective actions.

INSURANCE

Our insurance coverage includes (i) general insurance for our Group's fixed assets (e.g. production plants and machinery); and (ii) employer's accident and safety liability insurance for our employees. Our Directors are of the view that our insurance coverage is in line with the general coverage in the industry and is adequate for our operations. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been the subject of any material insurance claims. However, our business operations are susceptible to potential losses caused by a wide range of business disruptions and we may not be fully indemnified for our losses under our current insurance coverage. See "Risk Factors — Risks Relating to Our Business and Industry — Our insurance policies may not provide adequate coverage for all claims associated with our business operations" for more details.

COMPETITION

According to the F&S Report, the lithium-ion battery recycling and reutilization market is an emerging industry with significant growth potential and vast opportunities, where the industry participants continue to develop and establish their positions. We generally compete with lithium-ion battery recycling processors in mainland China.

Competing recycling lithium-ion battery processors employ various techniques to extract battery materials. In general, processors that employ high-temperature thermal processes or shredding/solvent extraction techniques focus primarily on the recovery of nickel and cobalt, with limited ability to recover lithium, manganese, and other metals. Our comprehensive extraction process enables us to recover a broader range of battery materials from the same feedstock, resulting in higher value recovery while maintaining cost-efficient and environmentally sustainable operations.

According to the F&S Report, the primary competitive factors in our markets include supply, price, economies of scale, product quality, research and development capabilities, technological innovation, product performance, industrial chain resource integration capability, production capabilities, customer service and support, customer recognition, and corporate reputation. We believe we can compete effectively in the market by leveraging our mass production capability, stable supply, strong R&D capabilities, high-quality product portfolio and reliable partnerships with suppliers and customers. See "Industry Overview."

PROPERTIES

We occupy certain properties in mainland China in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our production facilities, research and development centers, warehouses, offices, and dormitories.

Since our property interests are for non-property activities and the carrying amount of a single property is above 15% of our total assets, we include a property valuation report on such property interests in this document pursuant to Rule 5.01B(2) of the Listing Rules. See "Appendix IV — Valuation Report" for details. The total market value of our property interests included in the property valuation report prepared by Shanghai Lixin Asset Appraisal Co. Ltd. (上海立信資產評估有限公司) was approximately RMB493.5 million as of September 30, 2024. Except for the property interest described in the property valuation, our Group has no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets pursuant to Rule 5.01(2)(b) of the Listing Rules.

Owned Land and Buildings

As of the Latest Practicable Date, we owned 71 buildings in mainland China with an aggregated GFA of 290,689.41 sq.m. The land use rights for these buildings covered 4,925,572.2 sq.m. We also owned the land use rights of four additional parcels of land with a total site area of 174,187.88 sq.m. in mainland China. As of the Latest Practicable Date, our PRC Legal Advisor confirmed that, we had obtained all relevant land use rights certificates and property title certificates for all of the lands and buildings we own in mainland China.

Leased Properties

As of the Latest Practicable Date, we leased 24 properties in mainland China with an aggregated GFA of 170,947.72 sq.m., including 15 land parcels with an aggregated GFA of 16,405.77 sq.m. and 9 buildings with an aggregated GFA of 154,541.95 sq.m., used as production facilities, warehouses, offices and dormitories to support our business operations. These leases generally have a term ranging from approximately four months to 20 years.

As of the Latest Practicable Date, we were not subject to any material claims arising from or in respect of any defect in our leasehold interest in any of our leased properties.

Lease Registration

Pursuant to the applicable PRC Law, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, one of our lease agreements with landlords was not registered with the relevant government authorities in mainland China. This was primarily due to the difficulty in procuring our lessor's cooperation in registering such lease.

Our PRC Legal Advisor advised us that, according to the applicable PRC Law, the non-registration would not affect the validity of these lease agreements, but we, as the lessee, may be required by the relevant authorities in mainland China to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. The estimated total maximum penalty was RMB10,000 as of the Latest Practicable Date. As of the Latest Practicable Date, we had not been ordered to register the lease agreement or fined by the relevant authorities in mainland China with respect to such lease agreement. In view of the foregoing, our Directors are of the view that non-registration of such lease agreement will not materially and adversely affect our business operations. For further details on the risks associated with our leased properties, see "Risk Factors — Risks Relating to Our Business and Industry — We face certain risks relating to compliance requirements and potential non-compliance in relation to the real properties we own, use or lease."

Leased Properties Pending Building Ownership Certificates

As of the Latest Practicable Date, with respect to one of our leased properties with an aggregate GFA of approximately 2,170 sq.m, representing approximately 1.3% of our total leased GFA, the lessor of such leased property had not provided us with valid title certificates or authorization for leasing. Such leased property is used as warehouse.

As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owner, our use of this defective leased property may be affected by third parties' claims or challenges against the lease or our land use rights. Pursuant to the applicable PRC Law, if the lessor does not have the requisite rights to lease this property, the relevant lease agreement may be deemed invalid and we may be required to vacate this property. However, in the event that we are unable to continue using such property due to third parties' claims or challenges against the lease or our land use rights, based on the advice of our PRC Legal Advisor, we, as the tenant, will have the right to claim compensation from the lessor. In view of the foregoing, our Directors are of the view that the abovementioned title defect will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Directors' knowledge, our lease with respect to this defective leased property had not been subject to claims or disputes in connection with rights to lease and use such leased property during the Track Record Period and up to the Latest Practicable Date, and (ii) as the relevant leased property is used as warehouse, we believe that we would be able to relocate to a different site relatively easy on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so.

COMPLIANCE AND LEGAL PROCEEDINGS

Legal Proceedings

As of the Latest Practicable Date, as confirmed by our Directors, there was no litigation, arbitration, or administrative proceedings or disputes pending or threatened against our Company, any of our Directors or executive officers which could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business, and regardless of the outcome, any of such legal, arbitration or administrative proceedings is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors — Risks Relating to Our Business and Industry — We, our Directors, Supervisors, senior management, and employees may not always be successful in defending ourselves against litigation and regulatory investigations and proceedings."

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

According to the relevant PRC Law, we are required to make contributions to social insurance and housing provident fund for the benefit of our employees in mainland China. During the Track Record Period and as of the Latest Practicable Date, the Company and some of our subsidiaries in mainland China did not make full contribution to the social insurance and housing provident funds for some of our employees in accordance with the relevant PRC Law. We estimate that the shortfall of social insurance payments in 2021, 2022, 2023, and the six months ended June 30, 2024 amounted to approximately RMB5.1 million, RMB6.9 million, RMB10.5 million and RMB6.2 million, respectively, and the shortfall of housing provident fund contributions in 2021, 2022, 2023, and the six months ended June 30, 2024 amounted to approximately RMB1.2 million, RMB1.5 million, RMB2.3 million and RMB1.3 million, respectively.

Our Directors confirm that the non-compliance was mainly due to (i) certain employees were unwilling to pay the social insurance and housing provident fund contributions in full as it requires additional contributions from the employees; and (ii) certain employees prefer participation in the rural social security contribution plans in their residential places or their hometowns.

Potential Legal Consequences

As advised by our PRC Legal Advisor, pursuant to relevant PRC Law, (i) the under-contribution of social insurance within a prescribed period may be subject to an overdue charge of 0.05% of the delayed payment amount per day and the competent authority may further impose a fine of one to three times of the overdue amount if such payment is not made within the stipulated period; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. An application may be made to a people's court for compulsory enforcement if the payment of the outstanding housing provident fund contributions is not made after the expiration of the time limit. As advised by our PRC Legal Advisor, there is no expressed legal provision or regulation that imposes a penalty on the Group for such non-payment of housing provident fund contributions but we may be ordered to pay the outstanding amount of our housing provident fund within the prescribed period. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions and housing provident funds, nor had we received any order or been informed to settle the deficit amount.

Remedial Measures

We have implemented our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC Law. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to pay in full the outstanding social insurance contributions and housing provident fund contributions for some of our employees due to their reluctance to participate in the relevant schemes. As soon as they agree that we make the relevant social security insurance and housing provident fund contributions for them, we will make such contributions for them accordingly from that point of time onwards. Moreover, we have taken the following rectification measures to mitigate future occurrence of such non-compliances:

- *Training and Advice*. Consult our PRC Legal Advisor for advice on relevant PRC Law, and strengthen legal compliance training to our personnel;

- *Policy*. Enhance our human resources management policies, which explicitly requires social insurance and housing provident fund contributions to be made in full in accordance with applicable laws and regulations; and

- *Review and record-keeping*. Designate our human resources staff to review and monitor the reporting and contributions of social insurance and housing provident fund on a monthly basis.

Our PRC Legal Advisor has advised us that, according to the interviews with the relevant regulatory authorities, the risk of being ordered by the government authorities on their own initiative to pay the outstanding amount of the social insurance contributions and the housing provident fund contributions is remote. We undertake to make timely payments for the deficient amount and overdue charges as soon as requested by the competent governmental authorities.

Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organizing and conducting centralized collection of enterprises' historical social insurance arrears without permission.

In view of the above, our Directors are of the view that such non-compliance did not and will not have a material adverse impact on our Group on the grounds that: (i) there were no material disputes between our employees and us regarding the social insurance or housing provident fund contributions during the Track Record Period; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) as of the Latest Practicable Date, we had not received any notification from the relevant authorities in mainland China requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; and (iv) as of the Latest Practicable Date, we had neither experienced any disagreement from relevant social insurance or housing provident fund authorities with respect to such contributions.

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors had been or were involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse impact on the business, financial condition and results of operations of our Group taken as a whole.

LICENSES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, (i) we had complied with all relevant laws and regulations in all material respects and (ii) had obtained all requisite licenses, approvals, registrations and permits from relevant regulatory authorities for our material businesses.

The following table sets forth the licenses and permits currently held by us, which are material to our business, taken as a whole:

No.	Licenses/Permits	Holder	Issuing Authority	Expiry Date
1.	Registration Certificate for Hazardous Chemicals (危險化學品登記證)	The Company	Chemical Registration Center of the Ministry of Emergency Management (應急管理部化學品登記中心), Guangdong Province Hazardous Chemicals Registration Office (廣東省危險化學品登記註冊辦公室)	October 16, 2027
2.	Safety Production License (安全生產許可證)	The Company	Zhaoqing Emergency Management Bureau (肇慶市應急管理局)	May 14, 2025

No.	Licenses/Permits	Holder	Issuing Authority	Expiry Date
3.	Customs Clearance Unit Record Certificate (報關單位備案證明)	The Company	Zhaoqing Customs (肇慶海關)	–
4.	High-tech Enterprise (高新技術企業)	The Company	Department of Science and Technology of Guangdong Province (廣東省科學技術廳), Department of Finance of Guangdong Province (廣東省財政廳), Guangdong Provincial Taxation Bureau of the State Administration of Taxation (國家稅務總局廣東省稅務局)	December 27, 2026
5.	Registration Certificate of Hazardous Chemicals (危險化學品登記證)	Jiangxi Ruida	Chemical Registration Center of the Ministry of Emergency Management (應急管理部化學品登記中心), Department of Emergency Management of Jiangxi Province (江西省應急管理廳)	March 28, 2027

No.	Licenses/Permits	Holder	Issuing Authority	Expiry Date
6.	Safety Production License (安全生產許可證)	Jiangxi Ruida	Department of Emergency Management of Jiangxi Province (江西省應急管理廳)	July 1, 2027
7.	Hazardous Chemicals Business License (危險化學品經營許可證)	Jiangxi Ruida	Wanzai County Emergency Management Bureau (萬載縣應急管理局)	April 25, 2026
8.	High-tech Enterprise (高新技術企業)	Jiangxi Ruida	Department of Science and Technology of Jiangxi Province (江西省科學技術廳), Department of Finance of Jiangxi Province, (江西省財政廳), State Administration of Taxation Jiangxi Provincial Tax Bureau (國家稅務總局江西省稅務局)	October 27, 2027
9.	Hazardous Chemicals Business License (危險化學品經營許可證)	Guangzhou Jinsheng New Energy Trading Co. (廣州金晟新能源貿易有限公司)	Guangzhou Tianhe District Emergency Management Bureau (廣州市天河區應急管理局)	October 19, 2025

RISK MANAGEMENT AND INTERNAL CONTROL

We have in place a reasonable internal control and risk management system to address the strategic, operational, financial, legal, investment and market risks identified in relation to our operations. This system comprises various measures and policies, including budget management, procurement management, expenditure management, sales and development management, safety and environmental protection management, investment management, connected party transaction controls, anti-fraud and whistleblowing procedures, information disclosure controls, human resources management, IT management and financial and operational controls and monitoring procedures.

To monitor the implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we have adopted and will continue to adopt, among others, the following risk management measures:

- establish the strategy committee to evaluate and make recommendations on (i) long-term development strategies and plans; (ii) major financing proposals where Board approval is required by our Articles of Association; (iii) major capital expenditures or investments where Board approval is required by our Articles of Association; and (iv) other key matters that may affect our development. The strategy committee consists of three Directors, being Mr. Li Sen, Mr. Li Xin, and Dr. Luo Zhengtang. For details of the qualification and experience of these members, see "Directors, Supervisors and Senior Management."

- establish the audit committee to review our financial reporting process and internal control system, set up the risk management and internal audit procedures, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by the Board. The audit committee will consist of three Directors, being Mr. Wang Chaoxi, Dr. Luo Zhengtang, and Dr. Chen Yixi. For details of the qualification and experience of these members, see "Directors, Supervisors and Senior Management."

- establish anti-fraud policies to identify, prevent and punish unethical and illegal conducts, as well as whistle-blowing procedures to encourage our employees to bring those conducts to the attention of our senior management and the Board and ensure the protection of whistle-blowers;

- adopt various policies to ensure our compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosures;

- engage accounting firms to provide professional advice and consultations with respect to our risk management; and

- arrange for our Directors and senior management to attend training seminars on the Listing Rules' requirements and the responsibilities of a director of a Hong Kong [**REDACTED**] company.

Our Board is responsible for overseeing our overall risk management, such as determining risk management objectives and policies. The Board has authorized the senior management to design and implement procedures that ensure the effective implementation of risk management objectives and policies. The senior management review the effectiveness of implemented procedures and the rationality of risk management objects and policies through monthly reports submitted by functional department. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective.

AWARDS AND ACHIEVEMENTS

The table below sets forth some of our recent major awards and achievements.

Award/Recognition	Issuing Entity	Awarding Year
National Specialized and New "Little Giant" Enterprise (國家級專精特新"小巨人"企業)	The Ministry of Industry and Information Technology (工業和信息化部)	2023
National Green Factory (國家級綠色工廠)	The Ministry of Industry and Information Technology (工業和信息化部)	2023
National Intellectual Property Advantage Enterprise (國家知識產權優勢企業)	National Intellectual Property Administration (國家知識產權局)	2022
5G + Industrial Internet Demonstrative Enterprise (5G+工業互聯網示範企業)	The Industry and Information Technology Department of Jiangxi Province (江西省工業和信息化廳)	2023
Jiangxi Province Industrial Design Center (江西省工業設計中心)	The Industry and Information Technology Department of Jiangxi Province (江西省工業和信息化廳)	2024
Jiangxi Green Supply Chain Enterprise (江西省綠色供應鏈企業)	The Industry and Information Technology Department of Jiangxi Province (江西省工業和信息化廳)	2023
Jiangxi Provincial Enterprise Technology Center (江西省省級企業技術中心)	The Industry and Information Technology Department of Jiangxi Province (江西省工業和信息化廳)	2022

Award/Recognition	Issuing Entity	Awarding Year
Jiangxi Province Lithium-ion Battery Recycling Comprehensive Utilization Technology Innovation Center (江西省鋰電池回收綜合利用技術創新中心)	The Department of Science and Technology of Jiangxi Province (江西省科學技術廳)	2022
2023 "Top 100 Sci-Tech Innovations" Company (2023"投資界科創100"公司).	China Sci-Tech Investment Summit (中國科創投資峰會)	2023
2022 Emerging Unicorn Enterprise (2022年新晉獨角獸企業)	Forbes (福布斯)	2023
Hurun Global Unicorns (胡潤全球獨角獸)	Hurun Research Institute (胡潤研究院)	2024
2024 Quality Benchmarking Typical Experience (2024 年質量標桿典型經驗)	China Association for Quality (中國質量協會)	2024
Jiangxi Famous Brand Product (Battery Grade Lithium Carbonate, Lithium Sulfate) (江西名牌產品(電池級碳酸鋰、硫酸鋰))	Jiangxi Brand Building Promotion Association (江西省品牌建設促進會)	2023
Postdoctoral Innovation Practice Base in Jiangxi Province (江西省博士後創新實踐基地)	The Human Resources and Social Security Department of Jiangxi Province (江西省人力資源和社會保障廳)	2023
WK Cup-OFweek 2023 Excellent Enterprise Award for Battery Recycling and Utilization" (維科杯 • OFweek 2023年度電池回收與利用優秀企業獎).	OFweek Lithium Grid (OFweek 鋰電網)	2024
2022 Upstream and Recycling Enterprise of the Year (2022年度上游和再生資源企業)	GaoGong Lithium (高工鋰電)	2022

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes thereto included in the Accountants' Report in Appendix I. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this document. For further details, see "Forward-Looking Statements."

OVERVIEW

We are a global leader in the lithium-ion battery recycling and reutilization solution industry dedicated to exploring a circular and clean future. According to the F&S Report, in terms of sales revenue of recycled products in 2023, we were the world's second-largest lithium-ion battery recycling and reutilization enterprise and the world's largest third-party lithium-ion battery recycling and reutilization enterprise. As one of mainland China's earliest enterprises engaged in lithium-ion battery recycling since 2014, leveraging our strong first-mover advantage and comprehensive capabilities, we have established an integrated, closed-loop ecosystem for lithium-ion battery recycling that encompasses:

- "**Full Element**" Recovery of all valuable materials of retired lithium-ion batteries, such as lithium, nickel, cobalt, manganese, and iron;

- "**Full Component**" Reutilization of both battery cathodes and anodes; and

- "**Full System**" Coverage which represents our comprehensive and end-to-end production capability that covers the dismantling and crushing of retired batteries, the production of lithium-ion battery materials for cathodes and anodes, and the second-life-use for light-duty applications.

We specialize in the recycling, resource recovery, and reuse of lithium-ion batteries, offering a wide range of recycled products, primarily including lithium carbonate, nickel sulfate, cobalt sulfate and graphite. During the Track Record Period, revenue from sales of our recycled products contributed to a substantial majority of our total revenue. Apart from our recycled products, we also convert retired EV batteries into batteries suitable for light-duty applications. We sell or rent second-life batteries produced by us to our customers according to their needs.

We derived strong operating performance from 2021 to 2022 with significant increases in both revenue and net profit of 156.4% and 117.4%, respectively, driven by the surge in demand of our products following the rapid growth of downstream industries such as the EV and ESS industries. However, our business was challenged by the volatility in product prices, especially lithium carbonate market prices which underwent an unprecedented sharp decline in 2023 and continued to drop in the first half of 2024, creating a temporary mismatch between our cost of sales and our revenue and resulting in our gross and net losses in 2023 and the first half of 2024. Despite these market challenges, we witnessed certain improvements in our operating results as sales volume of our major product, lithium carbonate, increased in 2023 and the first half of 2024, and our gross and net losses narrowed down in the first half 2024.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial condition, results of operations and prospects are affected by general factors affecting the lithium-ion battery cycling and reuse industry, which include supply, price, economies of scale, product quality, research and development capabilities, technological innovation, product performance, industrial chain resource integration capability, production capabilities, customer service and support, customer recognition, and corporate reputation. Unfavorable changes in any of these factors could negatively affect the demand for our products and materially and adversely affect our results of operations.

Our business, financial condition, results of operations and prospects are also affected by certain company-specific factors, including our ability to achieve the following:

Fluctuations in Market Prices of Our Products and End-Market Demand

During the Track Record Period, we derived a substantial majority of our revenues from sales of recycled products, primarily lithium carbonate, nickel sulfate and cobalt sulfate. We generally sell our products with reference to the prevailing market prices. To a lesser extent, the pricing of our products also takes into account various other customer-specific factors, including product specifications, raw material costs, production costs, contract duration, customer relationships, and delivery and payment terms. As a result, during the Track Record Period, our results of operations were influenced by the market prices of lithium carbonate, nickel sulfate and cobalt sulfate.

The prices of lithium carbonate, nickel sulfate and cobalt sulfate are primarily driven by market factors, particularly supply and demand dynamics. During the Track Record Period, the market prices of lithium carbonate, nickel sulfate and cobalt sulfate in China fluctuated significantly. Specifically, according to the F&S Report, the average price of lithium carbonate increased significantly from RMB106.0 thousand per ton in 2021 to RMB426.9 thousand per ton in 2022, then decreased sharply to RMB241.0 thousand per ton in 2023, and is expected to average at RMB82.9 thousand per ton for 2024. The average price of nickel sulfate increased from RMB31.1 thousand per ton in 2021 to RMB36.0 thousand per ton in 2022, then decreased to RMB29.8 thousand per ton in 2023, and is expected to average at RMB25.9 thousand per ton for 2024. The average price of cobalt sulfate increased slightly from RMB72.6 thousand per ton in 2021 to RMB73.5 thousand per ton in 2022, then decreased significantly to RMB34.5 thousand per ton in 2023, and is expected to average at RMB27.4 thousand per ton for 2024. Considering the time lag between the purchase of raw materials and the completion of processing and sales of our products, if the market prices of our products are in a decline cycle, our gross profit margins may be adversely affected.

Additionally, considering that our recycled products will be mainly used for producing lithium-ion batteries, the demand for our products is also influenced by the demand in the lithium-ion battery market. In recent years, our sales and revenue growth have been driven by strong demand in the lithium-ion battery market, particularly due to the significant increase in demand for EV batteries and ESS batteries. According to the F&S report, the production of EV batteries and ESS batteries grew from 71 GWh and 17 GWh in 2019 to 675 GWh and 185 GWh in 2023, with a CAGR of 75.6% and 81.6%, respectively. We expect our sales to continue to be driven by demand in the end markets we serve.

Operational Efficiency and Cost Control

Our ability to maintain and improve production efficiency and control production costs will impact business performance, results of operations, and profitability. We continuously optimize our technological processes, including technological innovation, upgrades, equipment and machinery upgrades, and process improvements to enhance production efficiency and reduce production costs, thereby mitigating risks associated with fluctuations in the prices of our products and raw materials.

We have developed a wealth of key technologies that are used in our production process and applied in our products. Leveraging these advanced technologies and our R&D capabilities, together with our manufacturing expertise, we are able to produce high-quality products that meet our customers' requirements while maintaining cost efficiency. For example, our innovative Multi-Component Salt Separation Technology for Nickel and Lithium Extraction (多組份分鹽法分離提取鎳鋰技術) enables one-step lithium salt extraction through physical methods.

In addition, in anticipation of the future wave of retirement for EV power batteries and ESS batteries, we strategically increased our direct procurement of retired lithium-ion batteries and production scraps during the Track Record Period. This initiative allows us to directly recycle retired lithium-ion batteries, significantly, enhancing our overall operational efficiency, improving our control over costs, and increasing profit margins. We also sell intermediate products such as black mass obtained from the "mass shredding" process, which complements our main source of revenue. Looking ahead, we expect that retired battery packs will gradually become one of our important raw material sources.

Manufacturing Capacity

During the Track Record Period, we have continually increased our production capacities to meet the customer demand. Leveraging our extensive manufacturing experience and insights, we have achieved significant results in cost reduction and efficiency improvement. According to the F&S Report, our recycling capacity of retired lithium-ion batteries and production capacity of recycled products from lithium-ion battery recycling rank second in the world in 2023. For the year ended December 31, 2023, the overall production capacity utilization rate for our primary products reached 77.0%. Additionally, our capability to improve production processes allows us to flexibly optimize the use of our production lines. We are able to coordinate production among our facilities and adjust production plans to respond to changes in demand.

According to the F&S Report, the global lithium-ion battery recycling and reutilization solutions market is expected to continue rapid development, reaching a treatment volume of 14.3 million tons by 2030, representing a CAGR of 44.8% from 2023. Following careful evaluation of market conditions, we plan to further expand our production capacities, which we believe will enhance our ability to serve customers with high-quality products while achieving greater economies of scale. Our continual enhancement of production capacities, as well as the maintenance and improvement of production efficiency, affect our results of operations and profitability. Going forward, we plan to further improve our production capacities and efficiency by adopting advanced and energy-efficient technologies and highly automated machinery and equipment.

PATH TO PROFITABILITY

We achieved strong growth from 2021 to 2022 with our revenue and profit for the year increasing by 156.4% and 117.4%, respectively. Such increases were primarily due to increases in both sales volume and average selling prices of our products, driven by surging demand following the rapid growth of downstream industries such as the EV and ESS industries. However, we recorded gross losses of RMB160.8 million and RMB30.4 million in 2023 and the first half of 2024, respectively. During the same periods, we incurred loss of RMB473.5 million and RMB147.2 million, respectively.

Our gross profit is primarily affected by our product prices and cost of raw materials, both of which generally fluctuate in line with the market prices of relevant metallic compounds, namely lithium carbonate, nickel sulfate and cobalt sulfate. Due to the time lag between the purchase of raw materials and the completion of processing and sales of our products, declining market prices could adversely affect our gross profit. In addition, the decline in product prices results in impairment losses of our inventories, which negatively impacts our gross profit. Furthermore, the ramp-up of our new production lines and increases in expenses due to business expansion also contributed to our gross and net losses since 2023.

We believe the following measures would support our growth and achieve profitability in the future:

Enhance resilience to fluctuations in product and raw material prices

The fluctuation in pricing of our products and the procurement prices of our raw materials necessitate vigilant cost management strategies and pricing mechanisms to ensure profitability and financial stability. To further mitigate the impact of the volatility in product prices, we are implementing refined pricing strategies and settlement arrangements that better align customer pricing with raw material costs. These initiatives include:

- *Promote sales with price locking mechanism:* We have entered, and may continue to enter, into sales contracts with certain customers, pursuant to which the selling price of our products, such as lithium carbonate, are locked in at the time of entering into such contracts while the delivery of our products takes place after a period of time. Our sales of lithium carbonate to these customers have increased during the Track Record Period with one of them becoming a top-five customer in the first half of 2024, contributing 24.0% of our revenue for the same period. We believe this arrangement enables us to mitigate price volatility during the interim period before delivery;

- *Leverage dynamic pricing and settlement arrangement under long-term sales contracts:* We maintain long-term sales contracts with certain customers that require product delivery in installments over a period of time. Instead of setting fixed prices upon entering into such sales contracts, we price our products and settle payments on a monthly basis with reference to the prevailing average market prices for the month of delivery, thus enhancing our resilience to price fluctuations and our ability to adapt to market conditions; and

- *Reduce both sales and procurement under single-order transactions priced based on real-time market prices:* We intend to reduce the proportion of sales and procurement under single-order transactions where selling or purchase prices are determined and settled based on the real-time market prices at the time of delivery, which will mitigate our exposure to price fluctuations.

To complement these initiatives, we will also refine our regular reviews of product pricing to ensure alignment with market conditions and mitigate potential risks associated with raw material price volatility.

We also plan to further enhance our monitoring of raw material price fluctuations. Our management and sales personnel can keep abreast of real-time price changes in the metals market with full access to market data on the SMM, thus enabling swift and informed decision-making. Furthermore, we have instituted a practice of preparing monthly operating analysis which includes detailed assessments of cost fluctuations, allowing us to closely monitor changes in raw material prices and adjust our pricing strategies promptly.

Optimize procurement strategy and inventory management in response to evolving market dynamics

We operate in a fast-growing and dynamic industry with vast opportunities for our growth in the future. According to Frost & Sullivan, the volume of retired lithium-ion batteries in mainland China had grown at a CAGR of 41.5%, respectively, from 2019 to 2023, and is projected to grow at a CAGR of 37.5%, respectively, from 2023 to 2030. With the approaching retirement wave of power batteries in electric vehicles, the volume of retired lithium-ion batteries has significantly increased, which provides the battery recycling and reutilization solution market with growing demand as well as sufficient supply of raw materials. We believe this shift in supply and demand in the industry creates market opportunities for us as our bargaining power will be greatly enhanced.

Capitalizing on this market trend, we have begun transitioning from procuring black mass to directly souring retired lithium-ion battery packs from vehicle manufacturers, battery manufacturers and automotive service providers (including 4S dealerships, insurance companies and ride hailing companies). During the Track Record Period, the proportion of our direct procurement of retired lithium-ion batteries and production scraps has continuously increased, reaching 17.7% in the first half of 2024. We plan to further increase our direct procurement of retired lithium-ion battery packs going forward. To support this strategic transition, we have established a dedicated production line for producing black mass from retired lithium-ion battery packs, which will be used for the production of our own products at a later stage. In the first half of 2024, the production capacities of this production line reached approximately 2,200 tons. We believe these efforts will reduce our production cost and increase our gross profit as they enable us to recycle battery packs directly, enhance quality control, and improve operational efficiency. We may also benefit from the sales of by-products of this production process, which will supplement our revenue stream. Moving forward, we expect that retired lithium-ion battery packs will gradually become an important source of our raw materials.

Additionally, we plan to implement refined inventory management, including accelerating inventory turnover and maintaining appropriate inventory levels. Our inventory turnover days amounted to 76 days, 81 days, 66 days and 61 days in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. We aim to further accelerate our inventory turnover by strengthening coordination between our sales, production and procurement teams to shorten our procurement cycle. We believe this will allow us to be more responsive to market changes, thereby reducing inventory impairment risks.

Enrich product offerings and application scenarios

The demand for lithium-ion battery recycling and utilization solutions is expected to continue to expand, driven by the rapid development of EV industry. To capture such expanding market, we intend to further enrich our product offerings and application scenarios, dedicating the sales of products that enjoy higher gross profits.

Looking forward, we plan to tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2025, which are expected to have higher product prices, higher gross profit margin and more customer demand than our current nickel and cobalt recycled products. In mainland China, the average prices of electrodeposited nickel and electrodeposited cobalt are estimated to reach RMB108.9 thousand per ton and RMB175.7 thousand per ton in 2025, respectively, which are higher than that of nickel sulfate and cobalt sulfate according to Frost & Sullivan. We expect that our electrodeposited nickel and electrodeposited cobalt products will represent an important part of our nickel and cobalt recycled products in the future. Furthermore, leveraging our manufacturing facility dedicated to recycling LFP batteries and produces lithium carbonate and iron phosphate, we also plan to produce LFP cathode materials in the future.

Through the expansion of our offerings, we expect to not only diversify our product offerings but also solidify our position in the industry. By continuously innovating and adapting our offers and technological processes, we aspire to meet the evolving demands of the market efficiently.

Improve operational efficiency and achieve economies of scale

Our ability to manage and control our costs and expenses is critical to the success of our business and our profitability.

As we grow our operational scale and achieve better economies of scale, we expect the fixed portion of our production costs will be largely diluted, leading to a decline in the unit manufacturing costs of our products. The unit manufacturing costs of our nickel recycled products decreased from approximately RMB3,300 in 2023 to approximately RMB2,700 in the first half of 2024. The unit manufacturing costs of our cobalt recycled products decreased from approximately RMB3,300 in 2023 to approximately RMB3,000 in the first half of 2024.

We are implementing comprehensive measures to control our operating expenses, including selling and marketing expenses, administrative expenses and research and development expenses. By streamlining our sales team and internal support team, we aim to achieve a cost-effective per capita output. We also optimize our technological processes through technological innovations, equipment and machinery upgrades, and process improvements to reduce material costs in our research and development expenses. As our business expands, we expect that the percentage of operating expenses in our revenue will decrease as we benefit from economies of scale and improved operational efficiencies.

BASIS OF PREPARATION

The historical financial information of our Group has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period and the period covered by the interim comparative financial information.

For further details, see Note 2.1 to the Accountants' Report as set out in Appendix I.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial condition and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

For details on our material accounting policies, estimates and judgments, which are important for understanding our financial condition and results of operations, see Note 2.3 and 3 to the Accountants' Report as set out in Appendix I.

IMPACT OF THE COVID-19 OUTBREAK

Since the end of December 2019, the outbreak of a novel strain of coronavirus, or COVID-19, has affected the global economy. In response to the COVID-19 pandemic, including the recurrence of the Omicron variant of COVID-19 since the end of 2021 across the world, governments had implemented numerous measures to contain the spread of the virus, including mandatory quarantine, closure of workplaces and facilities, travel bans and restrictions and stay-at-home orders.

During the outbreak of COVID-19, we had implemented closed-loop management and our staff stationed at our production facilities to reduce the risk of exposure to COVID-19. Accordingly, we had not experienced any material disruption to our production as a result of COVID-19. Given the measures we had taken to mitigate the impact of COVID-19 on our operations and the results thereof, and the gradual normalization of COVID-19, we do not expect the outbreaks to have a material adverse effect on our long-term overall business and financial performance. Nevertheless, we will continue to monitor the development of the COVID-19 pandemic and evaluate its impact on our business operations.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated statement of profit or loss in absolute amount and as a percentage of our revenues for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this document. The results of operations in any period are not necessarily indicative of our future trends.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	RMB	RMB	RMB	RMB	RMB
	(RMB in thousands, except for percentages)			*(unaudited)*	
Revenue	1,133,336	2,905,405	2,891,545	1,531,439	995,423
Cost of sales					
Cost of sales of goods and services	(937,351)	(2,432,283)	(2,943,462)	(1,577,200)	(956,596)
Impairment losses on inventories	(6,445)	(56,844)	(108,863)	(17,699)	(69,217)
Gross profit/(loss)	**189,540**	**416,278**	**(160,780)**	**(63,460)**	**(30,390)**
Other income and gains	4,037	7,973	45,164	15,133	17,503
Selling and marketing expenses	(1,116)	(2,852)	(4,319)	(2,117)	(1,799)
Administrative expenses	(49,589)	(95,285)	(111,718)	(59,771)	(55,801)
Research and development expenses	(42,756)	(98,031)	(99,961)	(52,671)	(35,452)
(Impairment losses)/ reversal of impairment losses on financial assets and prepayments, net	(1,637)	(5,979)	(36,937)	(6,930)	4,926
Other expenses	(7,182)	(8,989)	(47,009)	(7,972)	(6,650)
Finance costs	(15,287)	(28,307)	(57,832)	(26,759)	(30,428)
Share of loss of associates and a joint venture	–	–	(164)	–	(9,137)
Profit/(Loss) before tax	**76,010**	**184,808**	**(473,556)**	**(204,547)**	**(147,228)**
Income tax (expense)/credit	(6,617)	(33,957)	72	65	–
Profit/(Loss) for the year/period	**69,393**	**150,851**	**(473,484)**	**(204,482)**	**(147,228)**

NON-IFRS MEASURES

To supplement our consolidated financial statements that are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) facilitate comparisons of operating performance from period to period and company to company by eliminating potential impact of items that our management does not consider to be indicative of our operating performance.

We believe that adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The uses of adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) have limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit/(loss) (non-IFRS measure) as profit/(loss) for the year/period adjusted by adding back share-based payment expenses. We define adjusted EBITDA (non-IFRS measure) as adjusted net profit/(loss) adding back depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of intangible assets, finance costs, and income tax expense. We adjust these items because they are not indicative of our core operating results and business outlook. These reconciling items comply with Chapter 3.11 of the Guide. Specifically, share-based payment expenses and depreciation and amortization of relevant non-current assets are non-cash in nature. We believe that adjusting these items provides investors and management with greater visibility to the underlying performance of our business operations, facilitates comparison of our results with other periods, and may also facilitate comparison with the results of other companies in our industry.

The following table sets forth a reconciliation of our adjusted net profit/(loss) (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2023 and 2024 to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit/(loss) for the year/period.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in thousands)				
				(unaudited)	
Profit/(loss) for the year/period	**69,393**	**150,851**	**(473,484)**	**(204,482)**	**(147,228)**
Add:					
Share-based payment expenses	8,725	15,238	11,013	5,019	6,201
Adjusted net profit/(loss) (unaudited)	**78,118**	**166,089**	**(462,471)**	**(199,463)**	**(141,027)**

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
	(RMB in thousands)				
				(unaudited)	
Profit/(loss) for the year/period	69,393	150,851	(473,484)	(204,482)	(147,228)
Add:					
Depreciation of property, plant and equipment	14,666	22,099	44,727	20,643	34,272
Depreciation of right-of-use assets	735	1,295	6,669	1,047	10,778
Amortization of intangible assets	157	199	266	126	148
Finance costs	15,287	28,307	57,832	26,759	30,428
Income tax expense/(credit)	6,617	33,957	(72)	(65)	–
EBITDA (unaudited)	**106,855**	**236,708**	**(364,062)**	**(155,972)**	**(71,602)**
Add:					
Share-based payment expenses	8,725	15,238	11,013	5,019	6,201
Adjusted non-IFRS EBITDA (unaudited)	**115,580**	**251,946**	**(353,049)**	**(150,953)**	**(65,401)**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

During the Track Record Period, we derived our revenues primarily from sales of recycled products, primarily including lithium carbonate, nickel sulfate, cobalt sulfate and graphite. Revenue from sales of recycled products accounted for a substantial majority of our total revenue from continuing operations during the Track Record Period. All of our revenue was derived from operations in the PRC during the Track Record Period.

The following table sets forth a breakdown of our revenues both in absolute amount and as a percentage of our total revenues for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Lithium recycled products	130,900	11.5	1,439,966	49.6	1,455,704	50.4	763,128	49.9	380,983	38.2
Nickel recycled products	703,434	62.1	924,839	31.8	926,598	32.0	532,027	34.7	395,872	39.8
Cobalt recycled products	289,286	25.5	516,691	17.8	400,411	13.8	169,147	11.0	139,034	14.0
Graphite product	–	–	–	–	273	0.0	–	–	3,145	0.3
Second-life battery products	–	–	2,681	0.1	17,046	0.6	10,906	0.7	12,915	1.3
Others[1]	9,716	0.9	21,228	0.7	91,513	3.2	56,231	3.7	63,474	6.4
Total	**1,133,336**	**100.0**	**2,905,405**	**100.0**	**2,891,545**	**100.0**	**1,531,439**	**100.0**	**995,423**	**100.0**

Note:

(1) Mainly includes sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate, and revenue from provision of certain processing services.

We recycle retired lithium-ion batteries of all major types — both ternary and LFP batteries — along with battery production remnants and excess materials. We recover valuable metals and produce critical battery material products. We sell these products to producers of ternary precursors and cathode materials, which are then used to manufacture new lithium-ion batteries, thereby forming a circular economy model.

During the Track Record Period, lithium recycled products and nickel recycled products accounted for a majority of our recycled products. We also produced other metal compounds including cobalt sulfate as well as other lithium compounds such as lithium sulfate and lithium sulfate solution. We plan to tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2025. Revenue from sales of recycled products increased significantly from 2021 to 2022, primarily due to the significant increases in both sales volume and average selling prices of our products, driven by the surge in market demand for EV lithium-ion batteries. Despite our sales volumes increased in 2023, revenue from sales of recycled products slightly decreased in the year, primarily due to the decrease in average selling prices of our products as affected by supply and demand dynamics on market. The continuation of such market trend had led to a further period-to-period decline of our revenue from sales of recycled products in the first half of 2024.

Our comprehensive recycling capabilities extend beyond cathode materials. Since 2023, we have begun recycling and producing graphite for anode materials, which we sold to producers of anode materials. Leveraging our manufacturing facility dedicated to recycling LFP batteries and produces lithium carbonate and iron phosphate, we also plan to produce LFP cathode materials in the future.

Apart from our recycled products, we also convert retired EV batteries into batteries suitable for light-duty applications. These second-life batteries can be reused in ESS, low-speed EVs, and streetlights, among other application scenarios. We had generated revenue from sales of second-life batteries produced by us since 2022.

In addition, we also generated revenue from sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate, and revenue from provision of certain processing services. These other revenues were not a material contributor to our total revenue, and we do not expect them to become a material contributor to our total revenue in the near future.

Sales Volume and Average Selling Price of Our Products

The table below sets forth a breakdown of our sales volume and average selling price of our major recycled products for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Sales Volume(1)	Average Selling Price per ton	Sales Volume(1)	Average Selling Price per ton	Sales Volume(1)	Average Selling Price per ton	Sales Volume(1)	Average Selling Price per ton	Sales Volume(1)	Average Selling Price per ton
	ton	*RMB*	*ton*	*RMB*	*ton*	*RMB*	*ton*	*RMB*	*ton*	*RMB*
Lithium carbonate . . .	1,685	77,687	3,633	396,334	7,410	196,443	3,193	238,964	4,442	85,764
Nickel sulfate . .	23,831	29,518	26,628	34,732	32,827	28,227	17,608	30,216	15,433	25,651
Cobalt sulfate . .	4,181	69,195	8,468	61,015	12,407	32,273	5,042	33,549	5,098	27,274

Note:

(1) Sales volumes of different lithium, nickel and cobalt compounds are converted to that of lithium carbonate, nickel sulfate and cobalt sulfate based on the contents of metal, i.e. lithium, nickel and cobalt contained in these compounds to provide meaningful information.

Cost of Sales

Our cost of sales includes cost of sales of goods and services and impairment losses on inventories. Our cost of sales of goods and services primarily consists of (i) cost of raw materials, (ii) manufacturing overheads, (iii) staff costs, among others. During the Track Record Period, cost of raw materials constituted a substantial majority of our cost of sales, which was primarily affected by fluctuations in the prevailing market prices of the raw materials.

The following table sets forth a breakdown of our cost of sales both in absolute amount and as a percentage of total cost of sales for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)						*(unaudited)*			
Cost of raw materials	823,553	87.3	2,229,141	89.6	2,690,073	88.1	1,453,339	91.1	832,085	81.1
Manufacturing overheads	73,542	7.8	139,059	5.6	197,278	6.5	95,075	6.0	93,996	9.2
Staff costs	33,158	3.5	52,457	2.1	40,664	1.3	21,081	1.3	18,372	1.8
Other costs[1]	7,098	0.8	11,626	0.5	15,447	0.5	7,705	0.5	12,143	1.2
Impairment losses on inventories	6,445	0.6	56,844	2.2	108,863	3.6	17,699	1.1	69,217	6.7
Total	**943,796**	**100.0**	**2,489,127**	**100.0**	**3,052,325**	**100.0**	**1,594,899**	**100.0**	**1,025,813**	**100.0**

Note:

(1) Including transportation cost, outsourcing processing fees, etc.

Our cost of sales increased significantly from 2021 to 2022, primarily due to the increased purchase volume and purchase prices of raw materials. Our cost of sales further increased from 2022 to 2023, primarily due to the continued increase in purchase volume of raw materials, partially offset by the decreases in purchase prices of raw materials. Our cost of sales decreased slightly in the first half of 2024 as compared with that in the same period in 2023, primarily due to the decrease in purchase prices of raw materials. Our cost of raw materials as a percentage of cost of sales increased from 2021 to 2023, primarily because raw material prices fluctuated significantly while other cost of sales remained relatively stable during the years.

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

Our gross profit/(loss) represents our revenue less our cost of sales. Our gross profit/(loss) margin represents our gross profit/(loss) as a percentage of our revenue.

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margin for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	(RMB in thousands, except for percentages)									
							(unaudited)			
Lithium recycled products	56,551	43.2	448,954	31.2	(43,056)	(3.0)	(57,217)	(7.5)	(7,659)	(2.0)
Nickel recycled products	58,979	8.4	12,656	1.4	(28,806)	(3.1)	(11,406)	(2.1)	19,973	5.0
Cobalt recycled products	76,877	26.6	5,955	1.2	(19,402)	(4.8)	10,658	6.3	(3,593)	(2.6)
Graphite product	–	N/A	–	N/A	(1,634)	(598.5)	–	N/A	1,452	46.2
Second-life battery products	–	N/A	148	5.5	6,521	38.3	748	6.9	1,451	11.2
Others	3,578	36.8	5,409	25.5	34,460	37.7	11,456	20.4	27,203	42.9
Impairment losses on inventories	(6,445)	N/A	(56,844)	N/A	(108,863)	N/A	(17,699)	N/A	(69,217)	N/A
Total	**189,540**	**16.7**	**416,278**	**14.3**	**(160,780)**	**(5.6)**	**(63,460)**	**(4.1)**	**(30,390)**	**(3.1)**

During the Track Record Period, our gross profit/loss and gross profit/loss margin were primarily affected by our product prices and cost of raw materials. We generally sell our products with reference to the prevailing market prices of our products, which fluctuated significantly during the Track Record Period. The purchase prices of our raw materials also generally fluctuate in line with the market prices of our major products, namely lithium carbonate, nickel sulfate and cobalt sulfate. Considering the time lag between the purchase of raw materials and the completion of processing and sales of our products, if the prices of our products are in a decline cycle, our gross profit margins may be adversely affected.

Our gross profit increased significantly from 2021 to 2022, primarily due to the significant increase in gross profit from lithium recycled products. This increase was primarily driven by the significant increases in sales volumes of lithium recycled products and selling prices of our lithium recycled products following the surge in lithium carbonate prices, which was primarily driven by significantly increased market demand for EV lithium-ion batteries. Our overall gross profit margin decreased from 2021 to 2022, primarily due to the increases in raw material prices, resulting in higher cost of raw materials.

We recorded a gross loss in 2023 as compared to a gross profit in 2022, primarily due to the significant decrease in the selling prices of our lithium, nickel and cobalt recycled products in 2023, despite our sales volumes for these products increased in the year. Such decrease was because the market prices of these products continuously and significantly dropped in the year as affected by supply and demand dynamics. As a result, cost of sales of our major products sold in the year was higher than revenue from sales of our major products, leading to our overall gross loss in 2023.

We continued to incur gross loss in the first half of 2024, however, our gross loss decreased in the first half of 2024 compared to the same period in 2023, primarily because the decline in the market prices of our products slowed down in the first half of 2024 compared to the same period in 2023.

Other Income and Gains

Our other income and gains primarily include (i) interest income, (ii) government grants and subsidies, (iii) dividend income, (iv) realized gains from financial assets at fair value through profit or loss ("**FVTPL**"), (v) realized gains from derivatives, (vi) gain on disposal of items of property, plant and equipment, and (vii) unrealized gains/(losses) from derivatives, among others. Government grants and subsidies mainly represent incentives received from local governments for the purpose of compensation on local economic contribution and purchases of items of property, plant and equipment, and super deduction and refunds of value-added tax. There are no unfulfilled conditions or contingencies relating to these grants and subsidies. Except for certain tax refunds, the government grants and subsidies we received were generally non-recurring in nature. Gain on disposal of derivatives mainly represent gain on historical futures and option trades to hedge the risk of volatile prices of our products.

The following table sets forth a breakdown of our other income and gains for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Other income					
Interest income	38	709	2,514	711	1,503
Government grants and subsidies	1,505	3,786	34,782	13,509	8,808
Dividend income	2,426	2,856	4,009	700	3,938
Others	68	467	756	205	168
Total other income	**4,037**	**7,818**	**42,061**	**15,125**	**14,417**

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Gains					
Realized gains from financial assets at FVTPL	–	2	2	2	–
Realized gains from derivatives	–	–	2,468	–	3,527
Gain on disposal of items of property, plant and equipment	–	153	8	6	21
Unrealized gains/(losses) from derivatives	–	–	625	–	(462)
Total gains	**–**	**155**	**3,103**	**8**	**3,086**
Total other income and gains	**4,037**	**7,973**	**45,164**	**15,133**	**17,503**

Our other income and gains amounted to RMB4.0 million, RMB8.0 million, RMB45.2 million, RMB15.1 million and RMB17.5 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs and (ii) marketing and product promotion expenses, among others. Our selling and marketing expenses amounted to RMB1.1 million, RMB2.9 million, RMB4.3 million, RMB2.1 million and RMB1.8 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively. The increase in our selling and marketing expenses from 2021 to 2023 was primarily due to our efforts to recruit and retain sales and marketing personnel to support our business expansion. The decrease in our selling and marketing expenses in the first half of 2024 was primarily due to a decrease in staff costs, driven by our efforts to streamline and optimize our sales and marketing team.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, (ii) depreciation and amortization, (iii) safety and environmental protection expenses, (iv) business development expenses, (v) professional service fees, (vi) taxes and surcharges, and (vii) office expenses, among others.

The following table sets forth a breakdown of our administrative expenses both in absolute amount and as a percentage of our total administrative expenses for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Staff costs	17,651	35.6	34,174	35.9	50,246	45.0	25,794	43.2	22,881	41.0
Depreciation and amortization	1,018	2.1	2,353	2.5	6,405	5.7	2,632	4.4	11,364	20.4
Safety and environmental protection expenses	9,947	20.1	10,705	11.2	12,088	10.8	6,991	11.7	5,664	10.2
Business development expenses	4,799	9.7	8,993	9.4	12,755	11.4	7,230	12.1	4,501	8.1
Professional service fees	9,601	19.4	23,189	24.3	10,016	9.0	6,544	10.9	2,029	3.6
Taxes and surcharges	3,245	6.5	7,777	8.2	6,836	6.1	3,623	6.1	3,905	7.0
Office expenses	940	1.9	1,752	1.8	3,532	3.2	1,348	2.3	1,183	2.1
Others	2,388	4.7	6,342	6.7	9,840	8.8	5,609	9.3	4,274	7.6
Total	**49,589**	**100.0**	**95,285**	**100.0**	**111,718**	**100.0**	**59,771**	**100.0**	**55,801**	**100.0**

Our administrative expenses increased from 2021 to 2023, primarily due to the increase in employee headcounts and business development expenses as a result of our business expansion. Our administrative expenses remained relatively stable for the six months ended June 30, 2023 and 2024.

Research and Development Expenses

Our research and development expenses primarily consist of (i) material costs, (ii) staff costs, (iii) depreciation and amortization, and (iv) utilities expenses, among others.

The following table sets forth a breakdown of our research and development expenses both in absolute amount and as a percentage of our total research and development expenses for the periods indicated.

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)									
							(unaudited)			
Material costs	26,715	62.5	74,721	76.2	61,488	61.5	35,855	68.1	17,204	48.5
Staff costs	10,926	25.6	13,699	14.0	23,117	23.1	10,339	19.6	11,691	33.0
Depreciation and amortization	2,439	5.7	3,049	3.1	4,581	4.6	2,019	3.8	3,022	8.5
Utilities expenses	1,645	3.8	3,614	3.7	5,335	5.3	2,697	5.1	2,388	6.7
Others	1,031	2.4	2,948	3.0	5,440	5.5	1,761	3.3	1,147	3.3
Total	**42,756**	**100.0**	**98,031**	**100.0**	**99,961**	**100.0**	**52,671**	**100.0**	**35,452**	**100.0**

Our research and development expenses increased from 2021 to 2023, as we continually developed innovative key technologies that were used in our production process and applied in our products, and recruited and retained R&D personnel. Our research and development expenses decreased slightly for the six months ended June 30, 2024 as compared to the same period in 2023, primarily due to the decrease in material costs, as we used less ancillary materials for R&D activities due to our continually improved technology.

Impairment Losses/Reversal of Impairment Losses on Financial Assets and Prepayments, Net

Our impairment losses/reversal of impairment losses on financial assets and prepayments, net primarily represents the expected credit losses on our trade and bills receivables and impairment made on our prepayments at the end of each year/period of the Track Record Period. We recorded impairment losses on financial assets and prepayments, net of RMB1.6 million, RMB6.0 million, RMB36.9 million and RMB6.9 million in 2021, 2022, 2023 and the six months ended June 30, 2023, respectively, while we recorded reversal of impairment losses on financial assets and prepayments, net of RMB4.9 million for the six months ended June 30, 2024. The increase in impairment losses on financial assets and prepayments, net in 2023 was primarily due to the increase in the balance of our trade receivables and the impairment losses on certain prepayments for purchase of raw materials.

Other Expenses

Our other expenses primarily consist of (i) loss on derecognition of financial assets measured at amortized costs, representing interest expenses on discounted bills, (ii) loss on disposal of items of property, plant and equipment, (iii) donations, among others. We recorded other expenses of RMB7.2 million, RMB9.0 million, RMB47.0 million, RMB8.0 million, and RMB6.7 million in 2021, 2022, 2023 and for the six months ended June 30, 2023 and 2024, respectively. The increase in other expenses in 2023 was primarily due to an increase in loss on disposal of items of property, plant and equipment attributable to damage of production facilities during the testing phase which was one-off in nature.

Finance Costs

Our finance costs consist of (i) interest on interest-bearing bank and other borrowings, and (ii) interest on lease liabilities, net of interest capitalized.

The following table sets forth a breakdown of our finance costs for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	**2022**	**2023**	**2023**	**2024**
			(RMB in thousands)		
				(unaudited)	
Interest on interest-bearing bank and other borrowings	15,235	28,841	64,590	30,725	33,153
Interest on lease liabilities	52	220	1,105	259	1,680
Subtotal	15,287	29,061	65,695	30,984	34,833
Less: Interest capitalized	–	(754)	(7,863)	(4,225)	(4,405)
Total	**15,287**	**28,307**	**57,832**	**26,759**	**30,428**

We recorded finance costs of RMB15.3 million, RMB28.3 million, RMB57.8 million, RMB26.8 million and RMB30.4 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Share of Loss of Associates and a Joint Venture

Share of loss of associates and a joint venture represents losses attributable to us from our investments in associates and a joint venture, namely Guangdong Longji Power Technology Co., Ltd. and Hubei Ruipai New Energy Technology Co., Ltd. We recorded share of loss of associates and a joint venture of nil, nil, RMB164,000, nil and RMB9.1 million in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively.

Taxation

Mainland China

In mainland China, pursuant to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of our Company and our subsidiaries in mainland China was 25% during the Track Record Period, except that the Company and a subsidiary in mainland China enjoyed preferential enterprise income tax rate of 15% due to preferential tax policies for being approved as High and New Technology Enterprises. They also enjoy accelerated tax deduction on their research and development costs. For details, see Note 10 to the Accountants' Report as set out in Appendix I.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as our Group had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

In 2021 and 2022, we recorded income tax expenses of RMB6.6 million and RMB34.0 million, respectively. In 2023 and the six months ended June 30, 2023 and 2024, we recorded income tax credit of RMB72,000, RMB65,000 and nil, respectively.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material dispute or unresolved issues with the relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenue

Our revenue decreased by 35.0% from RMB1,531.4 million for the six months ended June 30, 2023 to RMB995.4 million for the same period in 2024. This decrease was primarily due to a 37.2% decrease in revenue from sales of recycled products, partially offset by a 18.4% increase in revenue from sales of second-life battery products and a 12.9% increase in revenue from sales of other products.

The decrease in revenue from sales of recycled products for the six months ended June 30, 2024 as compared to the same period in 2023 was primarily attributable to the decrease in revenue from our lithium, nickel and cobalt recycled products by 50.1%, 25.6% and 17.8%, respectively, mainly due to (i) the decreases in average selling prices of our major products, lithium carbonate, nickel sulfate and cobalt sulfate, by 57.7%, 7.0% and 8.2% respectively following the decline in market prices as a result of the intensified competition in the industry, and (ii) the decrease in sales volumes of nickel sulfate by 12.3% as a result of the change in downstream market demand, partially offset by the 39.1% increase in sales volume of our lithium carbonate.

The decrease in revenue from sales of recycled products was partially offset by (i) an increase in revenue from sales of second-life battery products as a result of our increased cooperation with EV battery manufactures, and (ii) a significant increase in revenue from sales of graphite product as a result of natural growth of this business which we developed in October 2023.

Cost of sales

Our cost of sales decreased by 35.7% from RMB1,594.9 million for the six months ended June 30, 2023 to RMB1,025.8 million for the same period in 2024, primarily due to the decrease in cost of raw materials from RMB1,453.3 million for the six months ended June 30, 2023 to RMB832.1 million for the same period in 2024, driven by the decreases in purchase prices of raw materials, partially offset by the increase in impairment losses on inventories of RMB51.5 million. The decrease in our cost of sales outpaced the decrease in our revenue as a result of improvements in our production process to reduce production costs.

Gross loss

Our gross loss decreased by 52.1% from RMB63.5 million for the six months ended June 30, 2023 to RMB30.4 million for the same period in 2024, primarily because the decline in the market prices of our products slowed down in the first half of 2024 compared to the same period in 2023.

Other income and gains

Our other income and gains increased by 15.7% from RMB15.1 million for the six months ended June 30, 2023 to RMB17.5 million for the same period in 2024, mainly due to the increase in gain on disposal of derivatives from nil for the six months ended June 30, 2023 to RMB3.5 million for the same period in 2024.

Selling and marketing expenses

Our selling and marketing expenses decreased by 15.0% from RMB2.1 million for the six months ended June 30, 2023 to RMB1.8 million for the same period in 2024, primarily due to a decrease in staff costs, driven by our efforts to streamline and optimize our sales and marketing team.

Administrative expenses

Our administrative expenses decreased slightly by 6.6% from RMB59.8 million for the six months ended June 30, 2023 to RMB55.8 million for the same period in 2024, primarily due to the decreases in our business development expenses and professional service fees. These decreases were partially offset by an increase in depreciation and amortization as a result of the completion of the construction of our office buildings.

Research and development expenses

Our research and development expenses decreased by 32.7% from RMB52.7 million for the six months ended June 30, 2023 to RMB35.5 million for the same period in 2024, primarily due to the decrease in material costs from RMB35.9 million for the six months ended June 30, 2023 to RMB17.2 million for the same period in 2024, as we used less ancillary materials for R&D activities due to our continually improved technology. This decrease was partially offset by the increase in staff costs from RMB10.3 million for the six months ended June 30, 2023 to RMB11.7 million for the same period in 2024, driven by our efforts to recruit and retain R&D personnel for our R&D activities.

Impairment losses/reversal of impairment losses on financial assets and prepayments, net

We recorded net reversal of impairment losses on financial assets and prepayments of RMB4.9 million for the six months ended June 30, 2024, compared to net impairment losses on financial assets and prepayments of RMB6.9 million for the six months ended June 30, 2023, primarily due to the reversal of previously-made impairment due to subsequent collection of trade receivables and settlement of prepayments.

Other expenses

Our other expenses decreased by 16.6% from RMB8.0 million for the six months ended June 30, 2023 to RMB6.7 million for the six months ended June 30, 2024, primarily due to the decrease in the loss on derecognition of financial assets measured at FVOCI resulting from the decrease in interests arising from discounting of bills receivables before maturity as a result of the decrease in revenue amount and relevant bills receivables.

Finance costs

Our finance costs increased from RMB26.8 million for the six months ended June 30, 2023 to RMB30.4 million for the six months ended June 30, 2024, primarily due to an increase in the interest on bank and other borrowings.

Share of loss of associates and a joint venture

We recorded share of loss of associates and a joint venture of nil and RMB9.1 million for the six months ended June 30, 2023 and 2024, respectively, primarily because the relevant joint venture and associates incurred losses in the first half of 2024.

Income tax credit

Our income tax credit decreased from RMB65,000 for the six months ended June 30, 2023 to nil for the six months ended June 30, 2024 as affected by changes in deferred tax assets and deferred tax liabilities.

Loss for the period

As a result of the foregoing, our loss for the period decreased by 28.0% from RMB204.5 million for the six months ended June 30, 2023 to RMB147.2 million for the six months ended June 30, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenues

Our revenues remained relatively stable at RMB2.9 billion in 2022 and 2023, primarily due to a slightly decrease in revenue from sales of recycled products from RMB2,881.5 million in 2022 to RMB2,783.0 million in 2023, partially offset by an increase in sales of second life batteries at an early stage of its development after we tapped into this field in 2022.

Despite our sales volumes of major recycled products, i.e. lithium carbonate, nickel sulfate and cobalt sulfate increased by 104.0%, 23.3% and 46.5% in 2023, respectively, driven by the strong demand from downstream EV industry in 2023, such increases in sales volume were partially offset by the decreases in average selling prices by 50.4%, 18.7% and 47.1%, respectively, following the decrease in market prices resulting from the increasingly intensified competition in the EV battery material industry.

Cost of sales

Our cost of sales increased by 22.6% from RMB2,489.1 million in 2022 to RMB3,052.3 million in 2023, primarily due to (i) the increase in cost of raw materials accounted as cost of sales for products sold from RMB2,413.9 million in 2022 to RMB2,875.9 million in 2023 as cost of sales for products sold as the sales volume of our major products increased in the year, and (ii) the increase in impairment losses on inventories from RMB56.8 million in 2022 to RMB108.9 million in 2023 as a result of the decline in raw material prices.

Gross (loss)/profit and gross (loss)/profit margin

We recorded gross profit of RMB416.3 million in 2022 and gross loss of RMB160.8 million in 2023, primarily due to (i) the continuous and significant decrease in the market prices of our products in 2023, despite sales volumes of our recycled products increased in the year, and (ii) the increase in impairment losses on inventories from RMB56.8 million in 2022 to RMB108.9 million in 2023. As a result, we recorded a gross loss margin of 5.6% in 2023, compared to a gross profit margin of 14.3% in 2022.

Other income and gains

Our other income and gains increased significantly by 466.5% from RMB8.0 million in 2022 to RMB45.2 million in 2023, mainly due to an increase in government grants and subsidies from RMB3.8 million in 2022 to RMB34.8 million 2023, primarily due to the super deduction of value added tax in 2023.

Selling and marketing expenses

Our selling and marketing expenses increased by 51.4% from RMB2.9 million in 2022 to RMB4.3 million in 2023, primarily due to an increase in the staff costs, driven by our efforts to recruit and retain sales and marketing personnel for our business expansion.

Administrative expenses

Our administrative expenses increased by 17.2% from RMB95.3 million in 2022 to RMB111.7 million in 2023, primarily due to an increase in staff costs from RMB34.2 million in 2022 to RMB50.2 million in 2023 as a result of the increase in employee headcounts due to business expansion.

Research and development expenses

Our research and development expenses increased by 2.0% from RMB98.0 million in 2022 to RMB100.0 million in 2023, primarily due to the increase in staff costs from RMB13.7 million in 2022 to RMB23.1 million in 2023, driven by our efforts to recruit and retain R&D personnel for our R&D activities. This increase was partially offset by the decrease in material costs of RMB74.7 million in 2022 to RMB61.5 million in 2023, as we used less ancillary materials for R&D activities due to our continually improved technology.

Impairment losses on financial assets and prepayments, net

Our net impairment losses on financial assets and prepayments increased significantly by 517.8% from RMB6.0 million in 2022 to RMB36.9 million in 2023, primarily due to the increase in the balance of our trade receivables and the impairment losses on certain prepayments for purchase of raw materials.

Other expenses

Our other expenses significantly increased from RMB9.0 million in 2022 to RMB47.0 million in 2023, primarily due to an increase in loss on disposal of items of property, plant and equipment attributable to damage of production facilities during the testing phase which was one-off in nature.

Finance costs

Our finance costs increased significantly from RMB28.3 million in 2022 to RMB57.8 million in 2023, primarily due to the increase in the interest on bank and other borrowings.

Share of loss of associates and a joint venture

We recorded nil for share of loss of associates and a joint venture in 2022, compared to RMB164,000 in 2023.

Income tax (expenses)/credit

We recorded income tax expenses of RMB34.0 million in 2022, compared to income tax credit of RMB72,000 in 2023, primarily due to the decrease in our taxable income.

Profit/(Loss) for the year

As a result of the foregoing, we recorded profit for the year of RMB150.9 million in 2022, compared to loss for the year of RMB473.5 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenues

Our revenues significantly increased by 156.4% from RMB1,133.3 million in 2021 to RMB2,905.4 million in 2022, primarily due to the significant increase in revenue from sales of recycled products from RMB1,123.6 million in 2021 to RMB2,881.5 million in 2022.

Revenue from sales of recycled products increased significantly from 2021 to 2022, primarily due to (a) the increases in sales volumes of our major recycled products, i.e. lithium carbonate, nickel sulfate and cobalt sulfate, by 115.6%, 11.7% and 102.6%, respectively, as well as (b) the increases in average selling prices of lithium carbonate and nickel sulfate by 410.2% and 17.7%, respectively, driven by the surge in demand of our products following the rapid growth of downstream industries such as the EV and ESS industries. The average selling price of cobalt sulfate decreased by 11.8% in 2022, primarily due to the decline in demand for sulfate cobalt attributable to industry-wide technological upgrades that reduced the cobalt content in EV batteries.

Revenue from others increased significantly by 118.5% from RMB9.7 million in 2021 to RMB21.2 million in 2022, primarily due to the increased sales of our by-products and scraps.

Cost of sales

Our cost of sales increased significantly by 163.7% from RMB943.8 million in 2021 to RMB2,489.1 million in 2022, primarily due to (i) the significant increase in cost of raw materials from RMB823.6 million in 2021 to RMB2,229.1 million in 2022, driven by the increases in purchase volumes and purchase prices of raw materials, and (ii) the increase in impairment losses on inventories from RMB6.4 million in 2021 to RMB56.8 million in 2022.

Gross profit and gross profit margin

Our gross profit increased by 119.6% from RMB189.5 million in 2021 to RMB416.3 million in 2022, primarily due to the significant increase in gross profit of lithium recycled products, driven by the continuous and significant increase in its market price. Our gross profit margin decreased from 16.7% in 2021 to 14.3% in 2022, primarily due to the increases in raw material prices, resulting in higher cost of raw materials.

Other income and gains

Our other income and gains increased by 97.5% from RMB4.0 million in 2021 to RMB8.0 million in 2022, primarily due to (i) an increase in government grants and subsidies from RMB1.5 million in 2021 to RMB3.8 million 2022 due to various industry-specific subsidies granted by the government authorities in 2022, and (ii) an increase in dividend income from RMB2.4 million in 2021 to RMB2.9 million in 2022.

Selling and marketing expenses

Our selling and marketing expenses significantly increased by 155.6% from RMB1.1 million in 2021 to RMB2.9 million in 2022, primarily due to the increase in staff costs, driven by our efforts to recruit and retain sales and marketing personnel.

Administrative expenses

Our administrative expenses increased by 92.1% from RMB49.6 million in 2021 to RMB95.3 million in 2022, primarily due to (i) an increase in staff costs from RMB17.7 million in 2021 to RMB34.2 million in 2022 as a result of the increase in employee headcounts due to business expansion and (ii) an increase in professional service fees from RMB9.6 million in 2021 to RMB23.2 million in 2022, due to our equity financing in 2022.

Research and development expenses

Our research and development expenses significantly increased by 129.3% from RMB42.8 million in 2021 to RMB98.0 million in 2022, primarily due to the increase in material costs from RMB26.7 million in 2021 to RMB74.7 million in 2022, driven by our efforts to develop innovative key technologies that were used in our production process and applied in our products.

Impairment losses on financial assets and prepayments, net

Our net impairment losses on financial assets and prepayments increased significantly from RMB1.6 million in 2021 to RMB6.0 million in 2022, primarily due to the increase in the balance of our trade receivables along with our revenue growth.

Other expenses

Our other expenses increased from RMB7.2 million in 2021 to RMB9.0 million in 2022, due to an increase in loss on disposal of items of property, plant and equipment in connection with the obsolescence of machinery and equipment in 2022.

Finance costs

Our finance costs increased from RMB15.3 million in 2021 to RMB28.3 million in 2022, primarily due to an increase in the interest on bank loans and other borrowings.

Income tax expenses

Our income tax expenses increased significantly from RMB6.6 million in 2021 to RMB34.0 million in 2022, primarily due to the increase in our taxable income.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly by 117.4% from RMB69.4 million in 2021 to RMB150.9 million in 2022.

DISCUSSION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Current Assets and Liabilities

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

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(unaudited)
Current assets					
Inventories	285,734	812,769	291,416	406,152	356,049
Trade and bills receivables	243,837	361,489	421,188	197,486	113,292
Prepayments, other receivables and other assets	61,748	326,273	433,474	321,804	380,473
Financial assets at fair value through profit or loss	–	1,000	6,000	3,000	–
Derivative financial instruments	–	–	490	–	–
Pledged and restricted deposits	10,001	33,571	134,811	88,613	247,903
Cash and cash equivalents	11,890	211,221	99,698	39,451	62,282
Non-current assets held for sale	–	–	–	2,955	–
Total current assets	**613,210**	**1,746,323**	**1,387,077**	**1,059,461**	**1,159,999**
Current liabilities					
Trade and bills payables	160,066	284,613	301,664	317,173	323,179
Other payables and accruals	81,711	49,446	64,874	54,777	66,953
Tax payable	6,939	26,874	3,740	3,740	–
Contract liabilities	3,494	4,150	10,950	9,424	29,746
Derivative financial instruments	–	–	291	154	60
Interest-bearing bank and other borrowings	342,967	724,463	1,162,976	1,152,645	1,479,271
Lease liabilities	51	363	11,851	22,330	24,040
Provision	–	–	979	996	996
Total current liabilities	**595,228**	**1,089,909**	**1,557,325**	**1,561,239**	**1,924,245**
Net current assets/ (liabilities)	**17,982**	**656,414**	**(170,248)**	**(501,778)**	**(764,246)**

Our net current assets increased from RMB18.0 million as of December 31, 2021 to RMB656.4 million as of December 31, 2022. The increase was mainly due to (i) an increase in inventories of RMB527.0 million and (ii) an increase in prepayments, other receivables and other assets of RMB264.5 million, partially offset by (iii) an increase in interest-bearing bank and other borrowings of RMB381.5 million.

We recorded net current assets of RMB656.4 million as of December 31, 2022 as compared to net current liabilities of RMB170.2 million as of December 31, 2023. The shift was mainly due to (i) a decrease in inventories of RMB521.4 million and (ii) an increase in interest-bearing bank and other borrowings of RMB438.5 million.

Our net current liabilities increased from RMB170.2 million as of December 31, 2023 to RMB501.8 million as of June 30, 2024. The increase was mainly due to (i) a decrease of trade and bills receivables of RMB223.7 million and (ii) a decrease in prepayments, other receivables and other assets of RMB111.7 million.

Our net current liabilities increased from RMB501.8 million as of June 30, 2024 to RMB764.2 million as of October 31, 2024. The increase was mainly due to (i) a decrease in inventories of RMB50.1 million, and (ii) a decrease in trade and bills receivables of RMB84.2 million, and (iii) an increase in interest-bearing bank and other borrowings of RMB326.6 million.

Inventories

Our inventories represent raw materials and consumables, working-in-progress products, and finished products. The following table sets forth our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Raw materials and consumables	116,353	345,155	105,509	113,347
Working-in-progress products	156,043	340,049	123,638	138,830
Finished products	13,338	127,565	62,269	153,975
Total	**285,734**	**812,769**	**291,416**	**406,152**

Our inventories increased significantly by 184.4% from RMB285.7 million as of December 31, 2021 to RMB812.8 million as of December 31, 2022, primarily due to the increases in the purchase prices of our inventories and our production capacities in 2022. Our inventories decreased by 64.1% from RMB812.8 million as of December 31, 2022 to RMB291.4 million as of December 31, 2023, primarily because we actively enhanced our inventory management by reducing procurements in view of the evolving market conditions to mitigate the risk of price volatility. Our inventories increased by 39.4% from RMB291.4 million as of December 31, 2023 to RMB406.2 million as of June 30, 2024, primarily due to the increases in our inventories of black mass and second-life use batteries for the six months ended June 30, 2024, as we expanded our business lines and our production capacities.

The following table sets forth our inventory turnover days for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,
	2021	**2022**	**2023**	**2024**
Inventory turnover days	76	81	66	61

Note:

(1) Turnover days of inventories equals the average of the opening and closing inventory balance divided by cost of sales for the relevant period and multiplied by 365 days or 180 days, as applicable.

Our inventory turnover days were 76 days, 81 days, 66 days and 61 days in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. The increase in turnover days in 2022 was primarily because we increased our bulk purchase of raw material in 2022 to meet the increasing orders. The decreases in inventory turnover days in 2023 and the six months ended June 30, 2024 were primarily because we optimized procurement strategy and inventory management with the expansion of our business scale in response to evolving market dynamics.

As of October 31, 2024, RMB380.6 million, or 77.9%, of our inventory balance as of June 30, 2024 had been subsequently sold or utilized.

The following table sets forth the aging analysis of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(in thousands of RMB)			
Within 1 year	282,404	809,719	285,814	395,424
1 to 2 years	3,159	2,342	4,837	9,518
2 to 3 years	171	634	634	1,040
Over 3 years	–	74	131	170
Total	**285,734**	**812,769**	**291,416**	**406,152**

Trade and bills receivables

Our trade and bills receivables consist of trade receivables, bills receivables, net of impairment. The following table sets forth our trade and bills receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Trade receivables	12,607	217,114	134,402	124,086
Bills receivables	243,993	163,259	307,682	83,708
Impairment	(12,763)	(18,884)	(20,896)	(10,308)
Total	**243,837**	**361,489**	**421,188**	**197,486**

Our trade and bills receivables increased by 48.3% from RMB243.8 million as of December 31, 2021 to RMB361.5 million as of December 31, 2022, primarily due to the increase in trade receivables, driven by our business expansion. Our trade and bills receivables further increased by 16.5% from RMB361.5 million as of December 31, 2022 to RMB421.2 million as of December 31, 2023, primarily because we accepted more sales on credit in order to reduce excess inventories. Our trade and bills receivables decreased by 53.1% from RMB421.2 million as of December 31, 2023 to RMB197.5 million as of June 30, 2024, because we shortened the credit terms granted to our customers to enhance our cash flow management.

The following table sets forth the aging analysis of our trade and bills receivables as of the date indicated, based on the invoice date and net of loss allowance.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 3 months	242,336	360,806	413,692	192,719
3 to 6 months	601	112	1,851	–
6 months to 1 year	711	511	5,203	981
1 to 2 years	189	41	416	3,786
2 to 3 years	–	19	26	–
Total	**243,837**	**361,489**	**421,188**	**197,486**

The following table sets forth the turnover days of our trade and bills receivables as of the date indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Trade and bills receivables turnover days	78	38	49	56

Note:

(1) Trade and bills receivables turnover days for a period equals the average of the opening and closing trade and bills receivables balance divided by total revenue during the relevant period and multiplied by 365 days or 180 days, as applicable.

Our trade and bills receivables turnover days were 78 days, 38 days, 49 days and 56 days in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. The decrease in our trade and bills receivables turnover days in 2022 was primarily due to timely collection of our receivables in the year when demands for our products were relatively high. Our trade and bills receivables turnover days increased in the first half of 2024, primarily because our sales to customers to which we granted longer credit period increased in the period.

As of October 31, 2024, RMB171.5 million, or 82.5%, of our trade and bills receivables as of June 30, 2024 had been subsequently settled.

We seek to maintain strict control over our outstanding receivables and have a credit control department to minimize credit risk. Our senior management regularly reviews the recoverability of our outstanding balances and when appropriate, provides for impairment of these trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection are assessed individually for impairment allowance. The remaining trade receivables are grouped and collectively assessed for impairment allowance. When onboarding new customers, we conduct initial screening to evaluate their creditworthiness, which we also routinely review and monitor. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging analysis for grouping of customers that have similar loss patterns.

Prepayments, other receivables, and other assets (current portion)

Our prepayments, other receivables, and other assets (current portion) primarily consist of prepayments and value-added tax recoverable. The following table sets forth our prepayments, other receivables, and other assets (current portion) as of the dates indicated.

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Prepayments	41,723	333,701	335,511	348,476
Deposits	248	37,582	19,157	18,722
Other receivables	384	5,507	17,807	19,641
Value-added tax recoverable	31,046	96,645	198,850	200,916
Tax repayments	1,185	1,794	–	17
Less: impairment losses	(2,328)	(2,185)	(37,111)	(42,773)
Less: non-current portion	(10,510)	(146,771)	(100,740)	(223,195)
Total	**61,748**	**326,273**	**433,474**	**321,804**

Our prepayments, other receivables, and other assets significantly increased by 428.4% from RMB61.7 million as of December 31, 2021 to RMB326.3 million as of December 31, 2022. The increase was mainly due to the increase in prepayments of RMB292.0 million, driven by our business expansion in 2022.

Our prepayments, other receivables, and other assets increased by 32.9% from RMB326.3 million as of December 31, 2022 to RMB433.5 million as of December 31, 2023. The increase was mainly due to an increase in value-added tax recoverable of RMB102.2 million, resulting from the increase in our construction projects for the expansion of manufacturing plants in 2023.

Our prepayments, other receivables, and other assets decreased by 25.8% from RMB433.5 million as of December 31, 2023 to RMB321.8 million as of June 30, 2024. The decrease was mainly due to a decrease in current prepayments for construction in progress as of June 30, 2024.

At the end of each year/period of the Track Record Period, the expected credit losses of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if they were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, they were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each year/period of the Track Record Period.

Our senior management regularly reviews the recoverability of our outstanding prepayments for purchases of raw materials and construction in progress and when appropriate, provides for impairment of these prepayments. Prepayment relating to overdue delivery of raw materials, customers with known financial difficulties and contract disputes, or significant doubt on collection are assessed individually for impairment allowance.

Trade and bills payables

Our trade and bills payables consist of payables to suppliers mainly for the procurement of raw materials of our products. The following table sets forth our trade and bills payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	(RMB in thousands)			
Trade payables	160,066	236,043	229,215	307,043
Bills payables	–	48,570	72,449	10,130
Total	**160,066**	**284,613**	**301,664**	**317,173**

Our trade and bills payables increased by 77.8% from RMB160.1 million as of December 31, 2021 to RMB284.6 million as of December 31, 2022. The increase was mainly due to increasing purchases of raw materials. Our trade and bills payables increased by 6.0% from RMB284.6 million as of December 31, 2022 to RMB301.7 million as of December 31, 2023, and further increased by 5.1% to RMB317.2 million as of June 30, 2024, primarily due to increasing purchases of raw materials to meet the need of production and sales.

The following table sets forth the aging analysis of our trade and bills payables as of the date indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Within 1 year	158,534	281,021	289,790	287,302
1 to 2 years	539	2,302	9,031	25,977
2 to 3 years	993	321	1,557	2,532
Over 3 years	–	969	1,286	1,362
Total	**160,066**	**284,613**	**301,664**	**317,173**

The following table sets forth the turnover days of our trade and bills payables as of the date indicated.

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Turnover days of trade and bills payables	49	33	35	54

Note:

(1) Trade and bills payables turnover days for a period equals the average of the opening and closing trade and bills payables balance divided by cost of sales during the relevant period and multiplied by 365 days or 180 days, as applicable.

The turnover days of our trade and bills payables were 49 days, 33 days, 35 days and 54 days in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively. The decrease in trade and bills payable turnover days in 2022 was primarily because we made more prepayments for purchases of raw materials when demand exceeded supply during the year. The increase in trade and bills payable turnover days in the first half of 2024 was primarily due to the increase in payables for the procurement of construction in progress and equipment for the construction and/or expansion of our production facilities.

As of October 31, 2024, RMB174.5 million, or 55.0%, of our trade and bills payables as of June 30, 2024 had been subsequently settled.

Non-Current Assets and Liabilities

Property, Plant and Equipment (PP&E)

Our PP&E primarily consists of buildings, machinery, and construction-in-progress. The following table sets forth our PP&E as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Property, Plant and Equipment				
Buildings	75,007	144,556	523,165	616,301
Machinery	104,910	241,201	322,040	325,592
Construction-in-progress	110,247	458,374	755,652	674,391
Others	5,226	12,781	23,983	19,734
Total	**295,390**	**856,912**	**1,624,840**	**1,636,018**

Our PP&E increased from RMB295.4 million as of December 31, 2021 to RMB856.9 million as of December 31, 2022, and further increased to RMB1,624.8 million as of December 31, 2023. These increases were primarily attributable to our expansions in manufacturing plants and machinery, driven by our business development and expansion in 2022 and 2023. Our PP&E remained relatively stable at RMB1,636.0 million as of June 30, 2024.

Prepayments, other receivables, and other assets (non-current potion)

The following table sets forth our prepayments, other receivables, and other current assets (non-current portion) as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Prepayments, other receivables, and other assets (non-current portion)	10,510	146,771	100,740	223,195

Our prepayments, other receivables, and other assets (non-current portion) increased from RMB10.5 million as of December 31, 2021 to RMB146.8 million as of December 31, 2022, primarily due to the increase in prepayments for construction in progress resulted from the construction and/or expansion of our production facilities.

Our prepayments, other receivables, and other assets (non-current portion) decreased from RMB146.8 million as of December 31, 2022 to RMB100.7 million as of December 31, 2023, mainly due to the completion of construction and/or expansion of certain production facilities.

Our prepayments, other receivables, and other assets (non-current portion) increased from RMB100.7 million as of December 31, 2023 to RMB223.2 million as of June 30, 2024, primarily due to increase in construction in progress of property and plants, production lines.

INDEBTEDNESS

The following table sets forth the breakdown of our indebtedness as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(unaudited)
Current portion:					
Interest-bearing bank and other borrowings	342,967	724,463	1,162,976	1,152,645	1,479,271
Lease liabilities	51	363	11,851	22,330	24,040
Non-current portion:					
Interest-bearing bank and other borrowings	52,500	260,678	420,593	411,972	310,467
Lease liabilities	3,333	10,111	37,390	44,366	34,286
Total	**398,851**	**995,615**	**1,632,810**	**1,631,313**	**1,848,064**

Interest-Bearing Bank and Other Borrowings

The following table sets forth our interest-bearing bank and other borrowings as of the dates indicated.

	As of December 31,			As of June 30,	As of October 31,
	2021	2022	2023	2024	2024
	(RMB in thousands)				
					(unaudited)
Interest-bearing bank and other borrowings:					
Current:					
Bank loans – secured	297,116	443,939	953,897	873,538	1,178,155
Bank loans – unsecured	–	–	–	9,900	9,900
Long term bank loans – secured	32,031	160,404	128,095	191,301	221,680
Other loans – secured	13,820	120,120	80,984	77,906	69,536
Subtotal	**342,967**	**724,463**	**1,162,976**	**1,152,645**	**1,479,271**
Non-current:					
Long term bank loans – secured	52,500	166,379	410,833	358,324	285,360
Other loans – secured	–	94,299	9,760	53,648	25,107
Subtotal	**52,500**	**260,678**	**420,593**	**411,972**	**310,467**
Total	**395,467**	**985,141**	**1,583,569**	**1,564,617**	**1,789,738**

During the Track Record Period, we entered into borrowing agreements with certain commercial banks.

As of December 31, 2021, 2022, and 2023 and June 30, 2024, our secured long-term bank loans amounted to RMB84.5 million, RMB326.8 million, RMB538.9 million, and RMB549.6 million, respectively, of which RMB32.0 million, RMB160.4 million, RMB128.1 million, and RMB191.3 million will be due within one year from the respective date. These loans were secured by guarantee from Controlling Shareholders and their respective associates and pledge of certain land, buildings and machines of us. These guaranteed long-term bank loans bear interests at fixed interest rates ranging from 3.2% to 5.66% per annum.

During the Track Record Period, we entered into several short-term bank loans agreements with interest rates ranging from 1.11% to 6.94% per annum. As of December 31, 2021, 2022, and 2023 and June 30, 2024, our short-term bank loans amounted to RMB297.1 million, RMB443.9 million, RMB953.9 million, and RMB883.4 million, respectively. The loans were guaranteed by certain buildings and bank deposits.

Other loans primarily relate to liquidity that we obtain from financing lease companies. As of December 31, 2021, 2022, and 2023 and June 30, 2024, our other loans were RMB13.8 million, RMB214.4 million, RMB90.7 million, and RMB131.6 million, respectively. These loans were secured by our machinery and equipment. The effective interest rates of these secured loans during the Track Record Period ranged from 6.18% to 10.53% per annum.

As of December 31, 2021, 2022, and 2023 and June 30 and October 31, 2024, our bank and other loans were repayable as follows:

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
	(RMB in thousands)				
					(unaudited)
Within 1 year or on demand	342,967	724,463	1,162,976	1,152,645	1,479,271
In the second year	52,500	165,955	232,756	266,945	164,443
In the third to fifth years, inclusive	–	94,723	123,320	112,769	91,475
Beyond five years	–	–	64,517	32,258	54,549
Total	**395,467**	**985,141**	**1,583,569**	**1,564,617**	**1,789,738**

Our Directors confirm that we have not been in violation of any of the covenants pursuant to the applicable borrowing agreements that we entered into with the respective lenders for the years ended December 31, 2021, 2022, and 2023 and the six months ended June 30, 2024 and up to Latest Practicable Date.

Lease Liabilities

The following table sets forth a breakdown of our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of October 31,
	2021	**2022**	**2023**	**2024**	**2024**
	(RMB in thousands)				
					(unaudited)
Current	51	363	11,851	22,330	24,040
Non-current	3,333	10,111	37,390	44,366	34,286
Total	**3,384**	**10,474**	**49,241**	**66,696**	**58,326**

Our lease liabilities primarily represent our obligations related to the leasing of leasehold land, buildings and machinery for our operations. Lease liabilities are measured at net present value of the lease payments during the lease terms that are not yet paid.

Our lease liabilities continued to increase from RMB3.4 million as of December 31, 2021 to RMB66.7 million as of June 30, 2024, primarily due to the increased number of leased properties in light of our business expansion. Our lease liabilities then decreased from RMB66.7 million as of June 30, 2024 to RMB58.3 million as of October 31, 2024, primarily due to our rental payments.

No Other Outstanding Indebtedness

Except as discussed above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts, or other similar indebtedness, financing lease, or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured, or unsecured as of October 31, 2024. After due and careful consideration, our Directors confirm that there had been no material adverse change in our indebtedness since October 31, 2024 and up to the Latest Practicable Date.

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

During the Track Record Period and up to the Latest Practicable Date, we funded our cash requirements principally from capital contribution from Shareholders, financing through private placements and bank and other borrowings, and cash generated from operating activities. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB11.9 million, RMB211.2 million, RMB99.7 million and RMB39.5 million as of December 31, 2021, 2022, and 2023 and June 30, 2024, respectively. Our net cash generated from operating activities was RMB39.9 million for the six months ended June 30, 2024, as compared to our net cash used in operating activities of RMB253.7 million in 2021, RMB716.6 million in 2022, and RMB58.1 million in 2023, primarily due to our efforts to turn over the net loss position.

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities, the [**REDACTED**] received from the [**REDACTED**], and our future bank and other borrowings. We currently do not have any other plans for material additional external financing.

We do not expect our capital expenditures and resources to materially deviate from our business operations during the Track Record Period.

Cash Flows

The following table sets forth our cash flows for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Net cash generated from/(used in) operating activities.	(253,680)	(716,572)	(58,141)	(284,896)	39,927
Net cash used in investing activities .	(177,257)	(741,149)	(922,298)	(604,111)	(229,198)
Net cash generated from financing activities	440,059	1,657,052	868,916	855,907	129,024

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Cash and cash equivalents at the beginning of the year/period	**2,768**	**11,890**	**211,221**	**211,221**	**99,698**
Net increase/ (decrease) in cash and cash equivalents	9,122	199,331	(111,523)	(33,100)	(60,247)
Cash and cash equivalents at the end of year/ period	**11,890**	**211,221**	**99,698**	**178,121**	**39,451**

Net Cash Generated from/(Used in) Operating Activities

For the six months ended June 30, 2024, net cash generated from operating activities was RMB39.9 million, primarily attributable to loss before tax of RMB147.2 million, as adjusted by non-cash and non-operational items totaling RMB147.5 million and positive changes in working capital of RMB38.1 million. Changes in working capital mainly consisted of (i) an increase in trade and bills payables of RMB119.9 million and (ii) an increase in prepayments, other receivables and other assets of RMB95.3 million, partially offset by a decrease in inventories of RMB184.0 million.

In 2023, net cash used in operating activities was RMB58.1 million, primarily attributable to loss before tax of RMB473.6 million, as adjusted by non-cash and non-operational items totaling RMB290.5 million, positive changes in working capital of RMB143.7 million and income tax paid of RMB21.3 million. Changes in working capital mainly consisted of a decrease in inventories of RMB412.5 million and an increase in trade and bills payables of RMB262.6 million, partially offset by an increase in trade and bills receivables of RMB418.5 million.

In 2022, net cash used in operating activities was RMB716.6 million, primarily attributable to profit before tax of RMB184.8 million, as adjusted by non-cash and non-operational items totaling RMB129.2 million, negative changes in working capital of RMB1,019.0 million and income tax paid of RMB12.3 million. Changes in working capital mainly consisted of an increase in inventories of RMB583.9 million and an increase in trade and bills receivables of RMB548.0 million, partially offset by an increase in trade and bills payables of RMB293.8 million.

In 2021, net cash used in operating activities was RMB253.7 million, primarily attributable to profit before tax of RMB76.0 million, as adjusted by non-cash and non-operational items totaling RMB45.6 million, negative changes in working capital of RMB374.0 million and income tax paid of RMB1.3 million. Changes in working capital mainly consisted of an increase in trade and bills receivables of RMB347.7 million and an increase in inventories of RMB182.9 million, partially offset by an increase in trade and bills payables of RMB256.3 million.

See "— Discussion of Certain Key Items of Consolidated Statements of Financial Position" for primary reasons relating to the underlying causes for our operating cash flow changes.

Net Cash Used in Investing Activities

For the six months ended June 30, 2024, net cash used in investing activities was RMB229.2 million, primarily attributable to purchases of items of property, plant and equipment of RMB193.3 million.

In 2023, net cash used in investing activities was RMB922.3 million, primarily attributable to purchases of items of property, plant and equipment of RMB904.1 million.

In 2022, net cash used in investing activities was RMB741.1 million, primarily attributable to purchases of items of property, plant and equipment of RMB736.7 million.

In 2021, net cash used in investing activities was RMB177.3 million, primarily attributable to purchases of items of property, plant and equipment of RMB179.1 million.

Net Cash Generated from Financing Activities

For the six months ended June 30, 2024, net cash generated from financing activities was RMB129.0 million, primarily attributable to new bank and other borrowings of RMB789.4 million, partially offset by repayment of bank and other borrowings of RMB573.7 million.

In 2023, net cash generated from financing activities was RMB868.9 million, primarily attributable to new bank and other borrowings of RMB1,370.1 million, partially offset by repayment of bank and other borrowings of RMB641.4 million.

In 2022, net cash generated from financing activities was RMB1,657.1 million, primarily attributable to new bank and other borrowings of RMB1,078.5 million and capital contribution from Shareholders of RMB965.3 million, partially offset by repayment of bank and other borrowings of RMB324.8 million.

In 2021, net cash generated from financing activities was RMB440.1 million, primarily attributable to new bank and other borrowings of RMB403.3 million and capital contribution from Shareholders of RMB181.7 million, partially offset by repayment of bank and other borrowings of RMB121.7 million.

Working Capital Sufficiency

Taking into account the financial resources available to us, including our cash and cash equivalents on hand, available financial facilities and the estimated net [**REDACTED**] from the [**REDACTED**], our Directors are of the view, and the Joint Sponsors concur, that we have sufficient working capital to meet our present needs and for the next twelve months from the date of this document. Our Directors confirm that we had no material defaults in payment of trade and non-trade payables during the Track Record Period.

KEY FINANCIAL RATIOS

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Current ratio (times)(1)	1.0	1.6	0.9	0.7
Quick ratio (times)(2)	0.6	0.9	0.7	0.4
Liabilities-to-assets ratio(3)	65.7%	48.5%	61.7%	64.4%

Notes:

(1) Current ratio is calculated based on current assets divided by current liabilities as of the date indicated.

(2) Quick ratio is calculated based on current assets less inventories divided by current liabilities as of the date indicated.

(3) Liabilities-to-assets ratio is calculated based on total liabilities divided by total assets as of the date indicated.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily consisted of purchases of intangible asset and machinery and equipment, and construction of buildings and properties. The following table sets forth our capital expenditures for the periods indicated.

	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2021	2022	2023	2023	2024
	(RMB in thousands)				
				(unaudited)	
Purchases of items of property, plant and equipment	179,068	736,670	904,133	605,819	193,325
Purchases of intangible assets	738	420	562	180	–
Total	**179,806**	**737,090**	**904,695**	**605,999**	**193,325**

Our capital expenditures were RMB179.8 million, RMB737.1 million, RMB904.7 million and RMB193.3 million in 2021, 2022, 2023 and the six months ended June 30, 2024, respectively.

We expect that our capital expenditures in 2024 will primarily consist of construction of buildings and properties. We intend to fund our future capital expenditures with our existing cash balance, cash generated from our operating activities and financing activities, and [**REDACTED**] from the [**REDACTED**]. See the section headed "Future Plans and [**REDACTED**]" for more details. We may reallocate the fund to be utilized for capital expenditures and long-term investments based on our ongoing business needs.

CONTRACTUAL OBLIGATIONS

Commitments

We had the following contractual commitments as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Contracted, but not provided for:				
Property, plant and equipment	65,307	335,747	523,999	494,576

In addition, we had the following commitments provided to associates as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	(RMB in thousands)			
Contracted, but not provided for:				
Capital injection obligation . .	–	500	33,900	43,900

Other than the contractual commitments set forth above, we do not have any other long-term debt obligations, operating lease commitments, capital commitments or other long-term liabilities.

Contingent Liabilities or Guarantee

As of December 31, 2021, 2022, and 2023 and June 30, 2024 and up to the Latest Practicable Date, we did not have any material contingent liabilities or guarantees. Our Directors confirm that there has been no material change in our contingent liabilities since June 30, 2024.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For more details about our related party transactions during the Track Record Period, see Note 37 to the Accountants' Report as set out in Appendix I and "Relationship with Our Controlling Shareholders."

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance. We will settle outstanding balances with related parties that are non-trade in nature before [**REDACTED**].

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, interest rate risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. The board of directors of our Company reviewed and agreed the following risk management policies. See Note 40 to the Accountants' Report as set out in Appendix I for a detailed description of our financial risk management.

DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend. According to our Articles of Association and applicable laws and regulations, the decision on whether to pay dividends will be made by our Shareholders and will depend upon, among others, the financial results, cash flow, business conditions and strategies, future operations and earnings, capital requirements and expenditure plans, any restrictions on payment of dividends, and other factors that our Shareholders may consider relevant. Currently, we do not have a pre-determined dividend payout ratio.

According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant.

DISTRIBUTABLE RESERVES

As of June 30, 2024, our Company did not have any distributable reserves available for distribution to our Shareholders.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Our selective property interests are set forth in the Property Valuation Report as set out in Appendix IV. Shanghai Lixin Appraisal Co., Ltd., an independent property valuer, has valued our selective property interests as of September 30, 2024.

A reconciliation of the market value of our selective property interests as extracted from the Property Valuation Report as set out in Appendix IV as of September 30, 2024 and net book value of our selective property interests in our consolidated financial statements as of June 30, 2024 as required under Rule 5.07 of the Listing Rules is set forth below.

	RMB'000
Net book value of our property interests as of June 30, 2024	495,369
Movement during the period from June 30, 2024 to September 30, 2024 (unaudited)	
Add: Additions	13,681
Less: Depreciations	(3,732)
Net book value of our property interests as of September 30, 2024	505,318
Less: Portion of right of use of rural leases with no commercial value	(12,486)
Add: Valuation surplus	661
Valuation as of September 30, 2024 as set out in Appendix IV	**493,493**

See "Property Valuation Report" as set out in Appendix IV for further details.

[**REDACTED**] EXPENSES

Our [**REDACTED**] expenses mainly include [**REDACTED**] fees and commissions and professional fees paid to legal, accounting and other advisors for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. Assuming full payment of the discretionary incentive fee, the estimated total [**REDACTED**] expenses (based on the mid-point of the [**REDACTED**] of [**REDACTED**] per H Share and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] will be approximately [**REDACTED**] (including (i) [**REDACTED**] commission of approximately [**REDACTED**], and (ii) non-[**REDACTED**] related expenses of approximately [**REDACTED**], which consist of fees and expenses of legal advisors and Reporting Accountants of [**REDACTED**] and other fees and expenses of approximately [**REDACTED**]), accounting for approximately of [**REDACTED**]% of our gross [**REDACTED**]. An estimated amount of [**REDACTED**] for our [**REDACTED**] expenses, accounting for approximately [**REDACTED**] of our gross [**REDACTED**], is expected to be expensed through the statement of profit or loss and the remaining amount of [**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. No such expenses were recognized and charged during the Track Record Period.

UNAUDITED [REDACTED] ADJUSTED STATEMENT OF CONSOLIDATED NET TANGIBLE ASSETS

For details of our unaudited [**REDACTED**] adjusted statement of consolidated net tangible assets, please refer to the section headed "Unaudited [**REDACTED**] Financial Information" as set out in Appendix II.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, except as otherwise disclosed in this section, there have been no material adverse changes in our financial, operational, or trading position or prospects since June 30, 2024, being the date of the latest reporting period ended of our consolidated financial statements as set out in the Accountants' Report in Appendix I, and there is no event since June 30, 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Li Brothers controls approximately 55.05% of the voting rights of the Company through (i) Jiangxi Dongliang, a company which is held as to 20.0% by each of the Li Brothers, and holds 20.39% of our total issued and outstanding Shares; (ii) Zhaoqing Shengda, a limited partnership established under the laws of the PRC of which Mr. Li Sen is the general partner and holds 5.45% of our total issued and outstanding Shares; (iii) Zhaoqing Senlong, a limited partnership established under the laws of the PRC of which Mr. Li Sen is the general partner and holds 2.48% of our total issued and outstanding Shares; and (iv) direct beneficial interest held by each of the Li Brothers which in aggregate amounts to 26.73% of our total issued and outstanding Shares. Each of the Li Brothers and Jiangxi Dongliang have entered into the AIC Agreement dated July 22, 2021, supplemented by a supplemental AIC confirmation dated November 16, 2024. Pursuant to the AIC Agreement, each of the parties to the AIC Agreement shall, prior to each Directors' meeting and Shareholders' meeting, consider and reach a consensus beforehand on the matters to be considered at the relevant meeting and to vote in unanimity. If the parties are unable to reach a consensus, the decision of Mr. Li Sen will be taken as the final decision. For further details of the acting in concert arrangement under the AIC Agreement, please see "History and Corporate Structure — Acting in Concert Arrangement."

Immediately following the completion of the [**REDACTED**] and assuming that no new Shares are issued under the [**REDACTED**], and no other changes are made to the issued share capital of the Company from the Latest Practicable Date to the [**REDACTED**], the Li Brothers, Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong will be entitled to collectively control the exercise of approximately [**REDACTED**] of the total voting rights of our Company. As such, the Li Brothers, Jiangxi Dongliang, Zhaoqing Shengda and Zhaoqing Senlong constituted as of the Latest Practicable Date and will continue to constitute a group of Controlling Shareholders of our Company immediately upon [**REDACTED**].

For details of the background and shareholding information of our Controlling Shareholders, see "History and Corporate Structure — Corporate and Shareholding Structure."

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of the Controlling Shareholders confirms that he/it currently does not have any interest in a business (save for the business of our Group) that competes or is likely to compete, whether directly or indirectly, with our Group's business, which would otherwise require disclosure under Rule 8.10 of the Listing Rules.

As of the Latest Practicable Date, Jiangxi Ruifeng Environmental Protection Co., Ltd.* (江西睿鋒環保有限公司) ("**Jiangxi Ruifeng**") is held as to, among others, 39.34% by Jiangxi Dongliang, one of our Controlling Shareholders, 22.28% by Wanzai County Yibao Energy Technology Partnership Enterprise (Limited Partnership)* (萬載縣宜保能源技術合夥企業(有限合夥)) ("**Yibao Energy**"), 2.56% by Wanzai County Ruibo Environmental Protection Technology Development Partnership Enterprise (Limited Partnership)* (萬載縣睿博環保技術開發合夥企業(有限合夥)) ("**Ruibo Environmental Protection**"), 7.32% by Guangzhou Chuangying High Tech Development Partnership Enterprise (Limited Partnership)* (廣州創盈高新科技發展合夥企業(有限合夥)) ("**Guangzhou Chuangying**"), 5.26% by Zhou Xingyang

(周興揚), an associate of Mr. Zhou Chutao, our executive Director and joint company secretary and the remaining 23.24% shareholding of Jiangxi Ruifeng were held by seven Independent Third Parties. As of the Latest Practicable Date, Jiangxi Dongliang is the general partner of Yibao Energy holding 18.78% interest thereof and the general partner of Ruibo Environmental Protection holding 27.91% interest thereof. Mr. Zhou Xingyang is the general partner of Guangzhou Chuangying holding 80.00% interest thereof, and Ms. Xie Jingui (謝進桂) and Ms. Zhou Qiuying (周秋盈), both being an associate of Mr. Zhou Chutao, our executive Director and joint company secretary, each holding 10% interest thereof as a limited partner. Save as disclosed above, each of other partners of Yibao Energy, Ruibo Environmental Protection and Guangzhou Chuangying is an Independent Third Party.

As of the Latest Practicable Date, the board of directors of Jiangxi Ruifeng includes, among others, Mr. Li Sen, our executive Director, chairman of the Board and general manager and one of our Controlling Shareholders, Mr. Li Yan, one of our Controlling Shareholders, Mr. Li Xin, our executive Director and one of our Controlling Shareholders and Mr. Li Wang, one of our Controlling Shareholders.

As of the Latest Practicable Date, Jiangxi Ruifeng has two wholly-owned subsidiaries, namely Jiangxi Taiyun and Wanzai Zhicheng. During the Track Record Period, we have engaged in certain continuing transactions with Jiangxi Taiyun and Wanzai Zhicheng which would become our continuing connected transaction upon the [**REDACTED**]. See "Connected Transactions."

Our Directors are of the view that there is a clear delineation of the businesses of Jiangxi Ruifeng and its subsidiaries (the "**Jiangxi Ruifeng Group**") and our Company and there is no competition between Jiangxi Ruifeng Group and us as illustrated below:

	Jiangxi Ruifeng Group	Our Group
(i) Different principal business	Jiangxi Ruifeng is primarily engaged in the business of recycling and second life use of industrial hazardous waste and general industrial solid waste. Jiangxi Taiyun is principally engaged in the provision of logistics and transportation services. Wanzai Zhicheng is principally engaged in the provision of solid waste processing services.	Our Group is primarily engaged in the recycling, resource recovery, and reuse of lithium-ion batteries.

	Jiangxi Ruifeng Group	Our Group
(ii) Different products and services	The main products of Jiangxi Ruifeng include electrolytic copper, activated zinc oxide, zinc ingots, crude lead, crude tin and matte copper. These materials are mainly used in non-ferrous metal smelting, refining and deep processing for the manufacturing of refined tin, tin electronic products, refined lead and electroplated galvanized steel sheets. Jiangxi Taiyun is a service provider of logistics and transportation services. Wanzai Zhicheng is a service provider of processing services for industrial solid waste and hazardous solid waste.	Our Group's main products include lithium carbonate, nickel sulfate, cobalt sulfate and graphite. These materials are ultimately remanufactured into lithium-ion batteries by our downstream customers.
(iii) Different target customers.	Jiangxi Ruifeng's customers are primarily companies engaging in to the business of smelting of tin and lead. Jiangxi Taiyun's customers are primarily companies that require logistics and transportation services for general and hazardous goods and materials. Wanzai Zhicheng's customers are primarily companies engaged in smelting business.	Our Group's customers are primarily leading battery material manufacturers for lithium-ion batteries.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Management independence

Our business is managed and conducted by our Board and senior management. Upon the [**REDACTED**], our Board will consist of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors, and we also have three Supervisors and five additional senior management members (who are not Directors). Each of our Directors, Supervisors and senior management possesses relevant management, financial or industry-related experience to contribute to the management of our business. For further information on the qualifications and experience of our Directors, Supervisors and senior management, see "Directors, Supervisors and Senior Management."

Our Directors consider that our Board, Supervisors and senior management of our Company will function independently of our Controlling Shareholders after the [**REDACTED**] because:

(a) each Director is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;

(b) our daily management and operations are carried out by our executive Directors and the members of our senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group. Furthermore, save for Mr. Li Sen, Mr. Li Xin and Mr. Li Yao who are our Controlling Shareholders, and Mr. Ye Daxin, our deputy general manager, being the brother of the spouse of Mr. Li Yao, the other senior management members are independent of our Controlling Shareholders;

(c) we have three independent non-executive Directors, representing more than one-third of the Board. The independent non-executive Directors will represent an element of independence at the board level, and certain matters of our Company must always be referred to the independent non-executive Directors for review, to protect the interests of our Company and our Shareholders as a whole;

(d) although during the Track Record Period, we have engaged in connected transactions with our connected persons (in particular, Jiangxi Taiyun and Wanzai Zhicheng, both being an associate of Jiangxi Dongliang). See "Connected Transactions". We have independent access to suppliers, customers and service providers, and an independent management team to handle our day-to-day operation and have established internal control measures for the purpose of these connected transactions;

(e) in the event that there is a material conflict of interest arising out of any transaction to be entered into between our Group and a Director or his or her respective associates, the interested Director shall abstain from voting and shall not be counted in the quorum in respect of such transactions; and

(f) we have adopted other corporate governance measures to manage potential conflicts of interest, if any, between our Group and our Controlling Shareholders, which would enhance our independent management, as detailed in the sub-section headed "— Corporate governance measures."

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role from our Group independently from our Controlling Shareholders.

Operational independence

Our Group is operationally independent from our Controlling Shareholders. Our Company (through our subsidiaries) holds all relevant licenses necessary to carry out our business operation. We own or are legally licensed to use all relevant intellectual properties and own facilities necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and independent departments, each with specific areas of responsibilities. We have adopted a set of internal control procedures to maintain effective and independent operation of our business.

In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board and other committees, and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure.

Based on the above, our Directors believe that our business is operationally independent of our Controlling Shareholders.

Financial independence

Our financial system and financial operations are independent from our Controlling Shareholders. Our Group makes financial decisions according to our own business needs and our Group's financial operations are handled by our finance team, without sharing any financial management functions or resources with our Controlling Shareholders.

During the Track Record Period, our Controlling Shareholders and their respective associates have provided personal guarantees for certain of our bank loans and other borrowings. As of June 30, 2024, the outstanding debts underlying the bank loans (the "**Guaranteed Loans**") guaranteed by our Controlling Shareholders (the "**Controlling Shareholders' Guarantees**") amounted to RMB1,319.2 million. Save for the above, there were no outstanding loans or guarantees or other financial assistance provided by, or granted to, each of our Controlling Shareholders or their respective associates as of June 30, 2024.

Our Directors are of the view that premature discharge of all outstanding Controlling Shareholders' Guarantees before the [**REDACTED**] would be impractical and unduly onerous to the Group and would not be in the best interests of the Group and our Shareholders, considering that the early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant banks, and the renegotiation would be time-consuming and may affect our normal operation.

Notwithstanding the above, our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates for the following reasons:

(1) we have a strong track record of obtaining financing independently. As of June 30, 2024, our aggregate bank borrowings without any security or guarantee from our Controlling Shareholders or their respective close associates amounted to approximately RMB113.9 million. Furthermore, we have obtained letters from the relevant banks who confirmed that they have agreed to provide our Group with bank loans without express requirement of financial guarantee to be provided by our Controlling Shareholders of approximately RMB3,966.8 million in aggregate, while, as of June 30, 2024, the Guaranteed Loan guaranteed by our Controlling Shareholders amounted to RMB1,319.2 million;

(2) Furthermore, we have continuously been able to conduct fundraising activities in addition to obtaining bank facilities. During the Track Record Period, we have completed four rounds of [**REDACTED**] Investments and raised an aggregated amount of approximately RMB1,360.6 million. For details of our [**REDACTED**] Investments, see "History and Corporate Structure — [**REDACTED**] Investments;" and

(3) After [**REDACTED**], we expect to carry out further fundraising activities depending on, among other things, market conditions, our business needs and our financial conditions subject to compliance with applicable regulatory requirements. In view of the foregoing, and having considered our proven track record of obtaining financing independently and business relationships with financial institutions, we believe that after [**REDACTED**], we will be capable of obtaining financing on comparable terms to existing loans obtained by our Group from financial institutions in the PRC without requiring guarantees by our Controlling Shareholders.

In light of the above, our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

(a) under the Articles, where a Shareholders' meeting is held to consider proposed transactions in which our Controlling Shareholders or any of their associates are, under the Listing Rules, required to abstain, our Controlling Shareholder(s) shall abstain from voting and their votes shall not be counted in respect of such transactions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholder(s) or any of their respective associates, our Company will comply with the applicable requirements under the Listing Rules, including but not limited to the requirement of announcement, circular and independent Shareholders' approval;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its interim and annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expense;

(g) we have appointed Altus Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance, including but not limited to the requirement of director's duties and internal control; and

(h) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix C1 to the Listing Rules.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

OVERVIEW

We have entered into certain transactions with certain parties which will, upon the [**REDACTED**], become our connected persons. Upon the [**REDACTED**], the transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

CONNECTED PERSONS

The following persons, with whom we have entered into certain transactions in our ordinary course of business, will become our connected persons upon [**REDACTED**]:

Name of our connected persons	Connected Relationship
Our Controlling Shareholders	Immediately following the completion of the [**REDACTED**] and assuming that no new Shares are issued under the [**REDACTED**], and no other changes are made to the issued share capital of the Company from the Latest Practicable Date to the [**REDACTED**], our Controlling Shareholders will be entitled to collectively control the exercise of approximately [**REDACTED**] of the total voting rights of our Company. Accordingly, each of our Controlling Shareholders will become our connected person upon the [**REDACTED**].
Jiangxi Taiyun and Wanzai Zhicheng	Each of Jiangxi Taiyun and Wanzai Zhicheng is a wholly owned subsidiary of Jiangxi Ruifeng Environmental Protection Co., Ltd.* (江西睿鋒環保有限公司), which is owned as to 39.34% by Jiangxi Dongliang, one of our Controlling Shareholders. Accordingly, upon completion of the [**REDACTED**], each of Jiangxi Taiyun and Wanzai Zhicheng will be an associate of Jiangxi Dongliang and therefore a connected person of our Company.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Set out below is a brief summary of our continuing connected transactions and relevant waiver [sought]:

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31,		
			2025	2026	2027
			(RMB million)	*(RMB million)*	*(RMB million)*
Fully exempt continuing connected transactions					
Provision of guarantees by our Controlling Shareholders.	Rule 14A.90	N/A	N/A	N/A	N/A

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31,		
			2025	2026	2027
			(RMB million)	*(RMB million)*	*(RMB million)*
Partially exempt continuing connected transactions					
Jiangxi Taiyun Framework Service Agreement	14A.35, 14A.76(2), 14A.105	Announcement	[28.0]	[45.0]	[56.5]
Wanzai Zhicheng Framework Service Agreement	14A.35, 14A.76(2), 14A.105	Announcement	[8.2]	[13.0]	[16.3]
Wanzai Zhicheng Framework Sales Agreement	14A.35, 14A.76(2), 14A.105	Announcement	[7.5]	[10.6]	[13.0]
Wanzai Zhicheng Framework Purchase Agreement	14A.35 14A.76(2) 14A.105	Announcement	[7.3]	[7.4]	[7.5]

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Provision of Guarantees by our Controlling Shareholders

We expect to continue certain guarantee arrangement with our Controlling Shareholders and their respective associates, pursuant to which our Controlling Shareholders and their respective associates agree to provide guarantees in favour of our Group for certain bank loans and other borrowings we have obtained for financing our business operations. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence." Our Directors are of the view that the guarantee, being a form of financial assistance (as defined under the Listing Rules) provided by our Controlling Shareholders and their respective associates for our benefit, are conducted on normal commercial terms and are not secured by the assets of our Company, they will be exempted from the reporting, annual review, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following transactions which, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2) of the Listing Rules, the following transactions will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Jiangxi Taiyun Framework Service Agreement

On [●], our Company and Jiangxi Taiyun entered into a framework agreement (the "**Jiangxi Taiyun Framework Service Agreement**"), the principal terms and other details of which are set out below:

Parties : (1) Our Company (as service recipient) for and on behalf of members of our Group; and

(2) Jiangxi Taiyun (as service provider).

Term : From the [**REDACTED**] to December 31, 2027 (both days inclusive) subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Subject Matter : Pursuant to the Jiangxi Taiyun Framework Service Agreement, Jiangxi Taiyun shall provide logistics and transportation services to members of our Group for the purpose of the delivery of our products to our customers and the collection of raw materials from our suppliers.

Separate underlying agreements will be entered into between the members of our Group and Jiangxi Taiyun which will set out the specific scope of service, service fees, method of payment and other details of the service arrangement in the manner as provided in the Jiangxi Taiyun Framework Service Agreement.

Pricing Policy : The relevant service fees for the logistics and transportation services shall be determined by both parties based on fair market rate with reference to (i) the price quotations that our Group obtained from independent third party service providers for comparable services, and (ii) the service fees charged by Jiangxi Taiyun to any independent third party customers of strategic positions, taking into account the business volume. Our Group will from time to time review the service fees for the logistics services by comparing them against market prices chargeable by independent third party service providers for services of similar nature and scale, and ensure that the terms our Group obtained from Jiangxi Taiyun shall be on normal commercial terms or better as compared to those provided by independent third party service providers.

Further, we will only enter into individual agreement pursuant to the Jiangxi Taiyun Framework Service Agreement with Jiangxi Taiyun if (i) the terms and conditions of the agreement and quality of the logistics services provided by Jiangxi Taiyun are no less favorable than those from other independent third party service providers, and (ii) it is in the best interests of our Company and our Shareholders as a whole. In particular, before entering into any individual agreement, our Group will obtain not less than two other quotations from independent third party service providers from the list of service providers maintained by the Group and updated from time to time and select those being able to meet the service scope set by the members of the Group for a particular assignment, and would only enter into individual agreements with Jiangxi Taiyun if the terms (including price and service level) offered by Jiangxi Taiyun is more favourable than that offered by the independent third party service providers.

Reasons for transaction : From time to time, members of our Group require logistics and transportation services for the delivery of our products to customers, and for the collection of raw materials from our suppliers in the event that such delivery service is not available. Accordingly, given that (i) our Group and Jiangxi Taiyun had cooperated for a long period of time and has developed a mutual understanding of the standards, requirements and specific needs of each other, and (ii) the proximity of Jiangxi Taiyun with our major production sites, it is beneficial for our Group to use Jiangxi Taiyun's services which can satisfy our demand for such services driven by the growth of our business.

Historical transaction amounts : For the years ended December 31, 2021, 2022 and 2023, the six months ended June 30, 2024, the transaction amounts for the logistics and transportation service provided by Jiangxi Taiyun to us amounted to approximately RMB7.5 million, RMB13.2 million, RMB20.5 million and RMB9.5 million, respectively.

Annual caps : Our Directors estimate that the maximum amount of service fees payable by us to Jiangxi Taiyun for the three years ending December 31, 2027 will not exceed RMB[28.0] million, RMB[45.0] million and RMB[56.5] million, respectively. In arriving at the above annual caps, our Directors have considered (i) the historical transaction amounts with Jiangxi Taiyun during the Track Record Period; (ii) our expected demand for logistics and transportation services with reference to the expected increase in our production capacity by approximately 25.7%, 57.9% and 22.5% for the years ending December 31, 2025, 2026 and 2027, respectively; and (iii) the expected increment in the fees for the logistics and transportation service charged by Jiangxi Taiyun.

Wanzai Zhicheng Framework Service Agreement

On [●], our Company and Wanzai Zhicheng entered into a framework agreement (the "**Wanzai Zhicheng Framework Service Agreement**"), the principal terms and other details of which are set out below:

Parties : (1) Our Company for and on behalf of members of our Group; and

(2) Wanzai Zhicheng.

Term : From the [**REDACTED**] to December 31, 2027 (both days inclusive) subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Subject Matter : Pursuant to the Wanzai Zhicheng Framework Service Agreement, our Company (for and on behalf of members of our Group) agreed to engage Wanzai Zhicheng for the provision of waste processing services for our Group's solid waste.

Separate underlying agreements will be entered into between the members of our Group and Wanzai Zhicheng which will set out the specific scope of service, service fees, method of payment and other details of the service arrangement in the manner as provided in the Wanzai Zhicheng Framework Service Agreement.

Pricing Policy : The relevant service fees for the waste processing services shall be determined by both parties based on fair market rate with reference to (i) the price quotations that our Group obtained from independent third party service providers for comparable services, and (ii) the service fees charged by Wanzai Zhicheng to any independent third party customers of strategic positions, taking into account the volume of solid waste to be processed. Our Group will from time to time review the service fees for the waste processing services by comparing them against market prices chargeable by independent third party service providers for services of similar nature and scale, and ensure that the terms our Group obtained from Wanzai Zhicheng shall be on normal commercial terms or better as compared to those provided by independent third party service providers.

Further, our Group will only enter into individual agreement pursuant to the Wanzai Zhicheng Framework Service Agreement with Wanzai Zhicheng if (i) the terms and conditions of the agreement and quality of the services provided by Wanzai Zhicheng are no less favorable than those from other independent third party service providers, and (ii) it is in the best interests of our Company and our Shareholders as a whole. In particular, before entering into any individual agreement, our Group will invite all service providers (including service providers who are Independent Third Parties) from the list of service providers and select those who can meet the relevant service scope (including any special licence required) for a particular assignment for quotations and obtain quotations from them for waste processing services maintained by the Group and updated from time to time and would only enter into individual agreements with Wanzai Zhicheng if the terms (including price and service level) offered by Wanzai Zhicheng is more favourable than that offered by the independent third party service providers.

Reasons for transaction	:	In the course of our business, solid waste would be produced as a by-product of our production process. Accordingly, to comply with the relevant environmental protection laws and regulations in the PRC, we are required to engage qualified service providers to process solid waste. Given the established relationship between our Company and Wanzai Zhicheng, our Directors are of the view that as (i) Wanzai Zhicheng is capable of providing waste processing services in a reliable and cost-effective manner with competitive prices as compared to other independent third party service providers, and (ii) the proximity of Wanzai Zhicheng with our production sites which facilitates cost-effective solutions to cater for our need for waste processing service, it is in the interests of our Group and Shareholders to enter into the Wanzai Zhicheng Framework Service Agreement.
Historical transaction amounts	:	For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the transaction amounts for the waste processing service provided by Wanzai Zhicheng to us amounted to approximately RMB6.1 million, RMB3.8 million, RMB1.8 million, RMB2.9 million, respectively. The fluctuation in the historical transaction amounts during 2021 to 2023 was due to the fact that during the period from 2021 to 2022, Wanzai Zhicheng was primarily engaged by us for the processing of our production waste such as graphite slag which has no resale value due to its purity level. With the advancement of our production process, the purity level of such graphite slag increased and we were able to sell such graphite slag, and accordingly the processing service provided by Wanzai Zhicheng for graphite slag was no longer required. For the fluctuation in the historical amounts from 2023 to the first half of 2024, it was due to the better qualification processed by Wanzai Zhicheng and higher quality of the services provided by Wanzai Zhicheng as compared to other service provider during the first half of 2024.

Annual caps	:	Our Directors estimate that the maximum amount of service fees payable by us to Wanzai Zhicheng for the three years ending December 31, 2027 will not exceed RMB[8.2] million, RMB[13.0] million and RMB[16.3] million, respectively. In arriving at the above annual caps, our Directors have considered (i) the historical transaction amounts during the Track Record Period; (ii) our existing and expected demand for waste processing services after taking into account the estimated increase in the volume of solid waste that requires processing services with reference to our expected growth in production scale by approximately 25.7%, 57.9% and 22.5% for the years ending December 31, 2025, 2026 and 2027, respectively; and (iii) the expected increment in the service fees for the waste processing services charged by Wanzai Zhicheng.

Wanzai Zhicheng Framework Sales Agreement

On [●], our Company and Wanzai Zhicheng entered into a framework agreement (the "**Wanzai Zhicheng Framework Sales Agreement**"), the principal terms and other details of which are set out below:

Parties	:	(1) Our Company for and on behalf of members of our Group; and (2) Wanzai Zhicheng.
Term	:	From the [**REDACTED**] to December 31, 2027 (both days inclusive) subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.
Subject Matter	:	Pursuant to the Wanzai Zhicheng Framework Sales Agreement, our Company (for and on behalf of members of our Group) agreed to sell, and Wanzai Zhicheng agreed to buy, copper slag and copper powder generated from the processing of our solid waste.
Pricing Policy	:	The relevant purchase price for the copper slag and copper powder shall be determined by both parties based on fair market price with reference to the market price of copper slag and copper powder based on the purity of the relevant copper slag and copper powder being extracted and the market price for copper quoted on the Shanghai futures exchange (上海期貨交易所) in the PRC.

Reasons for transaction : In the course of our business, solid waste would be produced as a by-product of our production process. These solid waste, upon processing, would produce copper slag and copper powder which are valuable by-products of our production. As we cannot further process these valuable materials for our own production needs, the entering into of the Wanzai Zhicheng Sales Agreement would enable the Group to obtain gains from the sales of copper slag and copper powder and increase our income.

Historical transaction amounts : For the years ended December 31, 2021, 2022 and 2023, the Group did not sell any copper slag and copper powder to Wanzai Zhicheng as the by-products we produced had a low purity level in terms of its copper-related content and did not have any resale value. Starting from 2024, with the advancement of our production process, the purity level of the copper-related content of our by-products increased. The transaction amount for the sale of copper slag and copper powder was RMB2.9 million for the six months ended June 30, 2024.

Annual caps : Our Directors estimate that the maximum transaction amount of the transactions contemplated under the Wanzai Zhicheng Sales Agreement for the three years ending December 31, 2027 will not exceed RMB[7.5] million, RMB[10.6] million and RMB[13.0] million, respectively. In arriving at the above annual caps, our Directors have considered (i) the estimated increase in the volume of copper slag and copper powder we produce with reference to our production scale; (ii) the typical purity level of our copper slag and copper powder and (iii) the expected increase in the price of copper from 2025 to 2027, according to Frost and Sullivan.

Wanzai Zhicheng Framework Purchase Agreement

On [●], our Company and Wanzai Zhicheng entered into a framework agreement (the "**Wanzai Zhicheng Framework Purchase Agreement**"), the principal terms and other details of which are set out below:

Parties : (1) Our Company for and on behalf of members of our Group; and

(2) Wanzai Zhicheng.

Term : From the [**REDACTED**] to December 31, 2027 (both days inclusive) subject to the compliance with the requirements under Chapter 14A of the Listing Rules and all other applicable laws and regulations.

Subject Matter : Pursuant to the Wanzai Zhicheng Framework Purchase Agreement, our Company (for and on behalf of members of our Group) agreed to buy, and Wanzai Zhicheng agreed to sell sulfuric acid.

Pricing Policy : The sulfuric acid supplied by Wanzai Zhicheng is specifically used for our secondary acid washing procedures, and its specifications differ from standard market sulfuric acid used in primary production procedures. Given the specific application requirements, no direct public price for comparable sulfuric acid is available for reference. We consider the prevailing selling prices of substitute products of other suppliers, and our procurement department would review the purchase price with reference to the prevailing market price of these substitute products and update our internal reference price on a monthly basis. If the quoted purchase price provided by Wanzai Zhicheng is below the internal reference price maintained by our procurement department, the procurement department would review the terms proposed by Wanzai Zhicheng and ensure the terms offered to us are no less favourable than those offered by Independent Third Parties.

Reasons for transaction : Our production requires the use of sulfuric acid for our secondary impurity washing procedures. The entering into of the Wanzai Zhicheng Framework Purchase Agreement would enable our Group to obtain stable and quality supply of sulfuric acid suitable for our secondary impurity washing procedures at competitive price.

Historical transaction amounts : For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our Group did not purchase any sulfuric acid from Wanzai Zhicheng because Wanzai Zhicheng did not commence its production of sulfuric acid during the said period. As from July 2024, we started to purchase sulfuric acid from Wanzai Zhicheng and expect the transactions to continue after [**REDACTED**]. From July 1, 2024 to November 30, 2024, the total transaction amounts for sulfuric acid purchased from Wanzai Zhicheng was approximately RMB3.0 million.

Annual caps : Our Directors estimate that the maximum transaction amount of the transactions contemplated under the Wanzai Zhicheng Purchase Agreement for the three years ending December 31, 2027 will not exceed RMB[7.3] million, RMB[7.4] million and RMB[7.5] million, respectively. In arriving at the above annual caps, our Directors have considered (i) the anticipated market price of sulfuric acid for the period from 2025 to 2027 of RMB343.4 per ton, RMB347.4 per ton and RMB350.7 per ton, respectively, according to Frost & Sullivan; (ii) a total quantity of 24,000 tons per year based on Wanzai Zhicheng's production capacity; and (iii) different specification of the sulfuric acid supplied by Wanzai Zhicheng which is suitable for secondary impurity washing procedures.

WAIVER APPLICATION

As the continuing connected transactions described in "— Partially Exempt Continuing Connected Transactions" above in this section have been and will continue to be carried out by our Group on a continuing and recurring basis and are expected to extend over a period of time, our Directors are of the view that compliance with the announcement requirement under Chapter 14A of the Listing Rules would impose unnecessary administrative costs and burden to our Group. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has granted,] a waiver from strict compliance with the announcement requirement under the Listing Rules relating to each of the aforementioned continuing connected transactions subject to the conditions that (a) the aggregate amounts of the transactions as contemplated under each of the aforementioned continuing connected transactions for each relevant financial year shall not exceed the relevant amounts set forth in the respective proposed annual caps as stated above; and (b) we will comply with the other relevant requirements under Chapter 14A of the Listing Rules applicable to the aforementioned continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this document on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS' VIEW

Our Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions described above have been entered into in the ordinary and usual course of our business and on normal commercial terms or better, (ii) the terms of the continuing connected transactions described above are fair and reasonable and in the interest of our Group and Shareholders as a whole, and (iii) the proposed annual caps for the continuing connected transactions described in "— Partially Exempt Continuing Connected Transactions" above in this section are fair and reasonable and in the interests of our Group and Shareholders as a whole.

JOINT SPONSORS' VIEW

After due and careful enquiries, taking into account the information provided by our Company and Directors, the Joint Sponsors are of the view that (i) the continuing connected transactions described in "— Partially Exempt Continuing Connected Transactions" above in this section have been and will be entered in the ordinary and usual course of business of our Group and on normal commercial terms or better; (ii) the terms of each of the aforementioned continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole; and (iii) the proposed annual caps for each of the aforementioned continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**] and assuming that no new Shares are issued under the [**REDACTED**], and no other changes are made to the issued share capital of the Company between the Latest Practicable Date and [**REDACTED**], the following persons will have an interest or short position (as applicable) in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Substantial Shareholders of our Company

			As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of substantial shareholder	Capacity/ Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in the total issued share capital	Number of Shares	Approximate percentage of shareholding in the total issued Unlisted Shares/ H Shares	Approximate percentage of shareholding in the total issued share capital
Mr. Li Sen[3][4][5] . . .	Beneficial owner	Unlisted Shares	21,814,445	5.90%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest in controlled corporation	Unlisted Shares	29,309,215	7.93%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held jointly with another person	Unlisted Shares	152,341,772	41.22%	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Lai Meifeng (賴梅鳳)[2]	Interest of spouse	Unlisted Shares	203,465,432	55.05%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Li Xin[5]	Beneficial owner	Unlisted Shares	19,338,761	5.23%	[REDACTED]	[REDACTED]	[REDACTED]
	Interest held jointly with another person	Unlisted Shares	184,126,671	49.82%	[REDACTED]	[REDACTED]	[REDACTED]
Ms. Zheng Meiqing (鄭枚青)[2]	Interest of spouse	Unlisted Shares	203,465,432	55.05%	[REDACTED]	[REDACTED]	[REDACTED]

SUBSTANTIAL SHAREHOLDERS

			As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of substantial shareholder	**Capacity/ Nature of interest**	**Description of Shares**	**Number of Shares**	**Approximate percentage of shareholding in the total issued share capital**	**Number of Shares**	**Approximate percentage of shareholding in the total issued Unlisted Shares/ H Shares**	**Approximate percentage of shareholding in the total issued share capital**
Mr. Li Yao[(5)]	Beneficial owner	Unlisted Shares	19,302,525	5.22%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest held jointly with another person	Unlisted Shares	184,162,907	49.83%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ms. Ye Guilian (葉桂蓮)[(2)]	Interest of spouse	Unlisted Shares	203,465,432	55.05%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Mr. Li Yan[(5)]	Beneficial owner	Unlisted Shares	19,041,130	5.15%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest held jointly with another person	Unlisted Shares	184,424,302	49.90%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ms. Wang Ying (王瑛)[(2)]	Interest of spouse	Unlisted Shares	203,465,432	55.05%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Mr. Li Wang[(5)]	Beneficial owner	Unlisted Shares	19,302,525	5.22%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest held jointly with another person	Unlisted Shares	184,162,907	49.83%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Ms. Liu Qiong (劉瓊)[(2)]	Interest of spouse	Unlisted Shares	203,465,432	55.05%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Jiangxi Dongliang[(5)]	Beneficial owner	Unlisted Shares	75,356,831	20.39%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	Interest held jointly with another person	Unlisted Shares	128,108,601	34.66%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Zhaoqing Shengda[(3)]	Beneficial owner	Unlisted Shares	20,152,394	5.45%	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

SUBSTANTIAL SHAREHOLDERS

			As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of substantial shareholder	Capacity/ Nature of interest	Description of Shares	Number of Shares	Approximate percentage of shareholding in the total issued share capital	Number of Shares	Approximate percentage of shareholding in the total issued Unlisted Shares/ H Shares	Approximate percentage of shareholding in the total issued share capital
Guangzhou Yingtao[7]	Beneficial owner	Unlisted Shares	54,890,864	14.85%	[REDACTED]	[REDACTED]	[REDACTED]
Mr. Zhou Xingyang (周興揚)[7]	Interest in controlled corporation	Unlisted Shares	54,890,864	14.85%	[REDACTED]	[REDACTED]	[REDACTED]
Wanzai Changsheng Investment Co., Ltd.* (萬載長盛投資有限公司)[7]	Beneficial owner	Unlisted Shares	19,208,602	5.20%	[REDACTED]	[REDACTED]	[REDACTED]
CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund Partnership (Limited Partnership)* (中電中金(廈門)智能產業股權投資基金合夥企業(有限合夥))[8]	Beneficial owner	Unlisted Shares	9,596,578	2.60%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
CEC & CICC (Xiamen) Electronics Industry Private Equity Investment Management Co., Ltd.* (中電中金(廈門)電子產業私募股權投資管理有限公司)[8]	Interest in controlled corporation	Unlisted Shares	9,596,578	2.60%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
CICC Capital Management Co., Ltd.* (中金資本運營有限公司)[8]	Interest in controlled corporation	Unlisted Shares	9,596,578	2.60%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
China International Capital Corporation Limited)* (中國國際金融股份有限公司)[8]	Interest in controlled corporation	Unlisted Shares	9,596,578	2.60%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Hubei Gaotai Yuntian II Equity Investment Partnership (Limited Partnership)* (湖北高泰雲天二期股權投資合夥企業(有限合夥))[9]	H Shares	Unlisted Shares	8,636,877	2.34%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

			As of the Latest Practicable Date		Immediately after the [REDACTED] (assuming the [REDACTED] is not exercised)		
Name of substantial shareholder	**Capacity/ Nature of interest**	**Description of Shares**	**Number of Shares**	**Approximate percentage of shareholding in the total issued share capital**	**Number of Shares**	**Approximate percentage of shareholding in the total issued Unlisted Shares/ H Shares**	**Approximate percentage of shareholding in the total issued share capital**
Wuhan Gaotai Yuntian Investment Management Co., Ltd.* (武漢高泰雲天投資管理有限公司)(9)	Interest in controlled corporation	Unlisted Shares	8,636,877	2.34%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Lited Group Co., Ltd.* (利泰集團有限公司)(9).	Interest in controlled corporation	Unlisted Shares	8,636,877	2.34%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Jiang Liming (江黎明)(9)	Interest in controlled corporation	Unlisted Shares	8,636,877	2.34%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Shenzhen Fortune Caizhi Venture Capital Management Co. Ltd.* (深圳市達晨財智創業投資管理有限公司)(10)	Interest in controlled corporation	Unlisted Shares	9,119,997	2.47%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Hunan TV & Broadcast Intermediary Co., Ltd.* (湖南電廣傳媒股份有限公司)(10) . .	Interest in controlled corporation	Unlisted Shares	9,119,997	2.47%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
State-owned Assets Supervision and Administration Commission of Gaoyao District, Zhaoqing City (肇慶市高要區國有資產監督管理局).	Interest in controlled corporation	Unlisted Shares	6,000,000	1.62%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]
Zhaoqing Gaoyao District Gaohong Industrial Investment Development Co., Ltd.* (肇慶市高要區高宏產業投資發展有限公司)(11)	Beneficial Owner	Unlisted Shares	6,000,000	1.62%	[REDACTED]	[REDACTED]	[REDACTED]
		H Shares	–	–	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The table above assumes the [**REDACTED**] becomes unconditional and the [**REDACTED**] are issued pursuant to the [**REDACTED**] and no new Shares are issued under the [**REDACTED**], and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and [**REDACTED**]. The calculation is based on the total number of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares in issue upon [**REDACTED**].

(2) Ms. Lai Meifeng (賴梅鳳), Ms. Zheng Meiqing (鄭枚青), Ms. Ye Guilian (葉桂連), Ms. Wang Ying (王瑛) and Ms. Liu Qiong (劉瓊) are the spouses of Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan and Mr. Li Wang, respectively. Accordingly, they are deemed to be interested in the Unlisted Shares held by their respective spouse (i.e. Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan and Mr. Li Wang) for the purpose of Part XV of the SFO.

(3) Zhaoqing Shengda is a limited partnership established under the laws of the PRC of which Mr. Li Sen is the general partner and controls all the votes in the Company that are held through Zhaoqing Shengda. Zhaoqing Shengda is an entity established for providing incentives to our senior management and core employees for their contributions to our Company. As of the Latest Practicable Date, Mr. Li Sen is the general partner of Zhaoqing Shengda and holds approximately 59.03% of the equity interest in Zhaoqing Shengda. The remaining equity interests in Zhaoqing Shengda are held by 19 limited partners consisting of one executive Director (Mr. Li Xin), two Supervisors (Mr. Liu Zhoumo and Mr. Li Jianqing), three senior management (Mr. Xu Youbin, Ms. Fu Xiaohua and Mr. Ye Daxin) and other individuals who are employees of our Group. None of such other employees holds more than one-third of the equity interest of Zhaoqing Shengda. As such, Mr. Li Sen is deemed to be interested in the Unlisted Shares held by Zhaoqing Shengda for the purpose of Part XV of the SFO.

(4) Zhaoqing Senlong is an investment platform established as a limited partnership under the laws of the PRC of which Mr. Li Sen is the general partner and controls all the votes in the Company that are held through Zhaoqing Senlong. As of the Latest Practicable Date, Zhaoqing Senlong has two limited partners, including Ms. Ling Ruixiu (凌瑞秀), an Independent Third-Party, who holds 68.3% of the equity interest in Zhaoqing Senlong and Zhaoqing Hongsheng Energy Technology Partnership (Limited Partnership)* (肇慶鴻升能源技術合夥企業(有限合夥)) ("**Zhaoqing Hongsheng**"), which holds 21.5% of the equity interest in Zhaoqing Senlong. Zhaoqing Hongsheng is in turn beneficially owned as to 99.0% by Mr. Li Sen and 1.0% by Mr. Li Xiang (李相), who is the son of Mr. Li Sen. As such, Mr. Li Sen is deemed to be interested in the Unlisted Shares held by Zhaoqing Senlong for the purpose of Part XV of the SFO.

(5) Jiangxi Dongliang is a limited company established under the laws of the PRC and beneficially owned as to 20.0% by each of the Li Brothers. Jiangxi Dongliang and each of the Li Brothers have entered into the AIC Agreement dated July 22, 2021 as supplemented by a supplemental AIC confirmation dated November 16, 2024 to confirm the acting in concert arrangement. For further details, please refer to "History and Corporate Structure — Acting in Concert Arrangement." As such, Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan, Mr. Li Wang and Jiangxi Dongliang is deemed to be interested in the Shares which each other has interest (including the interest held by Mr. Li Sen through his controlled corporations comprising Zhaoqing Shengda and Zhaoqing Senlong) for the purpose of Part XV of the SFO.

(6) Guangzhou Yingtao is a limited company established under the laws of the PRC in July 2014 and engaged in investment management. Guangzhou Yingtao is owned as to 80.0% by Mr. Zhou Xingyang. Accordingly, Mr. Zhou Xingyang is deemed to be interested in the Unlisted Shares held by Guangzhou Yingtao for the purpose of Part XV of the SFO.

(7) Wanzai Changsheng Investment Co., Ltd.* (萬載長盛投資有限公司) is beneficially owned by 16 shareholders, none of which holds 30.00% or more of the equity interest therein.

(8) The general partner of CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund Partnership (Limited Partnership)* (中電中金(廈門)智能產業股權投資基金合夥企業(有限合夥)) is CEC & CICC (Xiamen) Electronics Industry Private Equity Investment Management Co., Ltd.* (中電中金(廈門)電子產業私募股權投資管理有限公司) which is owned 51.00% by CICC Capital Management Co., Ltd.* (中金資本運營有限公司), a wholly owned subsidiary of China International Capital Corporation Limited* (中國國際金融股份有限公司), a company listed on both Shanghai Stock Exchange (stock code: 601995) and Hong Kong Stock Exchange (stock code: 03908). Accordingly, each of CEC & CICC (Xiamen) Electronics Industry Private Equity Investment Management Co., Ltd., CICC Capital Management Co., Ltd. and China International Capital Corporation Limited is deemed to be interested in the Shares held by CEC & CICC (Xiamen) Intelligent Industry Equity Investment Fund Partnership (Limited Partnership) for the purpose of Part XV of the SFO.

(9) The general partner of Hubei Gaotai Yuntian II Equity Investment Partnership (Limited Partnership)* (湖北高泰雲天二期股權投資合夥企業(有限合夥)) ("**Gaotai Yuntian**") is Wuhan Gaotai Yuntian Investment Management Co., Ltd.* (武漢高泰雲天投資管理有限公司), which is owned as to 59.22% by Lited Group Co., Ltd.* (利泰集團有限公司) ("**Lited Group**"). Lited Group is ultimately owned as to 90.00% by Jiang Liming (江黎明), an Independent Third Party. Gaotai Yuntian has three limited partners among which, Lited Group is its largest limited partner and holds approximately 58.82% of the partnership interest in Gaotai Yuntian. Accordingly, each of Wuhan Gaotai Yuntian Investment Management Co., Ltd., Lited Group and Jiang Liming is deemed to be interested in the Shares held by Gaotai Yuntian for the purpose of Part XV of the SFO.

(10) Shenzhen Fortune Caizhi Venture Capital Management Co. Ltd.* (深圳市達晨財智創業投資管理有限公司) ("**Fortune Venture**") is the general partner of each of Shenzhen Fortune Chuangcheng Private Equity Investment Fund Enterprise (Limited Partnership)* (深圳市達晨創程私募股權投資基金企業(有限合夥)) ("**Shenzhen Fortune**"), Hangzhou Fortune Chuangcheng Equity Investment Fund Partnership (Limited Partnership)* (杭州達晨創程股權投資基金合夥企業(有限合夥)) ("**Hangzhou Fortune**"), Beijing Fortune Caizhi SME Development Fund Partnership (Limited Partnership)* (北京達晨財智中小企業發展基金合夥企業(有限合夥)) ("**Beijing Fortune**") and Shenzhen Caizhi Chuangying Private Equity Investment Enterprise (Limited Partnership)* (深圳市財智創贏私募股權投資企業(有限合夥)) ("**Shenzhen Caizhi**"). As of the Latest Practicable Date, Shenzhen Fortune, Hangzhou Fortune, Beijing Fortune and Shenzhen Caizhi holds 3,863,999 Unlisted Shares, 2,318,400 Unlisted Shares, 2,649,599 Unlisted Shares and 287,999 Unlisted Shares, respectively, and, immediately after the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), would hold [**REDACTED**] H Shares, [**REDACTED**] H Shares, [**REDACTED**] H Shares and [**REDACTED**] H Shares, respectively. Fortune Venture is ultimately controlled by Hunan TV & Broadcast Intermediary Co., Ltd.* (湖南電廣傳媒股份有限公司) ("**Hunan TV**"), a company listed on the Shenzhen Stock Exchange (stock code: 000917). Accordingly, each of Fortune Venture and Hunan TV is deemed to be interested in the Shares held by Shenzhen Fortune, Hangzhou Fortune, Beijing Fortune and Shenzhen Caizhi for the purpose of Part XV of the SFO.

(11) Zhaoqing Gaoyao District Gaohong Industrial Investment Development Co., Ltd.* (肇慶市高要區高宏產業投資發展有限公司) is ultimately controlled by the State-owned Assets Supervision and Administration Commission of Gaoyao District, Zhaoqing City (肇慶市高要區國有資產監督管理局).

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interest and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

This section presents certain information regarding our share capital before and upon completion of the [**REDACTED**].

BEFORE THE [REDACTED]

As of the Latest Practicable Date, the registered share capital of our Company was RMB369,616,500, comprising 369,616,500 Unlisted Shares with a nominal value of RMB1.00 each.

COMPLETION OF THE [REDACTED]

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be [**REDACTED**] from Unlisted Shares(1)	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Note:

1. The Company has applied to the CSRC for the [**REDACTED**] of [**REDACTED**] Unlisted Shares into H Shares and the CSRC has issued notice of filing on [●] 2024. Please refer to "History and Corporate Structure — Public Float" for details of the identities of the Shareholders whose Shares will be [**REDACTED**] into H Shares upon [**REDACTED**].

Immediately following the completion of the [**REDACTED**] and the [**REDACTED**] of certain Unlisted Shares into H Shares, assuming that the [**REDACTED**] is fully exercised, the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]
H Shares to be [**REDACTED**] from Unlisted Shares[1]	[**REDACTED**]	[**REDACTED**]
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Note:

1. The Company has applied to the CSRC for the [**REDACTED**] of [**REDACTED**] Unlisted Shares into H Shares and the CSRC has issued notice of filing on [●] 2024. Please refer to "History and Corporate Structure — Public Float" for details of the identities of the Shareholders whose Shares will be [**REDACTED**] into H Shares upon [**REDACTED**].

OUR SHARES

The H Shares in issue following the completion of the [**REDACTED**] and the Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong stock exchanges connectivity mechanism (Shanghai-Hong Kong Stock Connect) and the Shenzhen-Hong Kong stock exchanges connectivity mechanism (Shenzhen-Hong Kong Stock Connect) and other persons entitled to hold H Shares pursuant to the relevant PRC laws and regulations or upon approval by any competent authorities, H Shares generally may not be subscribed for by, or traded between, legal or natural persons of the PRC. H Shares may only be subscribed for and traded in Hong Kong dollars.

RANKING

Unlisted Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made after the date of this document. All dividends in respect of our Shares will be paid in Hong Kong dollars or Renminbi, as the case may be. In addition to cash, dividends may also be distributed in the form of Shares.

[REDACTED] OF OUR UNLISTED SHARES INTO H SHARES

According to the regulations prescribed by the securities regulatory authorities of the State Council, the Unlisted Shares may be [**REDACTED**] into shares that are [**REDACTED**] and [**REDACTED**] on an overseas stock exchange subject to compliance with the requirements and procedures under the relevant laws and regulations in the PRC. In addition, such [**REDACTED**] shall also comply with the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

In accordance with the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies (《H股公司境內未上市股份申請"全流通"業務指引》) ("**Full Circulation Guidelines**") published and implemented by the CSRC on November 14, 2019 and amended on August 10, 2023 and the Trial Measures, domestic unlisted shares of H-share companies (including domestic unlisted shares held by domestic shareholders prior to the overseas listing, domestic unlisted shares further issued in the PRC after the overseas listing and unlisted shares held by foreign shareholders) could be listed and traded on the Stock Exchange after application to file with the CSRC. The Full Circulation Guidelines are applicable to domestic companies listed on the Stock Exchange only and not applicable to companies dual listed in the PRC and on the Stock Exchange.

If any of the Unlisted Shares are to be [**REDACTED**] as H Shares on the Stock Exchange, such [**REDACTED**] will require the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Stock Exchange.

Upon completion of the [**REDACTED**], [**REDACTED**] Unlisted Shares held by [**REDACTED**] existing Shareholders will be [**REDACTED**] into H Shares on a [**REDACTED**] basis. The [**REDACTED**] of these Unlisted Shares into H Shares have been filed with CSRC and the CSRC issued notice of filing on [●] 2024 and an application has been made to the Listing Committee for such H Shares to be [**REDACTED**] on the Stock Exchange.

Based on the procedures for the [**REDACTED**] of our Unlisted Shares into H Shares as disclosed in this section, we can apply for the [**REDACTED**] of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed [**REDACTED**] to ensure that the [**REDACTED**] process can be completed promptly upon notice to the Stock Exchange and delivery of Shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it will not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong.

After all the requisite approvals have been obtained, the following procedures will need to be completed: the relevant Unlisted Shares will be withdrawn from the Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our H Share register will be on the condition that (a) our [**REDACTED**] lodges with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register of members and the due dispatch of H Share certificates and (b) the admission of the H Shares to [**REDACTED**] on the Stock Exchange will comply with the Listing Rules and the [**REDACTED**] and [**REDACTED**] in force from time to time. Until the [**REDACTED**] Shares are re-registered on our H Share register, such Shares would not be [**REDACTED**] as H Shares.

For further details, please refer to "Risk Factors — Risks Relating to the [**REDACTED**] — Future sales or perceived sales of substantial amounts of our H Shares in the [**REDACTED**] could have a material adverse effect on the prevailing [**REDACTED**] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding."

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to this statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company unless otherwise permitted by applicable laws and regulations. The Shares that the aforementioned persons hold in our Company cannot be transferred within half a year after they leave their positions as Directors, Supervisors and members of the senior management in our Company.

REGISTRATION OF SHARES NOT [REDACTED] ON AN OVERSEAS STOCK EXCHANGE

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, the Company is required to register the Unlisted Shares with the CSDC within 15 business days upon the [**REDACTED**] and provide a written report to the CSRC regarding the results of centralized registration and deposit of the Unlisted Shares as well as the [**REDACTED**] and [**REDACTED**] of the H Shares.

APPROVAL FROM HOLDERS OF OUR SHARES REGARDING THE [REDACTED]

Approval from holders of the Shares is required for the Company to issue H Shares and seek the [**REDACTED**] of H Shares on the Stock Exchange. The Company has obtained such approval at the Shareholders' extraordinary general meeting held on December 15, 2024.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING IS REQUIRED

For details of circumstances under which our Shareholders' general meeting is required, see "Summary of the Articles of Association" in Appendix VII.

OVERVIEW

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our Company as a joint stock company has established a board of supervisors under the PRC Company Law. The board of supervisors is primarily responsible for supervising the performance of the Board and senior management and the financial operations, internal control and risk management. Our Supervisory Committee consists of three Supervisors including one employee representative Supervisor. Our Supervisors are elected for a term of three years and may be subject to re-election.

DIRECTORS

The following table provides information about our Directors:

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Mr. Li Sen (李森先生)	55	Executive Director, Chairman of the Board and general manager	December 2010	March 2021	Overall strategic planning, business development and management of our Group.
Mr. Li Xin (李鑫先生)	61	Executive Director, vice chairman of the Board and Deputy General Manager	December 2010	March 2021	Assist the chairman of the Board in formulating strategic plans, operational plans and making significant decisions.
Mr. Zhou Chutao (周楚濤先生)	26	Executive Director	January 2022	January 2022	Overseeing the operation of the lithium-ion battery circular recycling business.
Ms. Xing Lizhe (邢麗喆女士)	40	Non-executive Director	August 2022	August 2022	Providing advice on the operation and management of our Group.

Name	Age	Positions	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities
Dr. Chen Yixi (陳怡西博士)	41	Independent non-executive Director	January 2022	January 2022	Providing independent opinion and judgment to the Board.
Mr. Wang Chaoxi (王朝曦先生)	52	Independent non-executive Director	November 2023	November 2023	Providing independent opinion and judgment to the Board.
Dr. Luo Zhengtang (羅正湯博士)	48	Independent non-executive Director	December 2024	December 2024	Providing independent opinion and judgment to the Board.

Mr. Li Sen, our executive Director, chairman of the Board and general manager, Mr. Li Xin, our executive Director and vice chairman of the Board, and Mr. Li Yao, our deputy general manager, are brothers. Mr. Ye Daxin, our deputy general manager, is the brother of the spouse of Mr. Li Yao, our deputy general manager. Other than that, none of our Directors, Supervisors and members of senior management are related to other Directors, Supervisors or members of senior management.

Save as disclosed in this document, (i) none of our Directors held any directorships in public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years immediately preceding the date of this document; (ii) to the best knowledge, information and belief of the Directors having made all reasonable inquiries, there were no other matters with respect to the appointment of the Directors that need to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in November 2024, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Executive Directors

Mr. Li Sen (李森先生), aged 55, is an executive Director, the chairman of the Board and the general manager of our Group. Mr. Li Sen co-founded our Group in December 2010 and has been a Director, the chairman of the Board and the general manager of our Group since March 2021. Mr. Li Sen is primarily responsible for the overall strategic planning, business development and management of our Group. Mr. Li Sen serves as the chair of the Strategy Committee, a member of the Nomination Committee, and a member of the Remuneration and Appraisal Committee.

Mr. Li Sen has held several executive positions within our Group. He has been an executive director and the general manager of Jiangxi Longsheng New Material Co., Ltd. (江西龍晟新材料有限公司) since November 2022, an executive director and the general manager of Jiangxi Senneng New Material Technology Co., Ltd. (江西森能新材料科技有限公司) since September 2022, the chairman of the board, an executive director and the general manager of Jiangxi Zhongda New Material Technology Co., Ltd. (江西眾大新材料科技有限公司) since September 2019 and the chairman of the board, an executive director and the general manager of Jiangxi Ruida New Energy Technology Co., Ltd. (江西睿達新能源科技有限公司) since October 2014. Mr. Li Sen currently also holds various positions outside the Group. He has been a supervisor of Jiangxi Wanzai Rural Commercial Bank Limited (江西萬載農村商業銀行股份有限公司), which engages in banking services, since August 2014, an executive director of Jiangxi Dongliang Investment Holding Co., Ltd. (江西東亮投資控股有限公司), engaging in investment project management, since March 2014 and the chairman of the board of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司), specializing in processing the industrial waste, since October 2011.

Mr. Li Sen previously served as the chairman of the board of Jiangxi Ruishen Environmental Protection Co., Ltd. (江西睿深環保有限公司) from July 2019 to April 2021, a director of Jiangxi Fengdasheng Science and Technology Co-innovation Co., Ltd. (江西鋒達晟科技協同創新有限公司) from December 2018 to January 2020, an executive director of Jiangxi Yingdian Power Development Co., Ltd. (江西盈電電力發展有限公司) from February 2017 to September 2020, the chairman of the board of Jiangxi Ruineng Investment Holding Co., Ltd. (江西睿能投資控股有限公司) from August 2014 to January 2016, the chairman of the board of Jiangxi Yigan Industrial Co., Ltd. (江西省宜贛實業有限公司) from June 2014 to January 2016 and the chairman of the board and the general manager of Jiangxi Ruixin New Energy Material Co., Ltd. (江西睿鑫新能源材料有限公司) from August 2014 to May 2015.

Mr. Li Sen received a college degree in business and enterprise management and a bachelor's degree in business administration from Northwestern Polytechnical University (西北工業大學) in the PRC through distance learning in January 2021 and January 2024, respectively. He obtained the qualification of senior engineer (高級工程師) from Jiangxi Provincial Professional Title Work Office (江西省職稱工作辦公室) in the PRC in December 2022.

Mr. Li Sen was a director of certain companies established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Gaoyao Jinmao Changxing Copper Industry Co., Ltd.* (高要市金茂長興銅業有限公司).	Production and sales of copper, nickel, lead, zinc, tin non-ferrous metals and metal materials	Dissolution by members' resolution	Deregistration	November 12, 2011	Chairman of the board of directors and general manager
Jiangxi Ruixin New Energy Materials Co., Ltd.* (江西睿鑫新能源材料有限公司)	Research and development, production and sales of new energy materials, battery cathode materials and precursor materials	Dissolution by members' resolution	Deregistration	May 7, 2015	Chairman of the board of directors and general manager
Jiangxi Ruineng Investment Holdings Co., Ltd.* (江西睿能投資控股有限公司) . .	Investment holding	Dissolution by members' resolution	Deregistration	January 28, 2016	Chairman of the board of directors
Jiangxi Yigan Industrial Co., Ltd.* (江西省宜贛實業有限公司). . . .	Investment holding	Dissolution by members' resolution	Deregistration	January 28, 2016	Chairman of the board of directors
Jiangxi Yingdian Electric Power Development Co., Ltd.* (江西盈電電力發展有限公司) . .	Electric power marketing, sales, consulting, power data technology, data management services; material sales, maintenance and testing of power supply and distribution equipment, electric power investment, and electric power engineering construction	Dissolution by members' resolution	Deregistration	September 27, 2020	Executive director

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Jiangxi Fengdasheng Technology Collaborative Innovation Co., Ltd.* (江西鋒達晟科技協同創新有限公司)	Development, consultation, technical services, promotion and transfer in the field of comprehensive utilization of waste metal resources	Dissolution by members' resolution	Deregistration	January 10, 2020	Director
Jiangxi Ruishen Environmental Protection Co., Ltd.* (江西睿深環保有限公司)	Industrial waste recovery and comprehensive utilization, non-ferrous metal processing, product import and export and trade	Dissolution by members' resolution	Deregistration	April 12, 2021	Chairman of the board of directors
Gaoyao Jinye Metal Development Co., Ltd.* (高要市金業金屬發展有限公司)	Production, processing and sales: non-ferrous metal materials (except items prohibited by laws and administrative regulations, items restricted by laws and administrative regulations must obtain a license before operation), nickel sulfate, ordinary zinc sulfate	Dissolution by members' resolution	Deregistration	July 23, 2014	Executive director

To the best knowledge, information and belief of Mr. Li Sen, he confirmed that (i) the above companies were solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above companies; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

Mr. Li Xin (**李鑫先生**), aged 61, is an executive Director, vice chairman of the Board and deputy general manager of our Group. Mr. Li Xin has been our Director and deputy general manager since March 2021 and January 2022, respectively, and was further appointed as the vice chairman of the Board in June 2024. Mr. Li Xin is responsible for the assisting the chairman of the Board in formulating strategic plans, operational plans and making significant decisions. Mr. Li Xin serves as a member of the Strategy Committee.

Mr. Li Xin co-founded our Group in December 2010. He also served as a director of Jiangxi Ruida New Energy Technology Co., Ltd. (江西睿達新能源科技有限公司) from October 2014 to December 2021.

Mr. Li Xin currently holds various positions outside the Group, including as a supervisor of Jiangxi Dongliang Investment Holding Co., Ltd. (江西東亮投資控股有限公司), engaging in investment project management, since March 2014 and a director of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司), specializing in processing the industrial waste, since October 2011. Mr. Li Xin also served as a director of Jiangxi Ruishen Environmental Protection Co., Ltd. (江西睿深環保有限公司) from July 2019 to April 2021 and a director of Jiangxi Fengdasheng Science and Technology Co-innovation Co., Ltd. (江西鋒達晟科技協同創新有限公司) from December 2018 to January 2020. Prior to co-founding our Group, Mr. Li Xin served as a supervisor of Gaoyao Jinmao Changxing Copper Co., Ltd. (高要市金茂長興銅業有限公司) from December 2006 to November 2011. From August 2005 to July 2014, Mr. Li Xin served as a supervisor of Gaoyao Jinye Metal Development Co., Ltd. (高要市金業金屬發展有限公司).

Mr. Li Xin received a college diploma in administrative management from University of Electronic Science and Technology of China (電子科技大學) in the PRC through distance learning in 2023.

Mr. Li Xin was a supervisor or director of certain companies established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Gaoyao Jinye Metal Development Co., Ltd.* (高要市金業金屬發展有限公司)	Production, processing and sales: non-ferrous metal materials (except items prohibited by laws and administrative regulations, items restricted by laws and administrative regulations must obtain a license before operation), nickel sulfate, ordinary zinc sulfate.	Dissolution by members' resolution	Deregistration	July 23, 2014	Supervisor

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Gaoyao Jinmao Changxing Copper Industry Co., Ltd.* (高要市金茂長興銅業有限公司)	Production and sales: copper, nickel, lead, zinc, tin non-ferrous metals, sales: metal materials.	Dissolution by members' resolution	Deregistration	November 22, 2011	Supervisor
Jiangxi Ruishen Environmental Protection Co., Ltd.* (江西睿深環保有限公司)	Industrial waste recovery and comprehensive utilization, nonferrous metal processing, product import and export and trade.	Dissolution by members' resolution	Deregistration	April 12, 2021	Director
Jiangxi Fengdasheng Technology Collaborative Innovation Co., Ltd.* (江西鋒達晟科技協同創新有限公司)	Development, consultation, technical services, promotion and transfer in the field of comprehensive utilization of waste metal resources.	Dissolution by members' resolution	Deregistration	January 10, 2020	Director
Wanzai Baoneng Industrial Co., Ltd.* (萬載保能實業有限公司)	Chemical products (except hazardous chemicals and inflammable and explosive products), enterprise management, investment management.	Dissolution by members' resolution	Deregistration	March 5, 2024	Supervisor

To the best knowledge, information and belief of Mr. Li Xin, he confirmed that (i) the above companies were solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above companies; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

Mr. Zhou Chutao (周楚濤先生), previously known as Zhou Chuhong (周楚鴻), aged 26, has been our Director since January 2022 and was re-designated as our executive Director in December 2024. He is responsible for overall strategic planning and daily operation of our Group. Mr. Zhou has also served as an assistant to the department general manager in our Lithium-ion batteries Circular Recycling Department since March 2024. Mr. Zhou has been appointed as our joint company secretary on November 16, 2024.

Mr. Zhou has served as an executive director and a manager of Guangdong Lotus Lake Agricultural Science and Technology Development Co., Ltd. (廣東蓮花湖農業科技發展有限公司), engaging in agricultural scientific research and experimental development, since February 2021. Before joining our Group, Mr. Zhou served as a business manager of Xinyi Lotus Lake Industrial Co., Ltd. (信宜蓮花湖實業有限公司), which engages in real estate development and property management, from October 2020 to January 2022.

Mr. Zhou received a bachelor's degree in administrative management from Guangzhou Institute of Business (廣州工商學院) in the PRC in 2020.

Mr. Zhou was a supervisor of certain company established in the PRC below prior to its dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Guangzhou Silingsi Script Cultural Media Co., Ltd. * (廣州肆零肆劇本文化傳媒有限公司).	Organizing cultural and artistic activities, entertainment activities, sales of toys, animation and entertainment supplies	Dissolution by members' resolution	Deregistration	July 12, 2023	Supervisor

To the best knowledge, information and belief of Mr. Zhou, he confirmed that (i) the above company was solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above company; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

Non-executive Directors

Ms. Xing Lizhe (邢麗喆女士), aged 40, has been a Director of our Group since August 2022 and was re-designated as our non-executive Director in December 2024. Ms. Xing is responsible for providing advice on the operation and management of our Group.

Ms. Xing has served as a director of Beijing Saidemei Resource Reuse Research Institute Co., Ltd. (北京賽德美資源再利用研究院有限公司), which engages in resource recycling technology development and industrialization, since August 2022, the chairlady of the board and a director of Beijing Jinshajiang Intelligent Agriculture Technology Co., Ltd. (北京金沙江智慧農業科技有限公司), specializing in development, promotion of agricultural technology, since April 2017 and a director of Shenzhen Zhongjin Dajiang Equity Investment Fund Management Co., Ltd. (深圳中金大江股權投資基金管理有限公司), primarily engaging in equity investment fund management, since March 2017.

Prior to joining our Group, Ms. Xing also served as the general manager of fourth investment department of CITIC Juxin (Beijing) Capital Management Co., Ltd. (中信聚信(北京)資本管理有限公司), engaging in investment management, from December 2019 to January 2022 and a partner of Beijing Jinshajiang Venture Capital Management Co., Ltd. (北京金沙江創業投資管理有限公司), engaging in managing enterprises invested by venture capital, from December 2012 to November 2019.

Ms. Xing received a bachelor's degree in financial management (securities investment) from Beijing University of Information Science and Technology (北京信息科技大學) in the PRC in 2006 and a master's degree in administrative management from Tsinghua University (清華大學) in the PRC in July 2018.

Ms. Xing was a director of certain company established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Xinjiang Tianshan Feihong Technology Co., Ltd. * (新疆天山飛虹科技股份有限公司).	Technology promotion and transfer activities	Dissolution by members' resolution	Deregistration	January 24, 2019	Director

To the best knowledge, information and belief of Ms. Xing, she confirmed that (i) the above company was solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on her part leading to the dissolution of the above company; (iii) she is not aware of any actual or potential claim that has been or will be made against her as a result of the dissolution of above company; and (iv) she has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

Independent Non-executive Directors

Dr. Chen Yixi (**陳怡西博士**), aged 41, was appointed as our independent Director in January 2022 and was re-designated as our independent non-executive Director in December 2024. Dr. Chen is primarily responsible for supervising and providing independent opinion and judgment to the Board. Dr. Chen serves as the chair of the Nomination Committee, a member of the Audit Committee, and a member of the Remuneration and Appraisal Committee.

Dr. Chen is a professor at Guangdong University of Foreign Studies (廣東外語外貿大學) since July 2008, and has served as an independent director of Crown New Materials Technology Corporation (皇冠新材料科技股份有限公司), engaging in development, production and sales of adhesive products, since August 2023. Dr. Chen received a bachelor's degree in law, a master's degree in economic law, and a doctoral degree in economic law from Southwest University of Political Science and Law (西南政法大學) in the PRC in 2005, 2008 and 2015, respectively.

Dr. Chen holds the Chinese Law Practice Qualification Certificate issued by the Ministry of Justice of the PRC (中華人民共和國司法部) since February 2007 and holds the qualification certificate for independent directors of listed companies (上市公司獨立董事資格證書).

Mr. Wang Chaoxi (王朝曦先生), aged 52, was appointed as our independent Director in November 2023 and was re-designated as our independent non-executive Director in December 2024. Mr. Wang is primarily responsible for supervising and providing independent opinion and judgment to the Board. Mr. Wang serves as the chairman of the Audit Committee, the chairman of the Remuneration and Appraisal Committee, and a member of the Nomination Committee.

Mr. Wang served as a partner of Guangzhou Dafushi Investment Co., Ltd. (廣州大富時投資有限公司), which primarily engages in supply chain management and information consulting services, since February 2016. Prior to joining our Group, Mr. Wang served as an independent director of Haoyun Technologies Co. Ltd. (浩雲科技股份有限公司) (300448.SZ), primarily engaging in development of Internet of Things platform and related technologies, from September 2011 to January 2018, an independent director of Xilong Scientific Co. (西隴科學股份有限公司) (002584.SZ), engaging in production and sales of chemical products, from December 2008 to January 2015, the vice president and chief financial officer of Guangzhou Tiangao Group Co., Ltd. (廣州市天高集團有限公司), engaging in material science research and technology development, from April 2004 to December 2015. Prior to that, Mr. Wang also served as the chief financial officer of Beijing Zhongxun Quntong Technology Co., Ltd. (北京中訊群通科技股份有限公司), engaging in communication technology development, from August 2001 to August 2003 and a teacher of accounting department of Hunan University of Commerce (湖南商學院) from July 1994 to August 1997.

Mr. Wang received a bachelor's degree in economics from Hunan University of Commerce in the PRC in 1994 and a master's degree in management from Sun Yat-sen University (中山大學) in the PRC in 2000. Mr. Wang also received the master of business administration degree from Sun Yat-sen University in 2018. Mr. Wang is currently a certified accountant conferred by the Ministry of Finance of PRC (中華人民共和國財政部) and a qualified PRC lawyer conferred by the Ministry of Justice of PRC (中華人民共和國司法部).

Mr. Wang was a director or general manager of certain companies established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Defu Fund Management (Shenzhen) Co., Ltd.* (得富基金管理(深圳)有限公司)	Entrusted asset management, investment management, equity investment, entrusted to manage equity investment funds	Dissolution by members' resolution	Deregistration	February 3, 2023	Executive director
Dafushi Fund Management (Shenzhen) Co., Ltd.* (大富時基金管理(深圳)有限公司)	Entrusted asset management, investment management, equity investment, entrusted to manage equity investment funds	Dissolution by members' resolution	Deregistration	February 3, 2023	General manager

To the best knowledge, information and belief of Mr. Wang, he confirmed that (i) the above companies were solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above companies; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

Dr. Luo Zhengtang (羅正湯博士), aged 47, has been our independent non-executive Director since December 2024. Dr. Luo is primarily responsible for supervising and providing independent opinion and judgment to the Board.

Dr. Luo has been a professor in Hong Kong University of Science and Technology since July 2023. Prior to that, he served as a postdoctoral fellow at University of Pennsylvania in the United Sates from August 2007 to March 2012. Dr. Luo received a dual bachelor's degree in polymer chemistry and business management and a master's degree in material science from South China University of Technology (華南理工大學) in the PRC in 1998 and 2001, respectively. He obtained a master's degree and a doctoral degree in polymer material from University of Connecticut in the U.S. in 2004 and 2007, respectively. He is a fellow of the Royal Society of Chemistry, FRSC in the United Kingdom.

Dr. Luo was a director of a certain company established in the PRC below prior to its dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Guangzhou Zhengyuan Graphene Material Technology Co., Ltd.* (廣州錚遠墨烯材料科技有限公司)	Research and development, promotion, consulting services of materials	Dissolution by members' resolution	Deregistration	June 21, 2023	Executive director

To the best knowledge, information and belief of Dr. Luo, he confirmed that (i) the above company was solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above company; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above company; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

SUPERVISORS

The following table provides information about our Supervisors:

Name	Age	Position	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities
Mr. Liu Zhoumo (劉周謨先生)	61	Chairman of the Supervisory Committee	September 2020	January 2022	Supervise the operation of our Group and exercise supervision over the Directors and senior management.
Mr. Yang Tinghui (楊廷輝先生)	39	Supervisor	September 2022	October 2022	Supervise the operation of our Group and exercise supervision over the Directors and senior management.
Mr. Li Jianqing (李劍清先生)	38	Employee Supervisor	December 2020	January 2022	Supervise the operation of our Group and exercise supervision over the Director and senior management.

Mr. Liu Zhoumo (劉周謨先生), aged 61, has been the chairman of our Supervisory Committee and a Supervisor since January 2022. He is primarily responsible for supervision of the operation of our Group and supervision over the Directors and senior management.

Mr. Liu has extensive experience in operation management of metal factory. He joined our Group in September 2020 and has served as a supervisor of Jiangxi Longsheng New Material Co., Ltd. (江西龍晟新材料有限公司) since November 2022, a supervisor of Jiangxi Zhongda New Material Technology Co., Ltd. (江西眾大新材料科技有限公司) since December 2021 and an assistant to general manager and a supervisor of Jiangxi Ruida New Energy Technology Co., Ltd. (江西睿達新能源科技有限公司) since September 2020. Mr. Liu also served as an executive director of Wanzai Changsheng Investment Co., Ltd. (萬載長盛投資有限公司), primarily engaging in investment project management since March 2023. Prior to joining our Group, Mr. Liu worked as a factory manager and an assistant to the general manager at Wanzai Zhicheng Industry Co., Ltd. (萬載志成實業有限公司) from October 2014 to August 2020. From October 2011 to March 2014, he worked as a factory manager of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司), specializing in processing industrial waste. Prior to that, Mr. Liu worked as a factory manager of Zhaoqing Jinsheng Metal Industry Co., Ltd. (肇慶市金晟金屬實業有限公司) from October 2010 to December 2011. Mr. Liu received his high school diploma from Guangdong Xinyi Qianpai Middle School (廣東省信宜市錢排中學) in the PRC in September 1980.

Mr. Yang Tinghui (楊廷輝先生), aged 39, has been our Supervisor since October 2022. He is primarily responsible for supervision of the operations of our Group and supervision over the Directors and senior management.

Mr. Yang joined our Group in September 2022. Mr. Yang has served as a supervisor of Zhejiang Zhiyu Information Technology Co., Ltd. (浙江執禦信息技術有限公司), engaging in network technology service, since April 2018, a director of Hangzhou Sanfeng Technology Co., Ltd. (杭州三瘋科技有限公司), primarily engages in hotel supplies since June 2018, and a director of Hangzhou Lianhui Technology Co. (杭州聯匯科技股份有限公司), engaging in network technology service, from March 2018 to April 2024. Additionally, Mr. Yang has served as a director of Guangzhou Yidou Network Technology Co., Ltd. (廣州壹豆網絡科技有限公司), mainly providing marketing planning, since October 2017. He served as a director of Hangzhou Tisu Culture Communication Co., Ltd. (杭州緹蘇文化傳播有限公司), engaging in online sales, from January 2019 to January 2022, a director of Zhejiang Jifeng Geotechnical Technology Co. (浙江績豐岩土技術股份有限公司), specializing in construction services, from June 2018 to March 2021, a director of Hangzhou Lianglin Electronic Technology Co. (杭州良淋電子科技股份有限公司), primarily engages in research, development, production and sales of electronic signal transmission cables, from May 2018 to September 2020, and a director of Xiamen Seal Taqu Information Technology Co. (廈門海豹他趣信息技術股份有限公司), providing network information services, from June 2019 to March 2021.

Mr. Yang received his master's degree in finance business administration from the Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2019 and his bachelor's degree in physics at the Special Class for the Gifted Young (少年班) from University of Science and Technology of China (中國科學技術大學) in the PRC in July 2007.

Mr. Li Jianqing (李劍清先生), aged 38, has been our Employee Supervisor since January 2022. He is primarily responsible for supervision of the operations of our Group and supervision over the Directors and senior management on behalf of our employees.

Mr. Li Jianqing joined our Group in December 2020. Mr. Li Jianqing has served as a secretary to the vice chairman of the Board since August 2024 and a Supervisor since January 2022. Mr. Li Jianqing also served as the head of the planning department of our Company from January 2024 to August 2024, an assistant to the operation director of our Company from January 2022 to December 2022 and an assistant to the operation director of Zhaoqing Jinsheng Metal Industry Co., Ltd. (肇慶市金晟金屬實業有限公司) from December 2020 to January 2022. Additionally, Mr. Li Jianqing has also served as a supervisor of Suqian Shenghong Shengli New Energy Technology Co., Ltd. (宿遷盛鴻昇立新能源科技有限公司), primarily engaging in research and development of emerging energy technologies, since October 2021, a supervisor of Guangdong Baihe Culture Media Co., Ltd. (廣東省百和文化傳媒有限公司), engaging in organizing cultural and artistic activities, since June 2020 and a supervisor of Ningbo Lewei International Travel Service Co., Ltd. (寧波市樂唯國際旅行社有限公司), providing travel agency services, since November 2019. Mr. Li Jianqing previously served as a supervisor of Maoming Baixi Trading Co. Ltd. (茂名百喜貿易有限公司), engaging in sales of different types of products, from June 2020 to April 2021, an assistant to general manager of Jiangxi Ruida New Energy Technology Co. Ltd. (江西睿達新能源科技有限公司) from June 2020 to December 2020, an executive director and the general manager of Shenzhen Keruixin Trading Co., Ltd. (深圳市柯瑞鑫貿易有限公司), engaging in sales of electronic products, from January 2018 to June 2020, and a sale director of Shenzhen Dolphin Duoduo International Travel Service Co., Ltd. (深圳市海豚哆哆國際旅行社有限公司), providing travel agency services, from April 2013 to June 2020. Prior to that, Mr. Li Jianqing served as a sale manager for Shenzhen of Kaihong Mobile Communication Co., Ltd. (深圳凱虹移動通信有限公司), engaging in development and production of mobile phones, from October 2012 to February 2013 and a project manager of Shenzhen Black Shark Technology Co. (深圳黑鯊科技有限公司), engaging in development and sales of computer software, from May 2010 to June 2012.

Mr. Li Jianqing received his bachelor's degree in Chinese language and literature from Shantou University (汕頭大學) in the PRC in June 2010.

Mr. Li Jianqing was a director, general manager or supervisor of certain companies established in the PRC below prior to their dissolution:

Name of the company	Principal business	Reason for dissolution	Method of dissolution	Date of dissolution	Position
Shenzhen Keruixin Trading Co., Ltd.* (深圳市柯瑞鑫貿易有限公司)	Research and development and sales of electronic products, communication equipment, precision instruments and automation equipment, domestic trade, import and export business	Dissolution by members' resolution	Deregistration	June 8, 2020	Executive director, general manager
Maoming Baxi Trading Co., Ltd.* (茂名百喜貿易有限公司)	Sales of clothing, cosmetics and grocery stores, commodity information consulting, domestic trade	Dissolution by members' resolution	Deregistration	April 29, 2021	Supervisor
Guangdong Baihe Cultural Media Co., Ltd.* (廣東省百和文化傳媒有限公司)	Organizing and planning cultural and artistic activities, designing, producing and publishing advertisements	Dissolution by members' resolution	Deregistration	March 27, 2023	Supervisor

To the best knowledge, information and belief of Mr. Li Jianqing, he confirmed that (i) the above companies were solvent immediately prior to their respective dissolution; (ii) there was no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of above companies; and (iv) he has not received any notification in respect of penalty, action or proceeding from the relevant authorities as a result of the dissolution.

SENIOR MANAGEMENT

The following table provides information about members of the senior management of our Company (other than our Directors):

Name	Age	Positions	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Li Sen (李森先生)	55	Executive Director, chairman of the Board and general manager	December 2010	December 2010	Overall strategic planning, business development and management of our Group.
Mr. Li Xin (李鑫先生)	61	Executive Director, vice chairman of the Board and deputy general manager	December 2010	December 2010	Assisting the chairman of the Board in formulating strategic plans, operational plans and making significant decisions.
Mr. Li Yao (李堯先生)	48	Deputy general manager	October 2014	October 2014	Assisting the chairman of the Board in operational management and business expansion.
Ms. Huang Min (黃敏女士)	38	Deputy general manager and assistant to chairman of the Board	November 2021	December 2022	Assisting the chairman of the Board in formulating strategic plans, operational plans, and making significant decisions; coordinate and organize matters related to operations, capital financing, financial audits and personnel management.

Name	Age	Positions	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities
Mr. Xu Youbin (徐友斌先生)	42	Board secretary	June 2021	June 2021	Responsible for Board related matters, legal, and corporate governance of our Group.
Ms. Fu Xiaohua (符小華女士)	45	Chief financial officer	January 2020	January 2020	Responsible for the overall corporate finance strategy and capital management of our Group.
Mr. Ye Daxin (葉大鑫先生)	47	Deputy general manager	June 2011	June 2011	Responsible for overseeing production matters of Jiangxi Longxiang.

For the biographical details of Mr. Li Sen (李森) and Mr. Li Xin (李鑫), see "— Directors."

Mr. Li Yao (李堯先生), aged 49, has been our deputy general manager since January 2022. He is primarily responsible for overall strategy and operations of our Group. Mr. Li Yao has served several positions in our Group, including as an executive director of Jiangxi Lida New Energy Co., Ltd. (江西力達新能源有限公司) since November 2022 and Hainan Ruida New Energy Technology Co., Ltd. (海南睿達新能源科技有限公司) since March 2022. Mr. Li Yao also served as a director of Jiangxi Zhongda New Material Technology Co., Ltd. (江西眾大新材料科技有限公司) from September 2019 to December 2021 and a director of Jiangxi Ruida New Energy Technology Co., Ltd. (江西睿達新能源科技有限公司) from October 2014 to December 2021. Prior to that, Mr. Li Yao served as a supply manager of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司) from August 2005 to December 2021. Additionally, Mr. Li Yao served as a supervisor of Wanzai Hongda Environmental Protection Co., Ltd. (萬載弘大環保有限公司), which engages in comprehensive utilization and recycling of industrial waste, from August 2019 to April 2021 and a supervisor of Jiangxi Fengdasheng Science and Technology Co-innovation Co., Ltd. (江西鋒達晟科技協同創新有限公司) from December 2018 to January 2020, a procurement manager of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司), specializing in processing industrial waste, from October 2011 to July 2021. Mr. Li Yao has been attending an undergraduate program of business administration from Southwestern University of Finance and Economics in the PRC through distance learning since 2020.

Ms. Huang Min (黃敏女士), aged 38, is our deputy general manager since December 2022 and also serves as the assistant to chairman of the Board since February 2022, and is responsible for assisting the chairman of the Board in formulating strategic plans, operational plans, and making significant decisions, and coordinate and organize matters related to operations, capital financing, financial audits and personnel management. Ms. Huang has been appointed as a part-time lecturer at the Department of Materials, Metallurgy and Chemistry (材料冶金化學學部) at Jiangxi University of Science and Technology (江西理工大學) since July 2022. She was previously served as an assistant to the chairman of the board of Zhaoqing Jinsheng Metal Industry Co., Ltd. (肇慶市金晟金屬實業有限公司) from December 2021 to January 2022. Ms. Huang also served as an assistant to the chairman of the board of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司), specializing in processing industrial waste, from April 2014 to December 2021. Ms. Huang received a bachelor's degrees in economics and law from Guangdong University of Technology (廣東工業大學) in the PRC in 2009. Ms. Huang was awarded the third prize of the China Nonferrous Metal Industry Scientific and Technological Progress Award (中國有色金屬工業科學技術進步三等獎) and obtained the qualification certificate for serving as the secretary to the board of directors (可擔任董事會秘書的資格證書) issued by Shenzhen Stock Exchange in February 2023.

Mr. Xu Youbin (徐友斌先生), aged 42, has been our Board secretary since June 2021. Mr. Xu has also served as an independent director of Guangzhou Jinghua Precision Optics Co. (廣州市晶華精密光學股份有限公司), engaging in providing precision optical equipments, since September 2023. Prior to joining our Group, Mr. Xu served as a partner of Guangzhou Zero Point Equity Investment Management Co., Ltd. (廣州零點股權投資管理有限公司), engaging in equity investment management, from November 2020 to June 2021, the board secretary and the chief financial officer of Guangdong Narei Radar Technology Co., Ltd. (廣東納睿雷達科技股份有限公司) (688522.SH), which engages in development and sales of radar technology, from June 2020 to November 2020, the chief financial officer of Dongguan Hunting Sound Electronic Technology Co., Ltd. (東莞市獵聲電子科技有限公司), engaging in development, production and sales of consumer electronic products, from May 2019 to June 2020, the board secretary and the chief financial officer of Guangzhou Xingya High-Tech Plastics Technology Co. (廣州星亞高新塑料科技股份有限公司), which engages in production of plastic and rubber products, from May 2017 to August 2018, the board secretary and the chief financial officer of Guangzhou Hai Zhi Guang Network Co. (廣州海之光網絡股份有限公司) (formerly known as Guangzhou Hai Zhi Guang Communication Technology Co. 廣州海之光通訊技術股份有限公司), providing internet services, from May 2016 to March 2017 and an executive director and the general manager of Guangzhou Miaoyan Enterprise Management Consulting Co., Ltd. (廣州喵言企業管理諮詢有限公司), providing enterprise management consulting services, from December 2015 to April 2016. Prior to that, Mr. Xu worked as an accountant of Guangdong Provincial Radio and Television Technology Center (廣東省廣播電視技術中心) from July 2004 to September 2015.

Mr. Xu received a bachelor's degree in management and a master's degree in accounting from Sun Yat-sen University (中山大學) in the PRC in July 2004 and December 2010, respectively. Mr. Xu is a senior accountant conferred by the Department of Labor and Social Security of Guangdong Province (廣東省人力資源和社會保障廳), a senior Australian public accountant (FIPA) conferred by the Institute of Public Accountants, Australia, and a senior chartered financial accountant (IFA) conferred by Institute of Financial Accountants, the United Kingdom. Mr. Xu also holds the legal professional qualification conferred by Ministry of Justice of PRC (中華人民共和國司法部) and the board secretary qualification conferred by the Shenzhen Stock Exchange (深圳證券交易所).

Ms. Fu Xiaohua (符小華女士), aged 45, has been our chief financial officer since August 2020. She is primarily responsible for overall corporate finance strategy and capital management of our Group. She previously served as the chief financial officer of Zhaoqing Jinsheng Metal Industry Co., Ltd. (肇慶市金晟金屬實業有限公司), the predecessor of our Company from January 2020 to December 2021. Prior to joining our Group, Ms. Fu served as a partner of Guangdong Hengruitai Accounting Firm (General Partnership) (廣東省恆瑞泰會計師事務所(普通合夥)) from November 2018 to April 2021, the chief financial officer of Guangzhou Sanjing Electric Co. (廣州三晶電氣股份有限公司), telecommunication equipment manufacture, from February 2017 to June 2020, the chief financial officer of Jiangxi Ruifeng Environmental Protection Co., Ltd. (江西睿鋒環保有限公司), specializing in processing industrial waste, from March 2015 to December 2016, a financial analyst of Guangdong Demei Fine Chemical Co. (廣東德美精細化工股份有限公司) (002054.SZ), specializing in producing textile auxiliaries and other chemicals, from January 2012 to February 2015, an audit manager of Guangdong Branch of China Securities Tiantong Certified Public Accountants LLP (Special General Partnership) (中證天通會計師事務所(特殊普通合夥)廣東分所) from February 2011 to November 2018, and an audit assistant of Jiangxi Jingde Accounting Firm Co., Ltd. (江西景德會計師事務所有限公司) from November 2008 to December 2010. Prior to that, Ms. Fu served as an accountant of Meidawang (Foshan) Steel Products Co., Ltd. (美達王(佛山)鋼材製品有限公司), engaging in sales of metal products and metal materials, from February 2008 to February 2011 and a finance manager of SINO GOLF HOLDINGS LIMITED (00361.HK), focusing on designing, development, manufacture and trading golf equipment and accessories, from June 2000 to December 2007.

Ms. Fu passed the undergraduate self-taught examination in Chinese language and literature from Sun Yat-sen University (中山大學) in the PRC in 2018 and further obtained a master's degree in administrative management from Central South University of Economics and Law (中南財經政法大學) in the PRC in 2019. Ms. Fu is a senior accountant conferred by the Department of Labor and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) and holds the certificate of certified public accountant conferred by Chinese Institute of Certified Public Accountants (中國注冊會計師協會).

Mr. Ye Daxin (葉大鑫先生), aged 47, joined our Group in June 2011, was our factory manager from June 2011 to December 2021, our vice factory manager from January 2022 to June 2024, and is appointed as a factory manager of Jiangxi Longxiang since July 2024. Mr. Ye has been appointed as our deputy general manager since December 2024. He is responsible for overseeing the production activities of Jiangxi Longxiang. Mr. Ye was our Director from December 2014 to March 2021. Prior to joining our Group, Mr. Ye served as an executive director of Zhaoqing Jinfengtai Metal Industrial Co., Ltd.* (肇慶金豐泰金屬實業有限公司), engaging in sales and production of metal materials, from April 2014 to June 2020.

Mr. Ye received his college diploma in business administration from Shantou University (汕頭大學) in the PRC through distance learning in January 2024.

JOINT COMPANY SECRETARIES

Mr. Zhou Chutao (周楚濤先生) was appointed as our joint company secretary. See "— Directors" above for Mr. Zhou's biography.

Ms. Ng Wai Kam (伍偉琴女士) was appointed as our joint company secretary. Ms. Ng is a senior manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services. Ms. Ng has over 10 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

Ms. Ng is currently the company secretary/joint company secretary of listed companies on the Stock Exchange, namely, Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司) (01596.HK), Genertec Universal Medical Group Company Limited (通用環球醫療集團有限公司) (02666.HK), Onewo Inc. (萬物雲空間科技服務股份有限公司) (02602.HK), UBTECH ROBOTICS CORP LTD (深圳市優必選科技股份有限公司) (09880.HK), and Yonghe Medical Group Co., Ltd. (雍禾醫療集團有限公司) (02279.HK).

Ms. Ng is an Associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Ng obtained her bachelor's degree in Business Administration from Hong Kong Shue Yan University in Hong Kong in July 2011.

COMPETING INTERESTS

As of the Latest Practicable Date, none of our Directors had interests in any business, which competes directly or indirectly with our business.

MANAGEMENT AND CORPORATE GOVERNANCE

Board Committees

We have established four Board Committees in accordance with the relevant laws and regulations in mainland China, the Articles and the code of corporate governance practices under the Listing Rules, namely the Audit Committee, the Remuneration and Appraisal Committee, the Nomination Committee and the Strategy Committee. The functions of these four committees are summarized as follows:

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee comprises three members, namely Mr. Wang Chaoxi, Dr. Luo Zhengtang, and Dr. Chen Yixi, with Mr. Wang Chaoxi as the chairman of the Audit Committee and is the independent non-executive director with appropriate accounting and related financial management expertise under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration and Appraisal Committee

We have established the Remuneration and Appraisal Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The primary duties of the Remuneration and Appraisal Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration and Appraisal Committee comprises three members, namely Mr. Wang Chaoxi, Mr. Li Sen, and Dr. Chen Yixi, with Mr. Wang Chaoxi as the chairman of the Remuneration and Appraisal Committee.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance in Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee comprises three members, namely Dr. Chen Yixi, Mr. Li Sen, and Mr. Wang Chaoxi, with Dr. Chen Yixi as the chairman of the Nomination Committee.

Strategy Committee

We have established the Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee comprises three members, namely Mr. Li Sen, Mr. Li Xin, and Dr. Luo Zhengtang, with Mr. Li Sen as the chairman of the Strategy Committee.

Corporate Governance Code

We aim to implement a high standard of corporate governance, which we believe is crucial to safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix C1 of the Listing Rules after the Listing, save that Mr. Li Sen will serve as both our chairman and general manager as discussed below.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the general manager should be segregated and should not be performed by the same individual. We do not have a separate chairman and general manager and Mr. Li Sen currently performs these two roles. The Board believes that vesting the roles of both chairman and general manager in the same person has the benefit of ensuring consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired, and this structure will enable our Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the general manager of our Company if and when it is appropriate taking into account the circumstances of our Group as a whole.

Board diversity

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. In particular, our Company currently has two female Director in the Board and will continue to work towards enhancing the gender diversity of the Board. Our Directors have a balanced mix of knowledge and skills, and we have one non-executive Directors, including three independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

Management presence

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for[, and the Stock Exchange has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules."

REMUNERATION

Our Directors, Supervisors and senior management receive their remuneration in the form of basic annual payments and performance-related annual payments, including fees, salaries, share based compensation, pension schemes contribution and other benefits in kind.

For the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the total remuneration paid or payable to our Directors amounted to RMB8.1 million, RMB13.0 million, RMB9.4 million and RMB5.3 million, respectively.

For the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the total remuneration paid or payable to our Supervisors amounted to RMB0.2 million, RMB1.2 million, RMB1.0 million and RMB0.5 million, respectively.

For the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the total emoluments paid or payable to the five highest paid individuals (including Directors) by us amounted to RMB9.7 million, RMB17.8 million, RMB14.3 million and RMB7.7 million, respectively.

For the three years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, no payment was made by us to any of the Directors or the five highest paid individuals as an inducement to join us or as compensation for loss of office. Our Supervisors receive remuneration from our Company. None of the Directors or Supervisors waived their remuneration during the relevant period.

The remuneration of our Directors, Supervisors and senior management is determined with reference to factors including the responsibility, risk and commitment of our Directors, Supervisors and senior management, the completion rate of our corporate profit, the assessment result of our target responsibility system, the performance evaluation structure of each of our corporate departments and the salaries paid by comparable companies.

Save as disclosed above and in "Financial Information," "Accountants' Report" and "Statutory and General Information," no other payments have been paid or are payable in respect of the Track Record Period to our Directors, Supervisors and senior management by our Group. Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ended December 31, 2024 to be approximately RMB11.1 million.

See the Accountants' Report in Appendix I for details on remuneration paid to our Directors and senior management and, on an aggregate basis, the five highest paid individuals of our Group during the Track Record Period.

COMPLIANCE ADVISER

We have appointed Altus Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. The Compliance Adviser will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [**REDACTED**] or [**REDACTED**] volume of its [**REDACTED**] securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Adviser shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**] and such appointment may be subject to extension by mutual agreement.

FUTURE PLANS

See the section headed "Business — Our Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately [**REDACTED**], after deducting [**REDACTED**] fees and commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range from [**REDACTED**] to [**REDACTED**] per H Share, and that the [**REDACTED**] is not exercised.

We currently intend to use these net [**REDACTED**] for the purposes and in the amounts set forth below:

(i) approximately [**REDACTED**], or [**REDACTED**], is expected to be used to pay partial expenses for the construction of our plant for the treatment of retired LFP batteries (the "**LFP Treatment Plant**") located at our production base in Ganzhou, Jiangxi Province. The main expenses include funds required for the construction of the plant and purchase and installation of major production machineries and equipment.

In 2026 and 2027, (a) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]) will be used for the construction of the LFP Treatment Plant, and (b) approximately [**REDACTED**], or [**REDACTED**] (equivalent to approximately [**REDACTED**]) will be used for purchasing and installation of production equipment including hydrometallurgy process equipment (濕法冶煉工序設備) and purification and drying process equipment (提純乾燥工序設備). The table below sets forth a breakdown and implementation plan of the estimated amount of net [**REDACTED**] for equipment procurement and installation based on type and number of equipment required based on our estimation and the estimated procurement cost:

	For the years ending December 31, 2026 and 2027
	RMB million
Hydrometallurgy process equipment	[**REDACTED**]
Purification and drying process equipment	[**REDACTED**]
Others	[**REDACTED**]
Total	[**REDACTED**]

The LFP Treatment Plant will cost an estimated total of approximately RMB1,000 million (equivalent to approximately HK$1,018.3 million). Among such total investment amount, [**REDACTED**] will be the net [**REDACTED**] from the [**REDACTED**], and the remaining spendings will be funded by other sources, including our internal resources, bank borrowings or other potential external financing options. As of June 30, 2024, the actual investment made for our LFP Treatment Plant amounted to RMB45.3 million mainly used for land-related expenses and pre-construction preparation.

The LFP Treatment Plant is expected to commence operation in 2027 with a designed treatment capacity of 100 thousand tons of retired LFP batteries per year. We have obtained a land use right certificate regarding the LFP Treatment Plant and relevant land costs have been settled through our internal financial resources (other than from the [**REDACTED**] from this [**REDACTED**]). We do not expect any material legal impediment to obtain all licenses, permits and regulatory approvals required for the establishment and operation of the LFP Treatment Plant.

Amid the rapid development of EVs and new energy storage, the use of LFP battery, which is the main type of lithium batteries, and the volume of retired LFP batteries is expected to grow rapidly in the future. According to F&S Report, the volume of retired LFP batteries mainland China is expected to reach 2,127.0 thousand tons in 2030, with a CAGR of 50.8% from 2023 to 2030. The increase in the volume of retired LFP batteries will bring adequate supply for recycling companies, driving them to expand their treatment capacity to meet this growing demand.

On the other hand, the development of fast-growing industries such as EVs, energy storage and other emerging industries are also expected to boost the demand for lithium-ion batteries and their raw materials, whereas the supply of mineral resources is expected to be limited. Given that lithium-ion battery materials obtained through battery recycling can significantly reduce costs compared to traditional ore mining, the sales of lithium-ion battery recycled materials are expected to continue growing rapidly. According to F&S Report, the sales volume of lithium-ion battery recycled materials in mainland China is expected to reach 4,887.2 thousand tons in 2030, with a CAGR of 36.8% from 2023 to 2030; the sales volume of LFP cathode materials is expected to reach 5,079 thousand tons in 2030, with a CAGR of 17.5% from 2023 to 2030.

Therefore, in view of the stable upstream supply of retired LFP batteries and the strong downstream demand of lithium-ion battery recycled materials in the foreseeable future, we believe the construction of the LFP Treatment Plant will allow us to seize the market opportunity, realize economies of scale, and reduce the unit cost of our production that will be conducive to the future development of our Company.

(ii) approximately [**REDACTED**], or [**REDACTED**], for expanding our upstream raw materials resources.

In view of the growing volume of retired lithium-ion batteries in the future, we plan to strengthen cooperation with the upstream suppliers and directly procure end-of-life lithium-ion battery packs from the sources of retired lithium-ion batteries, such as battery manufacturers, EV production plants, retired EV recycling and dismantling enterprises. This can broaden our upstream procurement channels and increase our cost control on the front end. Through these efforts, we aim to form a closed-loop supply chain, establish direct raw material supply channels, and establish an integrated, full-cycle ecosystem for lithium-ion battery recycling.

In particular, we will use the [**REDACTED**] for setting up approximately 200 battery recycling service outlets in mainland China over the next three years to establish a national recycling network with wide geographical coverage. We plan to set up battery recycling service outlets in regions with relatively sufficient supply of retired lithium batteries, such as cities in Bohai Economic Rim region, Sichuan-Chongqing region, midstream and delta regions of Yangtze River and delta regions of Pearl River, where procurement and management personnel will be deployed. Our battery recycling service outlets mainly include:

- *Collection-type outlets*: These outlets are located close to sources of retired lithium batteries, such as battery manufacturers, EV production plants, retired EV recycling and dismantling enterprises, which can realize rapid docking with such enterprises and obtain retired lithium batteries from the sources. In addition, these outlets also undertake the functions of sorting, discharging and short-term storage of retired lithium batteries at the front-end of production process. By sorting and discharging retired lithium batteries, we can reduce the time of the production process in our production bases, which can improve our production efficiency; and

- *Centralized storage outlets*: Retired lithium batteries recovered through collection-type outlets will be regularly transported to centralized storage outlets, which have a larger floor area and more storage space than collection-type outlets, and also have the functions of sorting and discharging retired lithium batteries. Through the centralized storage outlets, we can strengthen the control over the collected lithium-ion batteries and our overall supply chain.

(iii) approximately [**REDACTED**], or [**REDACTED**], for strengthening our research and development capabilities and attracting talents. We plan to upgrade our research and development centers, which will enable us to further optimize product quality as well as improve production and operational efficiency. Specifically, we plan to conduct innovative research on key technologies for the robotic dismantling of EV batteries. The dismantling of retired EV batteries is the reverse process of battery manufacturing, which involves key processes such as removing shells, dismantling components, degumming, discharging cells, separating materials and powdering for recycling. With an automatic dismantling production line for EV batteries, we can realize higher compatibility, processing efficiency and sorting and recycling rate. We expect to reduce the level of energy consumption and carbon dioxide emission in the process of dismantling of retired EV batteries. For details of our participation in the national research project in relation to the research and development of robotic dismantling technologies, see "Business — Research and Development — Future R&D Directions."

Additionally, we plan to optimize our research and development infrastructure by continuing to improve and innovate in emerging technologies for battery recycling. We will also expand the size of our R&D team and offer competitive remunerations to attract and retain R&D talents with advanced degrees and deep industry experience.

(iv) the remaining amount of approximately [**REDACTED**], or [**REDACTED**], for working capital and general corporate purposes.

The above allocation of the [**REDACTED**] will be adjusted on a pro-rata basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the [**REDACTED**] range stated in this document.

If the [**REDACTED**] is fixed at [**REDACTED**] per H Share (being the high end of the [**REDACTED**] range stated in this document), we will receive additional net [**REDACTED**] of approximately [**REDACTED**], assuming the [**REDACTED**] is not exercised. If the [**REDACTED**] is fixed at [**REDACTED**] per H Share (being the low end of the [**REDACTED**] range stated in this document), the net [**REDACTED**] we receive will be reduced by approximately [**REDACTED**], assuming the [**REDACTED**] is not exercised.

In the event that the [**REDACTED**] is exercised in full, the additional net [**REDACTED**] that we would receive would be [**REDACTED**] assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] range stated in this document, after deduction of [**REDACTED**] fees and commissions and other estimated expenses paid and payable by us in relation to the [**REDACTED**]. Additional net [**REDACTED**] received due to the exercise of any [**REDACTED**] will be used for the above purposes accordingly on a pro-rata basis if the [**REDACTED**] is exercised.

If any part of our development plan does not proceed as planned for reasons such as changes in government policies that would render the development of any of our projects not viable, or the occurrence of force majeure events, we will carefully evaluate the situation and may reallocate the net [**REDACTED**] from the [**REDACTED**].

If the net [**REDACTED**] of the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we will deposit the net [**REDACTED**] into short-term demand deposits with licensed banks or other authorized financial institutions as defined under the Securities and Futures Ordinance/the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules and make an appropriate announcement if there is any change to the above proposed [**REDACTED**].

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The following is the text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.

[To insert the firm's letterhead]

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF GUANGDONG JINSHENG NEW ENERGY CO., LTD. AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Guangdong Jinsheng New Energy Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages [I-[●]] to [I-[●]], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the "**Relevant Periods**"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages [I-[●]] to [I-[●]] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [**REDACTED**] (the "**Document**") in connection with the initial [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page [I-[●]] have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

[●]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
REVENUE	*5*	1,133,336	2,905,405	2,891,545	1,531,439	995,423
Cost of sales						
Cost of sales of goods and services		(937,351)	(2,432,283)	(2,943,462)	(1,577,200)	(956,596)
Impairment losses on inventories		(6,445)	(56,844)	(108,863)	(17,699)	(69,217)
Gross profit/(loss)		189,540	416,278	(160,780)	(63,460)	(30,390)
Other income and gains	*5*	4,037	7,973	45,164	15,133	17,503
Selling and marketing expenses		(1,116)	(2,852)	(4,319)	(2,117)	(1,799)
Administrative expenses		(49,589)	(95,285)	(111,718)	(59,771)	(55,801)
Research and development expenses		(42,756)	(98,031)	(99,961)	(52,671)	(35,452)
(Impairment losses)/reversal of impairment losses on financial assets and prepayments, net		(1,637)	(5,979)	(36,937)	(6,930)	4,926
Other expenses		(7,182)	(8,989)	(47,009)	(7,972)	(6,650)
Finance costs	*7*	(15,287)	(28,307)	(57,832)	(26,759)	(30,428)
Share of loss of associates and a joint venture		–	–	(164)	–	(9,137)
PROFIT/(LOSS) BEFORE TAX	*6*	76,010	184,808	(473,556)	(204,547)	(147,228)
Income tax (expense)/credit	*10*	(6,617)	(33,957)	72	65	–
PROFIT/(LOSS) FOR THE YEAR/PERIOD		69,393	150,851	(473,484)	(204,482)	(147,228)
Attributable to:						
Owners of the parent		69,393	150,851	(473,484)	(204,482)	(147,228)
Non-controlling interests		–	–	–	–	–
		69,393	150,851	(473,484)	(204,482)	(147,228)

		Year ended 31 December			Six months ended 30 June	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT						
Basic and diluted (RMB)	*12*	0.57	0.46	(1.28)	(0.56)	(0.40)
OTHER COMPREHENSIVE (LOSS)/INCOME						
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:						
Equity investments designated at fair value through other comprehensive income ("FVOCI"):						
Changes in fair value, net of tax		(2,470)	(1,819)	(7,230)	(2,417)	415
		(2,470)	(1,819)	(7,230)	(2,417)	415
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods		(2,470)	(1,819)	(7,230)	(2,417)	415
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR/PERIOD, NET OF TAX		(2,470)	(1,819)	(7,230)	(2,417)	415
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR/PERIOD		66,923	149,032	(480,714)	(206,899)	(146,813)
Attributable to:						
Owners of the parent		66,923	149,032	(480,714)	(206,899)	(146,813)
Non-controlling interests		–	–	–	–	–
		66,923	149,032	(480,714)	(206,899)	(146,813)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 30 June
	Notes	2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	295,390	856,912	1,624,840	1,636,018
Right-of-use assets	*14*	25,366	52,186	132,805	147,980
Intangible assets	*15*	573	770	1,034	886
Investments in associates and a joint venture	*16*	–	–	12,136	49,043
Equity investments designated at FVOCI	*18*	41,793	45,974	38,744	39,159
Deferred tax assets	*19*	2,306	–	–	–
Prepayments, other receivables and other assets	*22*	10,510	146,771	100,740	223,195
Pledged deposits	*25*	–	–	5,281	5,281
Other non-current assets		17,205	15,447	11,659	14,636
Total non-current assets		393,143	1,118,060	1,927,239	2,116,198
CURRENT ASSETS					
Inventories	*20*	285,734	812,769	291,416	406,152
Trade and bills receivables	*21*	243,837	361,489	421,188	197,486
Prepayments, other receivables and other assets	*22*	61,748	326,273	433,474	321,804
Financial assets at fair value through profit or loss	*23*	–	1,000	6,000	3,000
Derivative financial instruments	*24*	–	–	490	–
Pledged and restricted deposits	*25*	10,001	33,571	134,811	88,613
Cash and cash equivalents	*25*	11,890	211,221	99,698	39,451
		613,210	1,746,323	1,387,077	1,056,506
Non-current assets held for sale	*16*	–	–	–	2,955
Total current assets		613,210	1,746,323	1,387,077	1,059,461

		As at 31 December			As at 30 June
	Notes	**2021**	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
CURRENT LIABILITIES					
Trade and bills payables	*26*	160,066	284,613	301,664	317,173
Other payables and accruals	*27*	81,711	49,446	64,874	54,777
Tax payable		6,939	26,874	3,740	3,740
Contract liabilities	*28*	3,494	4,150	10,950	9,424
Derivative financial instruments	*24*	–	–	291	154
Interest-bearing bank and other borrowings	*30*	342,967	724,463	1,162,976	1,152,645
Lease liabilities	*14*	51	363	11,851	22,330
Provision		–	–	979	996
Total current liabilities		595,228	1,089,909	1,557,325	1,561,239
NET CURRENT ASSETS/(LIABILITIES)		17,982	656,414	(170,248)	(501,778)
TOTAL ASSETS LESS CURRENT LIABILITIES		411,125	1,774,474	1,756,991	1,614,420
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*30*	52,500	260,678	420,593	411,972
Lease liabilities	*14*	3,333	10,111	37,390	44,366
Deferred income	*29*	10,511	29,348	29,144	28,830
Deferred tax liabilities	*19*	36	72	–	–
Total non-current liabilities		66,380	300,209	487,127	485,168
Net assets		344,745	1,474,265	1,269,864	1,129,252
EQUITY					
Equity attributable to owners of the parent					
Paid-in capital	*31*	130,402	–	–	–
Share capital	*31*	–	361,658	369,617	369,617
Reserves	*33*	214,343	1,112,607	900,247	759,635
Non-controlling interests		–	–	–	–
Total equity		344,745	1,474,265	1,269,864	1,129,252

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent									
	Paid-in capital	Capital reserve*	Share-based payment reserve*	Special reserve – safety fund*	Fair value reserve of equity investments designated at FVOCI*	Statutory reserve*	(Accumulated losses)/ retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 33)*	*(note 32)*	*(note 33)*	*(note 33)*	*(note 33)*				
At 1 January 2021	102,650	–	–	8,783	(6,137)	723	(18,626)	87,393	–	87,393
Profit for the year	–	–	–	–	–	–	69,393	69,393	–	69,393
Other comprehensive loss for the year:										
Changes in fair value of equity investments designated at FVOCI, net of tax	–	–	–	–	(2,470)	–	–	(2,470)	–	(2,470)
Total comprehensive (loss)/income for the year	–	–	–	–	(2,470)	–	69,393	66,923	–	66,923
Contributions from shareholders	27,752	153,952	–	–	–	–	–	181,704	–	181,704
Share-based payments *(note 32)*	–	–	8,725	–	–	–	–	8,725	–	8,725
Safety fund *(note 33)*	–	–	–	(2,405)	–	–	2,405	–	–	–
At 31 December 2021	130,402	153,952	8,725	6,378	(8,607)	723	53,172	344,745	–	344,745

Year ended 31 December 2022

	Attributable to owners of the parent										
	Paid-in capital	**Share capital**	**Capital reserve***	**Share-based payment reserve***	**Special reserve – safety fund***	**Fair value reserve of equity investments designated at FVOCI***	**Statutory reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 31)*	*(note 33)*	*(note 32)*	*(note 33)*	*(note 33)*	*(note 33)*				
At 1 January 2022	130,402	–	153,952	8,725	6,378	(8,607)	723	53,172	344,745	–	344,745
Profit for the year	–	–	–	–	–	–	–	150,851	150,851	–	150,851
Other comprehensive loss for the year:											
Changes in fair value of equity investments designated at FVOCI, net of tax	–	–	–	–	–	(1,819)	–	–	(1,819)	–	(1,819)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(1,819)	–	150,851	149,032	–	149,032
Contributions from shareholders	–	22,007	943,243	–	–	–	–	–	965,250	–	965,250
Transfer of capital reserve to share capital	–	204,651	(204,651)	–	–	–	–	–	–	–	–
Conversion to a joint stock company	(130,402)	135,000	9,594	–	–	–	(723)	(13,469)	–	–	–
Share-based payments *(note 32)*	–	–	–	15,238	–	–	–	–	15,238	–	15,238
Safety fund *(note 33)*	–	–	–	–	60	–	–	(60)	–	–	–
At 31 December 2022	–	361,658	902,138	23,963	6,438	(10,426)	–	190,494	1,474,265	–	1,474,265

Year ended 31 December 2023

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Share-based payment reserve***	**Special reserve – safety fund***	**Fair value reserve of equity investments designated at FVOCI***	**Retained profits/ (accumulated losses)***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 33)*	*(note 32)*	*(note 33)*	*(note 33)*				
At 1 January 2023	361,658	902,138	23,963	6,438	(10,426)	190,494	1,474,265	–	1,474,265
Loss for the year	–	–	–	–	–	(473,484)	(473,484)	–	(473,484)
Other comprehensive loss for the year:									
Changes in fair value of equity investments designated at FVOCI, net of tax	–	–	–	–	(7,230)	–	(7,230)	–	(7,230)
Total comprehensive loss for the year	–	–	–	–	(7,230)	(473,484)	(480,714)	–	(480,714)
Contributions from shareholders	7,959	257,341	–	–	–	–	265,300	–	265,300
Share-based payments *(note 32)*	–	–	11,013	–	–	–	11,013	–	11,013
Safety fund *(note 33)*	–	–	–	(708)	–	708	–	–	–
At 31 December 2023	369,617	1,159,479	34,976	5,730	(17,656)	(282,282)	1,269,864	–	1,269,864

Six months ended 30 June 2023 (unaudited)

	Attributable to owners of the parent								
	Share capital	Capital reserve	Share-based payment reserve	Special reserve – safety fund	Fair value reserve of equity investments designated at FVOCI	Retained profits/ (accumulated losses)	Total	Non-controlling interests	Total equity
	RMB'000 *(note 31)*	*RMB'000* *(note 33)*	*RMB'000* *(note 32)*	*RMB'000* *(note 33)*	*RMB'000* *(note 33)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	361,658	902,138	23,963	6,438	(10,426)	190,494	1,474,265	–	1,474,265
Loss for the period (unaudited)	–	–	–	–	–	(204,482)	(204,482)	–	(204,482)
Other comprehensive loss for the period:									
Changes in fair value of equity investments designated at FVOCI, net of tax	–	–	–	–	(2,417)	–	(2,417)	–	(2,417)
Total comprehensive loss for the period (unaudited)	–	–	–	–	(2,417)	(204,482)	(206,899)	–	(206,899)
Contributions from shareholders (unaudited)	7,959	257,341	–	–	–	–	265,300	–	265,300
Share-based payments (unaudited) *(note 32)*	–	–	5,019	–	–	–	5,019	–	5,019
Safety fund (unaudited) *(note 33)*	–	–	–	(1,558)	–	1,558	–	–	–
At 30 June 2023 (unaudited)	369,617	1,159,479	28,982	4,880	(12,843)	(12,430)	1,537,685	–	1,537,685

Six months ended 30 June 2024

	Attributable to owners of the parent								
	Share capital	**Capital reserve***	**Share-based payment reserve***	**Special reserve – safety fund***	**Fair value reserve of equity investments designated at FVOCI***	**Accumulated losses***	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 31)	*(note 33)*	*(note 32)*	*(note 33)*	*(note 33)*				
At 1 January 2024	369,617	1,159,479	34,976	5,730	(17,656)	(282,282)	1,269,864	–	1,269,864
Loss for the period	–	–	–	–	–	(147,228)	(147,228)	–	(147,228)
Other comprehensive loss for the period:									
Changes in fair value of equity investments designated at FVOCI, net of tax	–	–	–	–	415	–	415	–	415
Total comprehensive income/(loss) for the period	–	–	–	–	415	(147,228)	(146,813)	–	(146,813)
Share-based payments *(note 32)*	–	–	6,201	–	–	–	6,201	–	6,201
Safety fund *(note 33)*	–	–	–	11	–	(11)	–	–	–
At 30 June 2024	369,617	1,159,479	41,177	5,741	(17,241)	(429,521)	1,129,252	–	1,129,252

* These reserve accounts comprise the consolidated reserves of RMB214,343,000, RMB1,112,607,000, RMB900,247,000 and RMB759,635,000 in the consolidated statements of financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before tax		76,010	184,808	(473,556)	(204,547)	(147,228)
Adjustments for:						
Finance costs	*7*	15,287	28,307	57,832	26,759	30,428
Interest income	*5*	(38)	(709)	(2,514)	(711)	(1,503)
Depreciation of property, plant and equipment	*6*	14,666	22,099	44,727	20,643	34,272
Amortisation of intangible assets	*6*	157	199	266	126	148
Depreciation of right-of-use assets	*6*	735	1,295	6,669	1,047	10,778
Net loss on disposal of items of property, plant and equipment	*6*	394	2,752	33,656	367	786
Unrealised (gains)/losses from derivatives		–	–	(625)	–	462
Write-down of inventories to net realisable value		6,445	56,844	108,863	17,699	69,217
Realised gains from financial assets at fair value through profit or loss		–	(2)	(2)	(2)	–
Impairment losses/(reversal of impairment losses) on financial assets and prepayments, net	*6*	1,637	5,979	36,937	6,930	(4,926)
Share of loss of a joint venture and associates		–	–	164	–	9,137
Share-based payment expenses	*32*	8,725	15,238	11,013	5,019	6,201
Impairment loss on equity investment		–	100	–	–	–
Dividend income	*5*	(2,426)	(2,856)	(4,009)	(700)	(3,938)
Realised gains from derivatives	*5*	–	–	(2,468)	–	(3,527)
(Increase)/decrease in inventories		(182,882)	(583,878)	412,452	171,467	(183,954)
Increase in trade and bills receivables		(347,690)	(547,990)	(418,527)	(293,102)	(88,843)
Decrease/(increase) in pledged and restricted deposits		300	(29,570)	(107,021)	(135,181)	92,381
(Increase)/decrease in prepayments, other receivables and other assets		(45,219)	(257,997)	(127,382)	(365,861)	95,291

		Year ended 31 December			Six months ended 30 June	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Increase/(decrease) in trade and bills payables		256,290	293,756	262,615	(21,956)	119,860
(Decrease)/increase in other payables and accruals		(38,313)	84,381	112,225	481,281	8,198
(Decrease)/increase in contract liabilities		(2,509)	656	6,800	25,396	(1,525)
(Decrease)/increase in deferred income		(299)	18,837	(204)	(314)	(314)
(Increase)/decrease in other non-current assets		(13,690)	2,773	2,773	1,387	(2,977)
Cash (used in)/generated from operations		(252,420)	(704,978)	(39,316)	(264,253)	38,424
Interest received	5	38	709	2,514	711	1,503
Income taxes paid		(1,298)	(12,303)	(21,339)	(21,354)	–
Net cash flows (used in)/generated from operating activities		(253,680)	(716,572)	(58,141)	(284,896)	39,927
CASH FLOWS FROM INVESTING ACTIVITIES						
Proceeds from disposal of items of property, plant and equipment		123	83	400	186	1,353
Purchases of items of property, plant and equipment		(179,068)	(736,670)	(904,133)	(605,819)	(193,325)
Purchases of intangible assets		(738)	(420)	(562)	(180)	–
Payment of equity investment designated at FVOCI		–	(6,000)	–	–	–
Payments of equity investments in an associate and a joint venture		–	–	(3,000)	–	(58,300)
Withdrawal of financial assets at fair value through profit or loss		2,000	5,002	1,002	1,002	6,000
Placement of financial assets at fair value through profit or loss		(2,000)	(6,000)	(6,000)	–	(3,000)
Dividends received from equity investments		2,426	2,856	4,009	700	–
Proceeds from derivative contracts		–	–	426	–	317
Proceeds from disposal of derivatives		–	–	2,468	–	3,101

		Year ended 31 December			Six months ended 30 June	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Placement of deposits for derivatives		–	–	(17,020)	–	(36,324)
Withdrawal of deposits for derivatives		–	–	112	–	50,980
Net cash flows used in investing activities		(177,257)	(741,149)	(922,298)	(604,111)	(229,198)
CASH FLOWS FROM FINANCING ACTIVITIES						
New bank and other borrowings		403,302	1,078,453	1,370,054	807,807	789,418
Repayment of bank and other borrowings		(121,668)	(324,766)	(641,405)	(174,486)	(573,710)
Interest paid	34	(12,710)	(16,197)	(50,317)	(24,451)	(29,407)
Capital contributions from shareholders		181,704	965,250	265,300	265,300	–
Payments of lease liabilities		(326)	(23,062)	(54,057)	(14,763)	(11,094)
Increase in pledged deposits		(10,243)	(22,626)	(20,659)	(3,500)	(46,183)
Net cash flows from financing activities		440,059	1,657,052	868,916	855,907	129,024
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		9,122	199,331	(111,523)	(33,100)	(60,247)
Cash and cash equivalents at beginning of year/period		2,768	11,890	211,221	211,221	99,698
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		11,890	211,221	99,698	178,121	39,451
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances		21,891	223,792	113,228	224,192	65,715
Current portion of time deposits		–	21,000	121,281	120,900	62,349
Less: Pledged and restricted deposits		(10,001)	(33,571)	(134,811)	(166,971)	(88,613)
Cash and cash equivalents as stated in the statements of financial position and the statements of cash flows	25	11,890	211,221	99,698	178,121	39,451

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December			As at 30 June
	Notes	2021	2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	*13*	60,206	271,068	751,576	760,933
Right-of-use assets	*14*	9,757	31,940	70,767	71,471
Intangible assets	*15*	–	–	268	254
Investments in subsidiaries	*17*	142,127	372,127	420,327	421,327
Investments in associates	*16*	–	–	–	49,043
Equity investments designated at FVOCI	*18*	41,793	45,974	38,744	39,159
Deferred tax assets	*19*	–	–	–	–
Prepayments, other receivables and other assets	*22*	7,966	48,617	79,734	195,105
Pledged deposits	*25*	–	–	5,281	5,281
Total non-current assets		261,849	769,726	1,366,697	1,542,573
CURRENT ASSETS					
Inventories	*20*	86,665	133,531	67,037	87,099
Trade and bills receivables	*21*	83,995	143,869	148,298	344,451
Prepayments, other receivables and other assets	*22*	160,711	681,054	977,184	693,721
Financial assets at fair value through profit or loss	*23*	–	1,000	–	–
Derivative financial instruments	*24*	–	–	490	–
Pledged and restricted deposits	*25*	–	25,000	35,240	58,613
Cash and cash equivalents	*25*	11,723	105,999	16,690	15,659
Total current assets		343,094	1,090,453	1,244,939	1,199,543
CURRENT LIABILITIES					
Trade and bills payables	*26*	32,787	75,700	154,432	160,170
Other payables and accruals	*27*	15,169	11,490	15,352	117,253
Contract liabilities	*28*	53	2,077	564	666
Derivative financial instruments	*24*	–	–	291	154
Interest-bearing bank and other borrowings	*30*	132,805	305,294	644,391	775,672

		As at 31 December			As at 30 June
	Notes	**2021**	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities	*14*	51	167	2,766	4,062
Total current liabilities		180,865	394,728	817,796	1,057,977
NET CURRENT ASSETS		162,229	695,725	427,143	141,566
TOTAL ASSETS LESS CURRENT LIABILITIES		424,078	1,465,451	1,793,840	1,684,139
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*30*	52,500	117,417	362,822	328,311
Lease liabilities	*14*	3,333	9,908	14,630	15,118
Deferred income		–	–	160	160
Deferred tax liabilities	*19*	36	67	–	–
Total non-current liabilities		55,869	127,392	377,612	343,589
Net assets		368,209	1,338,059	1,416,228	1,340,550
EQUITY					
Paid-in capital	*31*	130,402	–	–	–
Share capital	*31*	–	361,658	369,617	369,617
Reserves	*33*	237,807	976,401	1,046,611	970,933
Total equity		368,209	1,338,059	1,416,228	1,340,550

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company, formerly known as Zhaoqing Jinsheng Metal Industry Co., Ltd.* ("肇慶市金晟金屬實業有限公司"), was registered in the People's Republic of China ("**PRC**") on 24 December 2010 and was converted into a joint stock limited liability company on 13 January 2022. The registered office of the Company is located at Zhaoqing, Guangdong Province, China.

During the Relevant Periods, the Group was engaged in recycling, resource recovery, and reuse of lithium batteries, specifically involving the following principal activities:

(a) manufacture and sale of recycled products

(b) manufacture and sale of second-life battery products

As at 30 June 2024, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangxi Ruida New Energy Technology Co., Ltd.* ("Jiangxi Ruida") 江西睿達新能源科技有限公司 *(note i)*	PRC Mainland China 20 October 2014	RMB200,000,000	100%	–	Recycling of lithium batteries, including the research, development, production, and sales of recycled and second-life products
Jiangxi Zhongda New Materials Technology Co., Ltd.* 江西眾大新材料科技有限公司 *(note v)*	PRC Mainland China 21 September 2019	RMB50,000,000	–	100%	No actual operations since its inception
Hainan Ruida New Energy Technology Co., Ltd.* 海南睿達新能源科技有限公司 *(note v)*	PRC Mainland China 23 March 2022	RMB10,000,000	–	100%	No actual operations since its inception
Guangzhou Jinsheng New Energy Trading Co., Ltd.* 廣州金晟新能源貿易有限公司 *(note v)*	PRC Mainland China 13 July 2022	RMB10,000,000	100%	–	Sale of battery recycling solutions and products
Jiangxi Senneng New Materials Technology Co., Ltd.* 江西森能新材料科技有限公司 *(note v)*	PRC Mainland China 16 September 2022	RMB10,000,000	–	100%	Research, development, production, and sales of cathode materials
Jiangxi Longsheng New Materials Co., Ltd.* 江西龍晟新材料有限公司 *(note ii)*	PRC Mainland China 16 November 2022	RMB100,000,000	100%	–	Research, development, production, and sales of recycled ternary lithiumion batteries
Jiangxi Lida New Energy Co., Ltd.* 江西力達新能源有限公司 *(note v)*	PRC Mainland China 23 November 2022	RMB10,000,000	–	100%	Operations ceased since May 19, 2023

Name	Place and date of incorporation/ registration and place of operations	Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jiangxi Longxiang Lithium Battery Co., Ltd.* 江西龍祥鋰電池有限公司 *(note iii)*	PRC Mainland China 13 June 2023	RMB100,000,000	100%	–	Dismantling and crushing of various retired lithium batteries
Jiangxi Longxing Lithium Battery Materials Technology Co., Ltd.* 江西龍興鋰電材料科技有限公司 *(note v)*	PRC Mainland China 13 June 2023	RMB100,000,000	100%	–	Dismantling and crushing of various retired lithium batteries
Jinsheng International New Energy Technology Co., Ltd.* 金晟國際新能源科技有限公司 *(note iv)*	Hong Kong 15 May 2023	RMB100,000,000	100%	–	Investment holding

* The English names of the above company registered in the PRC represents the best efforts made by the directors of the Company in directly translating the Chinese names of these companies as no English names have been registered.

(i) The statutory financial statements of this entity for the years ended 31 December 2021, 2022 and 2023 prepared under PRC Generally Accepted Accounting principles ("PRC GAAP") were audited by Dahua Certified Public Accountants (Special General Partnership) ("大華會計師事務所(特殊普通合夥)"), certified public accountants registered in the PRC.

(ii) The statutory financial statements of this entity for the years ended 31 December 2022 and 2023 prepared under PRC GAAP were audited by Dahua Certified Public Accountants (Special General Partnership), certified public accountants registered in the PRC.

(iii) The statutory financial statements of this entity for the year ended 31 December 2023 prepared under PRC GAAP were audited by Guangdong Hengruitai Accounting Firm ("廣東恆瑞泰會計師事務所(普通合夥)"), certified public accountants registered in the PRC.

(iv) The statutory financial statements of this entity for the year ended 31 December 2023 prepared under Small and Medium-sized Entity Financial Reporting Standard ("SME-FRS") were audited by SHKK CPA Limited Certified Public Accountants, certified public accountants registered in Hong Kong.

(v) As at the date of this report, no audited financial statements have been prepared for these entities for the years ended 31 December 2021, 2022 and 2023 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the jurisdictions of registration or newly registered.

2. ACCOUNTING POLICIES

2.1 Basis of Preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"). All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared on a going concern basis. As at 30 June 2024, the Group had net current liabilities of RMB501,778,000. In view of such circumstances, the management of the Company has given consideration to the future liquidity and financial resources available to the Group, which mainly include the net cash flows generated from the Group's operating activities and financial credit facilities, in assessing whether the Group will have sufficient financial resources to continue as a going concern and will not have any going concern issue as a result of the shortage of working capital. Accordingly, the management of the Company is of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The Historical Financial Information has been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value through profit or loss, or other comprehensive income.

Basis of consolidation

The Historical Financial Information includes the financial information of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information. The Group intends to apply these revised and new IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[3]
IFRS 18	*Presentation and Disclosure in Financial Statements*[4]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[4]
Annual improvements to IFRSs Accounting Standards – Volume 11	*Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7*[3]

1 No mandatory effective date yet determined but available for adoption

2 Effective for annual periods beginning on or after 1 January 2025

3 Effective for annual periods beginning on or after 1 January 2026

4 Effective for annual/reporting periods beginning on or after 1 January 2027

The Group is in the process of making a detailed assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs, except for IFRS 18, may result in changes in certain accounting policies and no significant impact on the Group's financial performance and financial position is expected in the period of initial application. The application of IFRS 18 is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and statement of cash flows and disclosures in the future financial information. The Group will continue to assess the impact of IFRS 18 on the Group's financial information.

2.3 Material Accounting Policy Information

Investments in associates and joint ventures

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its financial instruments and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, other non-current assets and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	3.17% to 9.50%
Machinery	9.50% to 19.00%
Others	9.50% to 31.67%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed at least at each financial year end.

Intangible assets are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives. The principal estimated useful lives of intangible assets are as follows:

Categories	Estimated useful lives
Software	5 years
Trademarks and patents	10 years

The estimated useful lives of intangible assets are determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 5 years
Leasehold land	20 years
Machinery	3 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(ii) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(iii) Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in other income and gains in the consolidated statements of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in profit or loss so as to provide a constant periodic rate of return over the lease terms.

Sale and leaseback transactions

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For financial assets at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

*Financial assets at fair value through profit or loss ("**FVTPL**")*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade and bills receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, derivation financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss. The net fair value gain or loss recognised in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as futures contracts and options. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Sale of recycling and reuse products, second-life use products and other products

Revenue from the sale of these products is recognised at the point in time when control of the asset is transferred to the customer, generally on acceptance of the products by the customer, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Acceptance occurs when the products have been shipped to the specific location and the customer has acknowledged the receipt, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, or the acceptance provisions have lapsed.

Rendering processing services

Revenue from processing services is recognised at a point in time as services are rendered and entrusted processing materials have been accepted by the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related services to the customer).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Share-based payments

The Company operates a share award scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Other employee benefits

Pension scheme

The employees of the Company and Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Housing fund and other social insurances — Mainland China

The Group has participated in defined social security contribution schemes for its employees pursuant to the relevant laws and regulations of the PRC. These include housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances. The contributions are charged to profit or loss on an accrual basis. The Group's liability in respect of these funds is limited to the contributions payable in the reporting period.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

3. MATERIAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Leases classification — Group as a lessor

The Group has entered into leases on certain battery packages. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term constituting a major part of the economic life of the battery packages and the present value of the minimum lease payments amounting to substantially all the fair value of the battery packages, that it transfers substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as finance leases.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The Group had tax losses of RMB9,385,000, RMB17,317,000, RMB538,125,000 and RMB785,993,000 carried forward as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. These losses related to the entities that have a history of losses, have not expired, and may not be used to offset taxable income elsewhere in the Group. The entities have neither taxable temporary difference nor tax planning opportunities available that could support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on these tax losses carried forward.

If the Group had been able to recognise all unrecognised deferred tax assets, the profit and equity would have increased by RMB5,556,000, RMB13,009,000, RMB107,397,000, RMB36,252,000, respectively, for the year ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024. Further details are included in note 19 to the Historical Financial Information.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bill receivables is disclosed in note 21 to the Historical Financial Information.

Write-down of inventories to net realisable value

The Group reviews the carrying amounts of the inventories at the end of each of the Relevant Periods to determine whether the inventories are carried at the lower of cost and net realisable value. The net realisable value is estimated based on the current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories written down or the related reversals of write-down and affect the Group's financial position.

Share-based payments

The Group makes the best estimate of the number of exercisable equity instruments at the end of each of the Relevant Periods. Share-based payment expenses are recognised over the vesting period based on the best available estimate of the number of equity instruments expected to vest. If necessary, this estimate of number of exercisable equity instruments shall be revised using the latest subsequent information obtained. When determining the fair value of the equity instruments, the Group evaluates the fair value of these equity instruments granted on the grant date, primarily based on the recent transaction price.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 39 to the Historical Financial Information. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 18 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which principally engages in (i) recycling and reuse of end-of-life lithium batteries and battery production scraps and offcuts; and (ii) second-life battery reutilisation business. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

All the non-current assets of the Group are physically located in the Mainland China. The geographical location of a customer is based on the location at which the customer operates, and all of the revenue of the Group was derived from operations in the Mainland China during the Relevant Periods.

Information about major customers

Revenue from the major customers, including sales to a group of entities which are known to be under common control with that customers, which amounted to 10% or more of the Group's revenue is set out below:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Customer I	441,634	402,410	532,730	228,929	N/A
Customer II	223,032	N/A	N/A	N/A	N/A
Customer III	N/A	360,831	N/A	N/A	N/A
Customer IV	N/A	N/A	N/A	268,036	N/A
Customer V	N/A	N/A	N/A	N/A	238,582
Customer VI	N/A	N/A	N/A	N/A	126,188
Customer VII	N/A	296,267	N/A	N/A	N/A

N/A represents revenue from the customers which amounted to less than 10% of the Group's revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

(a) Disaggregated revenue information

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Types of goods or services					
Recycled products	1,123,620	2,881,496	2,782,986	1,464,302	919,034
Second-life battery products	–	2,681	17,046	10,906	12,915
Others	9,716	21,228	91,513	56,231	63,474
Total revenue from contracts with customers	1,133,336	2,905,405	2,891,545	1,531,439	995,423
Timing of revenue recognition					
Goods and services transferred at a point in time	1,133,336	2,905,405	2,891,545	1,531,439	995,423

The following table shows the amounts of revenue recognised during the Relevant Periods and six months ended 30 June 2023 that were included in the contract liabilities at the beginning of each reporting period.

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting periods:					
Recycled products	5,686	3,260	2,921	2,921	7,646
Others	–	179	877	877	3,092
Total	5,686	3,439	3,798	3,798	10,738

Revenue from contracts with customers

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of products

The performance obligation is satisfied upon acceptance of the recycled products, second-life battery products and other products, and payment is generally due within 30 days from acceptance. Certain upfront payment is made in advance.

Rendering services

The performance obligation is satisfied at a point in time as processing services are rendered and entrusted processing materials have been accepted. The payment is generally due within 15 days from acceptance.

All the amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year.

An analysis of other income and gains is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Other income					
Interest income	38	709	2,514	711	1,503
Government grants and subsidies*	1,505	3,786	34,782	13,509	8,808
Dividend income	2,426	2,856	4,009	700	3,938
Others	68	467	756	205	168
Total other income	4,037	7,818	42,061	15,125	14,417
Gains					
Realised gains from financial assets at FVTPL	–	2	2	2	–
Realised gains from derivatives	–	–	2,468	–	3,527
Gain on disposal of items of property, plant and equipment	–	153	8	6	21
Unrealised gains/(losses) from derivatives	–	–	625	–	(462)
Total gains	–	155	3,103	8	3,086
Total other income and gains	4,037	7,973	45,164	15,133	17,503

* Government grants and subsidies for the Group mainly represent incentives received from local governments for the purpose of compensation on local economic contribution and purchases of items of property, plant and equipment, and super deduction and refunds of value-added tax. There are no unfulfilled conditions or contingencies relating to these grants and subsidies.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Cost of inventories sold		937,351	2,432,283	2,943,462	1,577,200	956,596
Impairment losses on inventories		6,445	56,844	108,863	17,699	69,217
Depreciation of property, plant and equipment	*13*	14,666	22,099	44,727	20,643	34,272
Depreciation of right-of-use assets	*14(a)*	735	1,295	6,669	1,047	10,778
Amortisation of intangible assets*	*15*	157	199	266	126	148
Lease payments not included in the measurement of lease liabilities	*14(c)*	11	185	1,263	470	714
Employee benefit expenses (excluding directors' remuneration *(note 8)*):						
Wages, salaries and other allowances		34,000	65,092	111,551	53,097	50,313
Pension scheme contributions and social welfare**		1,951	6,317	12,477	5,633	6,354
Share-based payment expenses		1,963	4,740	4,445	2,124	2,457
Total		37,914	76,149	128,473	60,854	59,124
Impairment losses/(reversal of impairment losses) on financial assets and prepayments, net		1,637	5,979	36,937	6,930	(4,926)
Realised gains from derivatives	*5*	–	–	(2,468)	–	(3,527)
Unrealised (gains)/losses from derivatives	*5*	–	–	(625)	–	462
Net loss on disposal of property, plant and equipment		394	2,752	33,656	367	786
Loss on derecognition of financial assets measured at FVOCI		6,688	5,842	11,397	6,319	3,163

* The amortisation of intangible assets for the Relevant Periods was included in "Administrative expenses" in the consolidated statements of profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on interest-bearing bank and other borrowings	15,235	28,841	64,590	30,725	33,153
Interest on lease liabilities	52	220	1,105	259	1,680
Subtotal	15,287	29,061	65,695	30,984	34,833
Less: Interest capitalised	–	(754)	(7,863)	(4,225)	(4,405)
Total	15,287	28,307	57,832	26,759	30,428

8. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods and six months ended 30 June 2023, is disclosed as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Fees	–	274	397	201	198
Other emoluments:					
Salaries, allowances and benefits in kind	1,121	1,591	1,996	883	1,179
Performance related bonuses	200	600	420	210	210
Share-based payment expenses	6,762	10,498	6,568	2,895	3,744
Pension scheme contributions and social welfare	19	32	25	13	17
Subtotal	8,102	12,721	9,009	4,001	5,150
Total fees and other emoluments	8,102	12,995	9,406	4,202	5,348

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods and six months ended 30 June 2023 were as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Ms. Chen Yixi*	–	131	132	67	66
Mr. Wang Chaoxi**	–	–	19	–	66
Mr. Tan Yue***	–	131	114	67	–
Mr. Huang Shaoxian****	–	12	132	67	66
Total	–	274	397	201	198

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods and six months ended 30 June 2023.

* Ms. Chen Yixi was appointed as an independent non-executive director in January 2022.

** Mr. Wang Chaoxi was appointed as an independent non-executive director in November 2023.

*** Mr. Tan Yue was appointed as an independent non-executive director in January 2022 and resigned as an independent non-executive director with effect from 10 November 2023.

**** Mr. Huang Shaoxian was appointed as an independent non-executive director in December 2022.

(b) Executive director and non-executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2021						
Executive directors:						
Mr. Li Sen	–	668	150	5,453	9	6,280
Mr. Li Xin	–	442	50	1,143	9	1,644
Mr. Ye Daxing*	–	11	–	166	1	178
Mr. Zhou Xingyang**	–	–	–	–	–	–
Total	–	1,121	200	6,762	19	8,102

* Mr. Ye Daxing resigned as an executive director with effect from 9 February 2021.

** Mr. Zhou Xingyang resigned as a director with effect from January 2022.

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022						
Executive directors:						
Mr. Li Sen	–	859	420	9,127	16	10,422
Mr. Li Xin**	–	732	180	1,371	16	2,299
Mr. Zhou Chutao***	–	–	–	–	–	–
Non-executive director:						
Ms. Xing Lizhe*	–	–	–	–	–	–
Total	–	1,591	600	10,498	32	12,721

* Ms. Xing Lizhe was appointed as a non-executive director in August 2022.

** Mr. Li Xin was appointed as an executive director in January 2022.

*** Mr. Zhou Chutao was appointed as a executive director in January 2022.

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023						
Executive directors:						
Mr. Li Sen	–	1,032	300	5,401	22	6,755
Mr. Li Xin	–	846	120	1,167	3	2,136
Mr. Zhou Chutao	–	59	–	–	–	59
Non-executive director:						
Ms. Xing Lizhe	–	59	–	–	–	59
Total	–	1,996	420	6,568	25	9,009

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Six months ended 30 June 2023						
Executive directors:						
Mr. Li Sen	–	486	150	2,378	10	3,024
Mr. Li Xin	–	397	60	517	3	977
Mr. Zhou Chutao	–	–	–	–	–	–
Non-executive director:						
Ms. Xing Lizhe	–	–	–	–	–	–
Total	–	883	210	2,895	13	4,001

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment expenses	Pension scheme contributions and social welfare	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 30 June 2024						
Executive directors:						
Mr. Li Sen	–	543	150	3,095	11	3,799
Mr. Li Xin	–	450	60	649	–	1,159
Mr. Zhou Chutao	–	126	–	–	6	132
Non-executive director:						
Ms. Xing Lizhe	–	60	–	–	–	60
Total	–	1,179	210	3,744	17	5,150

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods and six months ended 30 June 2023.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included two director of the Company during the Relevant Periods and six months ended 30 June 2023, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	1,111	2,076	2,258	1,271	1,044
Performance related bonuses	199	300	360	120	180
Share-based payment expenses	478	2,621	2,766	1,307	1,459
Pension scheme contributions and social welfare	22	50	69	29	37
Total	1,810	5,047	5,453	2,727	2,720

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
				(unaudited)	
Nil to HK$1,000,000	3	–	–	2	2
HK$1,000,001 to HK$1,500,000	–	2	2	–	–
HK$1,500,001 to HK$2,000,000	–	–	–	1	1
HK$3,000,001 to HK$3,500,000	–	–	1	–	–
HK$3,500,001 to HK$4,000,000	–	1	–	–	–
Total	3	3	3	3	3

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Law"), the entities which operate in Mainland China are subject to EIT at a rate of 25% on the taxable income except those which are subject to tax concession as set out below:

(a) In 2020, the Company was accredited as a "High and New Technology Enterprise" ("**HNTE**"). The HNTE qualification was renewed in 2023. Hence, the Company was entitled to a preferential EIT rate of 15% for the Relevant Periods.

(b) Jiangxi Ruida was qualified as a HNTE in 2021. The HNTE qualification was renewed in 2024. Hence, Jiangxi Ruida was entitled to a preferential tax rate of 15% for the Relevant Periods.

The income tax expense/(credit) of the Group for the Relevant Periods and six months ended 30 June 2023 is analysed as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current income tax	6,939	31,615	–	–	–
Deferred income tax	(322)	2,342	(72)	(65)	–
Total	6,617	33,957	(72)	(65)	–

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Profit/(loss) before tax	76,010	184,808	(473,556)	(204,547)	(147,228)
Tax at the statutory tax rate	19,003	46,202	(118,389)	(51,137)	(36,807)
Effect on preferential tax rate	(7,627)	(19,115)	39,212	17,436	10,690
Income not subject to tax	(364)	(428)	(21,238)	(11,115)	(8,213)
Expenses not deductible for tax	1,036	2,033	7,724	239	4,090
Additional deductible allowance for qualified research and development costs*	(5,720)	(12,174)	(12,138)	(5,766)	(4,816)
Profit and losses attributable to associates and a joint venture	–	–	41	–	2,288
Tax losses utilised from previous periods	(2,432)	(39)	–	–	–
Deductible temporary differences and tax losses not recognised	2,721	17,478	104,716	50,278	32,768
Tax charge/(credit) at the Group's effective tax rate	6,617	33,957	(72)	(65)	–

* Additional deductible allowance was for qualified research and development costs. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 200% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits during the Relevant Periods.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) attributable to owners of the parent, and the weighted average numbers of ordinary shares outstanding during the Relevant Periods and six months ended 30 June 2023, as adjusted to reflect the changes in share capital set forth in note 31 during the Relevant Periods and six months ended 30 June 2023.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the Relevant Periods in respect of a dilution as the Group had no potentially dilutive ordinary shares outstanding during the Relevant Periods and six months ended 30 June 2023.

The following reflects the earnings/(loss) and share data used in the basic earnings/(loss) per share computation:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
				(unaudited)	
Earnings:					
Profit for the year attributable to owners of the parent, used in the basic earnings/(losses) per share calculation (RMB'000)	69,393	150,851	(473,484)	(204,482)	(147,228)
Number of shares:					
Weighted average number of ordinary shares outstanding during the year, used in the basic earnings/losses per share calculation (in thousand shares)	121,946	325,354	368,659	367,685	369,617

13. PROPERTY, PLANT AND EQUIPMENT

The Group

31 December 2021	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:					
Cost	74,164	92,724	8,130	7,208	182,226
Accumulated depreciation	(5,519)	(21,196)	–	(3,401)	(30,116)
Net carrying amount	68,645	71,528	8,130	3,807	152,110
At 1 January 2021, net of accumulated depreciation	68,645	71,528	8,130	3,807	152,110
Additions	–	5,309	151,412	1,729	158,450
Disposals	(45)	(270)	(101)	(88)	(504)
Transfers	9,575	38,759	(49,194)	860	–
Depreciation provided during the year	(3,168)	(10,416)	–	(1,082)	(14,666)
At 31 December 2021, net of accumulated depreciation	75,007	104,910	110,247	5,226	295,390
At 31 December 2021:					
Cost	83,656	136,454	110,247	9,533	339,890
Accumulated depreciation	(8,649)	(31,544)	–	(4,307)	(44,500)
Net carrying amount*	75,007	104,910	110,247	5,226	295,390

31 December 2022	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022:					
Cost	83,656	136,454	110,247	9,533	339,890
Accumulated depreciation	(8,649)	(31,544)	–	(4,307)	(44,500)
Net carrying amount	75,007	104,910	110,247	5,226	295,390
At 1 January 2022, net of accumulated depreciation	75,007	104,910	110,247	5,226	295,390
Additions	13,603	8	566,008	6,837	586,456
Disposals	(647)	(1,964)	–	(224)	(2,835)
Transfers	60,408	154,528	(217,881)	2,945	–
Depreciation provided during the year	(3,815)	(16,281)	–	(2,003)	(22,099)
At 31 December 2022, net of accumulated depreciation	144,556	241,201	458,374	12,781	856,912
At 31 December 2022:					
Cost	156,924	286,281	458,374	18,033	919,612
Accumulated depreciation	(12,368)	(45,080)	–	(5,252)	(62,700)
Net carrying amount*	144,556	241,201	458,374	12,781	856,912

31 December 2023	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023:					
Cost	156,924	286,281	458,374	18,033	919,612
Accumulated depreciation	(12,368)	(45,080)	–	(5,252)	(62,700)
Net carrying amount	144,556	241,201	458,374	12,781	856,912
At 1 January 2023, net of accumulated depreciation	144,556	241,201	458,374	12,781	856,912
Additions	–	961	832,474	13,230	846,665
Disposals	–	(846)	(33,153)	(11)	(34,010)
Transfers	387,074	111,225	(502,043)	3,744	–
Depreciation provided during the year	(8,465)	(30,501)	–	(5,761)	(44,727)
At 31 December 2023, net of accumulated depreciation	523,165	322,040	755,652	23,983	1,624,840
At 31 December 2023:					
Cost	543,997	397,093	755,652	34,840	1,731,582
Accumulated depreciation	(20,832)	(75,053)	–	(10,857)	(106,742)
Net carrying amount*	523,165	322,040	755,652	23,983	1,624,840

30 June 2024	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024:					
Cost	543,997	397,093	755,652	34,840	1,731,582
Accumulated depreciation	(20,832)	(75,053)	–	(10,857)	(106,742)
Net carrying amount	523,165	322,040	755,652	23,983	1,624,840
At 1 January 2024, net of accumulated depreciation	523,165	322,040	755,652	23,983	1,624,840
Additions	–	803	45,807	825	47,435
Disposals	(332)	(493)	–	(1,160)	(1,985)
Transfers	104,166	22,902	(127,068)	–	–
Depreciation provided during the period	(10,698)	(19,660)	–	(3,914)	(34,272)
At 30 June 2024, net of accumulated depreciation	616,301	325,592	674,391	19,734	1,636,018
At 30 June 2024:					
Cost	647,831	420,185	674,391	33,988	1,776,395
Accumulated depreciation	(31,530)	(94,593)	–	(14,254)	(140,377)
Net carrying amount*	616,301	325,592	674,391	19,734	1,636,018

* As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain items of property, plant and equipment were pledged as security for bank facilities and other loans granted to the Group, with net carrying amounts approximately of RMB58,381,000, RMB197,938,000, RMB603,854,000 and RMB636,123,000, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain machines of the Group were subject to sale and leaseback transactions with finance leasing companies, with net carrying amounts approximately of RMB88,697,000, RMB191,610,000, RMB221,601,000 and RMB208,750,000, respectively.

The Company

31 December 2021	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021:					
Cost	25,319	12,563	404	2,345	40,631
Accumulated depreciation	(805)	(6,307)	–	(1,531)	(8,643)
Net carrying amount	24,514	6,256	404	814	31,988
At 1 January 2021, net of accumulated depreciation	24,514	6,256	404	814	31,988
Additions	–	14	31,006	367	31,387
Disposals	–	(181)	(101)	(5)	(287)
Transfers	644	7,895	(9,055)	516	–
Depreciation provided during the year	(1,261)	(1,167)	–	(454)	(2,882)
At 31 December 2021, net of accumulated depreciation	23,897	12,817	22,254	1,238	60,206
At 31 December 2021:					
Cost	25,963	20,269	22,254	3,123	71,609
Accumulated depreciation	(2,066)	(7,452)	–	(1,885)	(11,403)
Net carrying amount*	23,897	12,817	22,254	1,238	60,206

31 December 2022	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022:					
Cost	25,963	20,269	22,254	3,123	71,609
Accumulated depreciation	(2,066)	(7,452)	–	(1,885)	(11,403)
Net carrying amount	23,897	12,817	22,254	1,238	60,206
At 1 January 2022, net of accumulated depreciation	23,897	12,817	22,254	1,238	60,206
Additions	–	3	212,030	4,134	216,167
Disposals	–	(960)	–	(5)	(965)
Transfers	41,887	21,715	(63,981)	379	–
Depreciation provided during the year	(1,299)	(2,128)	–	(913)	(4,340)
At 31 December 2022, net of accumulated depreciation	64,485	31,447	170,303	4,833	271,068
At 31 December 2022:					
Cost	67,850	39,098	170,303	6,922	284,173
Accumulated depreciation	(3,365)	(7,651)	–	(2,089)	(13,105)
Net carrying amount*	64,485	31,447	170,303	4,833	271,068

31 December 2023	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023:					
Cost	67,850	39,098	170,303	6,922	284,173
Accumulated depreciation	(3,365)	(7,651)	–	(2,089)	(13,105)
Net carrying amount	64,485	31,447	170,303	4,833	271,068
At 1 January 2023, net of accumulated depreciation	64,485	31,447	170,303	4,833	271,068
Additions	–	868	517,327	7,171	525,366
Disposals	–	(416)	(33,153)	(4)	(33,573)
Transfers	332,579	52	(332,631)	–	–
Depreciation provided during the year	(5,270)	(3,475)	–	(2,540)	(11,285)
At 31 December 2023, net of accumulated depreciation	391,794	28,476	321,846	9,460	751,576
At 31 December 2023:					
Cost	400,429	39,552	321,846	14,012	775,839
Accumulated depreciation	(8,635)	(11,076)	–	(4,552)	(24,263)
Net carrying amount*	391,794	28,476	321,846	9,460	751,576

30 June 2024	Buildings	Machinery	Construction in progress	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024:					
Cost	400,429	39,552	321,846	14,012	775,839
Accumulated depreciation	(8,635)	(11,076)	–	(4,552)	(24,263)
Net carrying amount	391,794	28,476	321,846	9,460	751,576
At 1 January 2024, net of accumulated depreciation	391,794	28,476	321,846	9,460	751,576
Additions	1	733	20,630	41	21,405
Disposals	–	(493)	–	(148)	(641)
Transfers	26,008	–	(26,008)	–	–
Depreciation provided during the period	(7,868)	(1,758)	–	(1,781)	(11,407)
At 30 June 2024, net of accumulated depreciation	409,935	26,958	316,468	7,572	760,933
At 30 June 2024:					
Cost	426,437	39,672	316,468	13,775	796,352
Accumulated depreciation	(16,502)	(12,714)	–	(6,203)	(35,419)
Net carrying amount*	409,935	26,958	316,468	7,572	760,933

* As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain items of property, plant and equipment were pledged as securities for bank facilities granted to the Company with net carrying amounts approximately of RMB18,579,000, RMB154,500,000, RMB520,091,000 and RMB539,705,000, respectively. As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain machinery of the Company was subject to sale and leaseback transactions with financing leasing companies, with net carrying amounts approximately of RMB2,426,000, RMB1,599,000, RMB19,176,000 and RMB18,451,000, respectively.

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold land, buildings and machinery used in its operations. Leases of leasehold land generally have lease terms of 20 years, while buildings and machinery generally have lease terms between 2 and 5 years, and lease terms of 3 years, respectively. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

Sale and leaseback transactions — seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases with financing lease companies. These legal transfers do not satisfy the requirements of IFRS 15 to be accounted for as a sale of the machinery. During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, the Group raised borrowings in respect of such sale and leaseback arrangements in the amounts of RMB21,199,000, RMB294,620,000, RMB54,890,000 and RMB158,228,000, respectively. The payment terms are in accordance with the contracts, generally range from two to three years, and the applicable effective interest rate ranges from 6.18% to 9.29% per year.

(a) Right-of-use assets

The carrying amounts of the right-of-use assets and the movements during the Relevant Periods are as follows:

The Group

Year ended 31 December 2021	Leasehold land
	RMB'000
At beginning of year	22,398
Additions	3,703
Depreciation charge *(note 6)*	(735)
At end of year	25,366

Year ended 31 December 2022	Leasehold land	Buildings	Total
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	25,366	–	25,366
Additions	27,523	592	28,115
Depreciation charge *(note 6)*	(1,130)	(165)	(1,295)
At end of year	51,759	427	52,186

Year ended 31 December 2023	Leasehold land	Buildings	Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year	51,759	427	–	52,186
Additions	50,826	12,744	23,718	87,288
Depreciation charge *(note 6)*	(2,424)	(1,047)	(3,198)	(6,669)
At end of year	100,161	12,124	20,520	132,805

Six months ended 30 June 2024	Leasehold land	Buildings	Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of period	100,161	12,124	20,520	132,805
Additions	1,093	–	24,860	25,953
Depreciation charge *(note 6)*	(1,999)	(1,373)	(7,406)	(10,778)
At end of period*	99,255	10,751	37,974	147,980

* As at 30 June 2024, certain leasehold land with a net carrying amount approximately of RMB32,317,000 was pledged as security for bank facilities granted to the Group.

The Company

Year ended 31 December 2021	Leasehold land
	RMB'000
At beginning of year	6,430
Additions	3,703
Depreciation charge	(376)
At end of year	9,757

Year ended 31 December 2022	Leasehold land
	RMB'000
At beginning of year	9,757
Additions	22,945
Depreciation charge	(762)
At end of year	31,940

Year ended 31 December 2023	Leasehold land	Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	31,940	–	31,940
Additions	37,462	3,451	40,913
Depreciation charge	(1,703)	(383)	(2,086)
At end of year	67,699	3,068	70,767

Six months ended 30 June 2024	Leasehold land	Machinery	Total
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period	67,699	3,068	70,767
Additions	–	3,451	3,451
Depreciation charge	(1,692)	(1,055)	(2,747)
At end of period*	66,007	5,464	71,471

* As at 30 June 2024, certain leasehold land with a net carrying amount approximately of RMB32,317,000 was pledged as security for bank facilities granted to the Group.

(b) *Lease liabilities*

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	3,384	10,474	49,241
New leases	3,631	28,027	87,256	25,952
Accretion of interest recognised during the year/period *(note 7)*	52	220	1,105	1,680
Payments	(299)	(21,157)	(49,594)	(10,177)
Carrying amount at the end of the year/period	3,384	10,474	49,241	66,696
Analysed into:				
Current portion	51	363	11,851	22,330
Non-current portion	3,333	10,111	37,390	44,366

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	–	3,384	10,075	17,396
New leases	3,631	22,858	40,881	3,451
Accretion of interest recognised during the year/period	52	206	594	509
Payments	(299)	(16,373)	(34,154)	(2,176)
Carrying amount at the end of the year/period	3,384	10,075	17,396	19,180
Analysed into:				
Current portion	51	167	2,766	4,062
Non-current portion	3,333	9,908	14,630	15,118

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Interest on lease liabilities *(note 7)*	52	220	1,105	259	1,680
Depreciation charge of right-of-use assets *(note 6)*	735	1,295	6,669	1,047	10,778
Expense relating to short-term leases	11	185	1,263	470	714
Total amount recognised in profit or loss	798	1,700	9,037	1,776	13,172

The Group as a lessor

The Group leases certain battery packages under finance lease arrangements. The terms of the lease contracts contain variable payments based on the number of units to be used by the tenants. Generally, these lease contracts also require the tenants to pay minimum rental payments. The amounts of the finance income recognised in profit or loss by the Group during the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024 were nil, RMB183,000, RMB159,000 and RMB27,000, respectively.

During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2024, the undiscounted lease payments receivable by the Group in future periods under non-cancellable finance leases with its tenants are as follows:

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	–	3,840	1,171	–
After one year but within two years	–	1,171	–	–
Total	–	5,011	1,171	–

15. INTANGIBLE ASSETS

The Group

31 December 2021	Software
	RMB'000
At 1 January 2021:	
Cost	87
Accumulated amortisation	(54)
Net carrying amount	33
At 1 January 2021, net of accumulated amortisation	33
Additions	697
Amortisation provided during the year	(157)
At 31 December 2021, net of accumulated amortisation	573
At 31 December 2021:	
Cost	784
Accumulated amortisation	(211)
Net carrying amount	573

31 December 2022	Software
	RMB'000
At 1 January 2022:	
Cost	784
Accumulated amortisation	(211)
Net carrying amount	573
At 1 January 2022, net of accumulated amortisation	573
Additions	396
Amortisation provided during the year	(199)
At 31 December 2022, net of accumulated amortisation	770

31 December 2022	Software
	RMB'000
At 31 December 2022:	
Cost	1,180
Accumulated amortisation	(410)
Net carrying amount	770

31 December 2023	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023:			
Cost	1,180	–	1,180
Accumulated amortisation	(410)	–	(410)
Net carrying amount	770	–	770
At 1 January 2023, net of accumulated amortisation	770	–	770
Additions	253	277	530
Amortisation provided during the year	(257)	(9)	(266)
At 31 December 2023, net of accumulated amortisation	766	268	1,034
At 31 December 2023:			
Cost	1,433	277	1,710
Accumulated amortisation	(667)	(9)	(676)
Net carrying amount	766	268	1,034

30 June 2024	Software	Trademarks and patents	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2024:			
Cost	1,433	277	1,710
Accumulated amortisation	(667)	(9)	(676)
Net carrying amount	766	268	1,034
At 1 January 2024, net of accumulated amortisation	766	268	1,034
Amortisation provided during the period	(134)	(14)	(148)
At 30 June 2024, net of accumulated amortisation	632	254	886
At 30 June 2024:			
Cost	1,433	277	1,710
Accumulated amortisation	(801)	(23)	(824)
Net carrying amount	632	254	886

The Company

31 December 2023	Trademarks and patents
	RMB'000
At 1 January 2023:	
Cost	–
Accumulated amortisation	–
Net carrying amount	–
At 1 January 2023, net of accumulated amortisation	–
Additions	277
Amortisation provided during the year	(9)
At 31 December 2023, net of accumulated amortisation	268
At 31 December 2023:	
Cost	277
Accumulated amortisation	(9)
Net carrying amount	268

30 June 2024	Trademarks and patents
	RMB'000
At 1 January 2024:	
Cost	277
Accumulated amortisation	(9)
Net carrying amount	268
At 1 January 2024, net of accumulated amortisation	268
Amortisation provided during the period	(14)
At 30 June 2024, net of accumulated amortisation	254
At 30 June 2024:	
Cost	277
Accumulated amortisation	(23)
Net carrying amount	254

16. INVESTMENTS IN ASSOCIATES AND A JOINT VENTURE

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets of associates:				
Hubei Ruipai New Energy Technology Co., Ltd. ("Ruipai Technology")	–	–	–	49,043
Longnan Longxing Mining Development Co., Ltd. ("Longxing Mining") *(Note i)*	–	–	–	–

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Suqian Shenghong Shengli New Energy Technology Co., Ltd. ("Suqian Shenghong") *(Note ii)*	–	–	–	–
Share of net assets of joint venture:				
Guangdong Longji Power Technology Co., Ltd. ("Longji Power") *(Note iii)*	–	–	12,136	–
Total	–	–	12,136	49,043

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net assets of associates				
Ruipai Technology	–	–	–	49,043
Longxing Mining	–	–	–	–
Total	–	–	–	49,043

Notes:

i Longxing Mining was established on 22 December 2023, and as at 30 June 2024, it had not received any capital contributions from shareholders and had not commenced operations.

ii The investment in Suqian Shenghong amounting to RMB100,000 was fully impaired, as Suqian Shenghong had not commenced production since 2022.

iii Longji Power was established on 21 December 2023 and was primarily engaged in sales of second-life battery products. The Group held 41% of equity interest in Longji Power and accounted for its equity investment using the equity method. On 30 June 2024, in light of the Longji Power's underperformance, the Group entered into an equity transfer agreement where the Group disposes all of its equity interest in Longji Power to a joint venture partner of Longji Power. Hence, as at 30 June 2024, the Group reclassified its equity investment in Longji Power as non-current assets held-for-sale in accordance with IFRS 5, stating at the lower of its carrying amount and the fair value less cost of disposal. On 15 July 2024, the Group completed the disposal of its entire equity interest in Longji Power.

The joint venture of the Group is considered not individually material and the following table illustrates the financial information of the Group's joint venture:

Longji Power

	As at 31 December 2023
	RMB'000
Share of loss of the joint venture for the period	(400)
Carrying amount of the Group's investment in the joint venture	12,136

Particulars of a material associate of the Group are as follows:

As at 30 June 2024

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of equity attributable to the Group	Principal activities
Ruipai Technology	Ordinary shares	Xiangyang, Hubei PRC/Mainland China 12 March 2024	49%	Recycle of power batteries

Ruipai Technology is an entity specialising in the recycle of power batteries, jointly invested by the Group and Dongfeng Hongtai Holding Group Co., Ltd. and is accounted for using the equity method.

The following tables illustrate the summarised financial information in respect of Ruipai Technology adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

Ruipai Technology

	As at 30 June 2024
	RMB'000
Current assets	98,048
Non-current assets	3,114
Current liabilities	(1,073)
Non-current liabilities	–
Net assets	100,089
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	49%
Group's share of net assets of the associate	49,043
Carrying amount of the investment	49,043
Revenue	–
Profit for the period	89
Total comprehensive income for the period	89

17. INVESTMENTS IN SUBSIDIARIES

The Company

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment cost	142,127	372,127	420,327	431,327
Impairment *(note i)*	–	–	–	(10,000)
Total	142,127	372,127	420,327	421,327

Notes:

(i) Due to the business adjustment, the investment in a subsidiary, Guangzhou Jinsheng New Energy Trading Co., Ltd., was fully impaired in the first half of 2024. The directors assessed other subsidiaries' performances and future development plans, and were of the opinion that no impairment indicator existed for the investments in other subsidiaries as at the end of each of the Relevant Periods.

(ii) The Company's outstanding balances with its subsidiaries are disclosed in note 37.

18. EQUITY INVESTMENTS DESIGNATED AT FVOCI

The Group and the Company

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI:				
Unlisted equity investments, at fair value:				
Jiangxi Liyuan New Material Co., Ltd.	–	9,697	7,516	3,390
Jiangxi Wanzai Rural Commercial Bank Limited	41,793	36,277	31,228	35,769
Total	41,793	45,974	38,744	39,159

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

A portion of the Group's equity investment in Jiangxi Wanzai Rural Commercial Bank Limited with net carrying amounts approximately of RMB31,201,000, RMB18,133,000, nil and nil as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, were pledged to secure bank facilities.

19. DEFERRED TAX

The movements in deferred tax assets and deferred tax liabilities of the Group during the Relevant Periods are as follows:

Deferred tax assets

The Group

	Tax losses	Impairment of financial assets and inventories	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	740	1,208	–	1,948
Deferred tax (charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the year	(740)	1,098	507	865
At 31 December 2021	–	2,306	507	2,813
At 1 January 2022	–	2,306	507	2,813
Deferred tax (charged)/credited to the consolidated statement of profit or loss and other comprehensive income during the year	–	(2,306)	1,064	(1,242)
At 31 December 2022	–	–	1,571	1,571
At 1 January 2023	–	–	1,571	1,571
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the year	–	–	3,679	3,679
At 31 December 2023	–	–	5,250	5,250
At 1 January 2024	–	–	5,250	5,250
Deferred tax credited to the consolidated statement of profit or loss and other comprehensive income during the period	–	–	2,445	2,445
At 30 June 2024	–	–	7,695	7,695

The Company

	Lease liabilities
	RMB'000
At 1 January 2021	–
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year	507
At 31 December 2021	507
At 1 January 2022	507
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year	1,005
At 31 December 2022	1,512

	Lease liabilities
	RMB'000
At 1 January 2023	1,512
Deferred tax credited to the statement of profit or loss and other comprehensive income during the year	1,086
At 31 December 2023	2,598
At 1 January 2024	2,598
Deferred tax credited to the statement of profit or loss and other comprehensive income during the period	201
At 30 June 2024	2,799

Deferred tax liabilities

The Group

	Right-of-use assets
	RMB'000
At 1 January 2021	–
Deferred tax charged to the consolidated statements of profit or loss and other comprehensive income during the year	543
At 31 December 2021	543
At 1 January 2022	543
Deferred tax charged to the consolidated statements of profit or loss and other comprehensive income during the year	1,100
At 31 December 2022	1,643
At 1 January 2023	1,643
Deferred tax charged to the consolidated statements of profit or loss and other comprehensive income during the year	3,607
At 31 December 2023	5,250
At 1 January 2024	5,250
Deferred tax charged to the consolidated statements of profit or loss and other comprehensive income during the period	2,445
At 30 June 2024	7,695

The Company

	Right-of-use assets
	RMB'000
At 1 January 2021	–
Deferred tax charged to the statements of profit or loss and other comprehensive income during the year	543
At 31 December 2021	543
At 1 January 2022	543
Deferred tax charged to the statements of profit or loss and other comprehensive income during the year	1,036
At 31 December 2022	1,579

	Right-of-use assets
	RMB'000
At 1 January 2023	1,579
Deferred tax charged to the statements of profit or loss and other comprehensive income during the year	1,019
At 31 December 2023	2,598
At 1 January 2024	2,598
Deferred tax charged to the statements of profit or loss and other comprehensive income during the period	201
At 30 June 2024	2,799

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	2,306	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	36	72	–	–

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the statement of financial position	–	–	–	–
Net deferred tax liabilities recognised in the statement of financial position	36	67	–	–

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group had tax losses arising in Hong Kong of nil, nil, nil and RMB14,000, respectively, that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, deferred tax assets have not been recognised in respect of tax losses of RMB9,358,000, RMB17,317,000, RMB538,125,000 and RMB785,979,000 arising in Mainland China, respectively, which will expire in one to ten years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses and deductible temporary differences as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses not recognised	9,385	17,317	538,125	785,993
Deductible temporary differences	27,519	102,238	244,580	238,395
Total	36,904	119,555	782,705	1,024,388

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tax losses not recognised	9,184	16,484	132,692	219,270
Deductible temporary differences	27,519	34,571	112,629	116,722
Total	36,703	51,055	245,321	335,992

20. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	116,353	345,155	105,509	113,347
Work in progress	156,043	340,049	123,638	138,830
Finished goods	13,338	127,565	62,269	153,975
Total	285,734	812,769	291,416	406,152

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials and consumables	31,127	39,116	19,043	35,096
Work in progress	49,320	63,523	33,445	32,083
Finished goods	6,218	30,892	14,549	19,920
Total	86,665	133,531	67,037	87,099

As at 31 December 2021, 2022 and 2023 and 30 June 2024, inventories were stated at the lower of cost and net realisable value.

21. TRADE AND BILLS RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	12,607	217,114	134,402	124,086
Bills receivable	243,993	163,259	307,682	83,708
Impairment	(12,763)	(18,884)	(20,896)	(10,308)
Net carrying amount	243,837	361,489	421,188	197,486

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	31,491	124,259	104,640	327,863
Bills receivable	55,615	21,004	48,192	20,692
Impairment	(3,111)	(1,394)	(4,534)	(4,104)
Net carrying amount	83,995	143,869	148,298	344,451

The Group's trading terms with its customers are mainly on credit. The credit period is generally within 30 days from acceptance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables as at the end of each of the Relevant Periods (based on the recognition date and net of loss allowance) is as follows:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	242,336	360,806	413,692	192,719
3 to 6 months	601	112	1,851	–
6 months to 1 year	711	511	5,203	981
1 to 2 years	189	41	416	3,786
2 years to 3 years	–	19	26	–
Total	243,837	361,489	421,188	197,486

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	82,863	143,869	148,298	344,427
Over 3 months	1,132	–	–	24
Total	83,995	143,869	148,298	344,451

The movements in the loss allowance for impairment of trade and bills receivables are as follows:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	12,847	12,763	18,884	20,896
Impairment losses, net	(84)	6,121	2,012	(10,588)
At the end of the year/period	12,763	18,884	20,896	10,308

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	4,908	3,111	1,394	4,534
Impairment losses, net	(1,797)	(1,717)	3,140	(430)
At the end of the year/period	3,111	1,394	4,534	4,104

The Group applies the simplified approach in calculating ECLs for trade and bills receivables. Trade and bills receivables relating to customers not sharing similar credit risk with others are assessed individually for impairment allowance. The remaining trade and bills receivables and contract assets are grouped and collectively assessed for impairment allowance. Under the collective approach, an impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis for grouping of customers that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy.

The bills receivable held by the Group were mostly issued by reputable banks and with short-term maturity. Accordingly, the identified impairment loss was assessed to be small as at the end of each of the Relevant Periods.

Set out below is the information about the credit risk exposure on the Group's trade and bill receivables using a provision matrix:

The Group

As at 31 December 2021

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 3 months	254,985	5.0%	12,648
3 to 6 months	633	4.9%	31
6 months to 1 year	747	5.0%	37
1 to 2 years	235	20.0%	47
Total	256,600	5.0%	12,763

As at 31 December 2022

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
On a collective basis:			
Within 3 months	379,547	4.9%	18,741
3 to 6 months	119	5.0%	6
6 months to 1 year	538	5.0%	27
1 to 2 years	50	20.0%	10
2 years to 3 years	38	50.0%	19
On an individual basis:			
6 months to 1 year	81	100.0%	81
Total	380,373	5.0%	18,884

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
On a collective basis:			
Within 3 months	434,006	4.7%	20,314
3 to 6 months	1,948	5.0%	97
6 months to 1 year	5,477	5.0%	274
1 to 2 years	520	20.0%	104
2 years to 3 years	52	50.0%	26
On an individual basis:			
1 to 2 years	81	100.0%	81
Total	442,084	4.7%	20,896

As at 30 June 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
On a collective basis:			
Within 3 months	201,017	4.1%	8,298
6 months to 1 year	1,033	5.0%	52
1 to 2 years	4,733	20.0%	947
On an individual basis:			
1 to 2 years	930	100.0%	930
2 years to 3 years	81	100.0%	81
Total	207,794	5.0%	10,308

The Company

As at 31 December 2021

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 3 months	85,886	3.5%	3,023
3 to 6 months	544	5.0%	27
6 months to 1 year	495	5.1%	25
1 to 2 years	181	19.9%	36
Total	87,106	3.6%	3,111

As at 31 December 2022

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 3 months	145,263	1.0%	1,394

As at 31 December 2023

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 3 months	152,832	3.0%	4,534

As at 30 June 2024

	Gross carrying amount	Expected credit loss rate	Expected credit losses
	RMB'000		*RMB'000*
Within 3 months	348,530	1.2%	4,103
6 months to 1 year	25	4.0%	1
Total	348,555	1.2%	4,104

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	41,723	333,701	335,511	348,476
Deposits	248	37,582	19,157	18,722
Other receivables	384	5,507	17,807	19,641
Value-added tax recoverable	31,046	96,645	198,850	200,916
Tax repayments	1,185	1,794	–	17
	74,586	475,229	571,325	587,772
Less: Impairment losses	(2,328)	(2,185)	(37,111)	(42,773)
Less: Non-current portion	(10,510)	(146,771)	(100,740)	(223,195)
Current portion	61,748	326,273	433,474	321,804

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	25,565	106,126	116,405	137,949
Deposits	148	1,152	2,982	2,979
Other receivables	132,570	590,548	845,460	680,547
Value-added tax recoverable	11,527	31,900	92,372	90,697
Tax repayments	1,172	1,794	–	–
	170,982	731,520	1,057,219	912,172
Less: Impairment losses	(2,305)	(1,849)	(301)	(23,346)
Less: Non-current portion	(7,966)	(48,617)	(79,734)	(195,105)
Current portion	160,711	681,054	977,184	693,721

At the end of each of the Relevant Periods, the ECLs of the financial assets included in prepayments, other receivables and other assets were measured based on the 12-month expected credit loss if these financial assets were not past due and there was no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the abovementioned financial assets were measured based on the lifetime expected credit loss. An impairment analysis was performed at the end of each of the Relevant Periods.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Wealth management products, at fair value	–	1,000	6,000	3,000

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current assets				
Wealth management products, at fair value	–	1,000	–	–

The financial assets above were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at FVTPL as their contractual cash flows are not solely payments of principal and interest.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Derivative financial assets without designated hedging relationship:				
Lithium carbonate futures*	–	–	490	–
Derivative financial liabilities without designated hedging relationship:				
Lithium carbonate options*	–	–	291	154

* The futures and options are not designated for hedge purposes and are measured at fair value through profit or loss. Changes in the fair value of non-hedging futures and options were charged to the statements of profit or loss and other comprehensive income during the Relevant Periods.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	21,891	223,792	113,228	65,715
Time deposits	–	21,000	126,562	67,630
Subtotal	21,891	244,792	239,790	133,345
Less: Pledged current deposits:				
Pledged for bank facilities	–	–	–	(30,000)
Pledged for letters of credit	(10,000)	(4,000)	(3,500)	(19,683)
Pledged for bank acceptance bills	(1)	(29,571)	(130,011)	(37,630)
Less: Restricted current deposits	–	–	(1,300)	(1,300)
Subtotal	(10,001)	(33,571)	(134,811)	(88,613)

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less: Pledged time deposits with original maturity of more than one year	–	–	(5,281)	(5,281)
Subtotal	–	–	(5,281)	(5,281)
Total cash and cash equivalents	11,890	211,221	99,698	39,451

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	11,723	109,999	30,220	41,923
Time deposits	–	21,000	26,991	37,630
Subtotal	11,723	130,999	57,211	79,553
Less: Pledged current deposits:				
Pledged for letters of credit	–	(4,000)	(3,500)	(19,683)
Pledged for bank acceptance bills	–	(21,000)	(30,440)	(37,630)
Less: Restricted current deposits	–	–	(1,300)	(1,300)
Subtotal	–	(25,000)	(35,240)	(58,613)
Less: Pledged time deposits with original maturity of more than one year	–	–	(5,281)	(5,281)
Subtotal	–	–	(5,281)	(5,281)
Total cash and cash equivalents	11,723	105,999	16,690	15,659

At the end of each of the Relevant Periods, the amount of cash and cash balances of the Group denominated in non-RMB currencies was minimal. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Certain bank deposits are pledged for the issuance of banker's acceptance bills (note 26), interest-bearing bank borrowings and letters of credit (note 30).

As at 31 December 2023 and 30 June 2024, certain bank balance was frozen by judicial authority for a lawsuit case, amounting to RMB1,300,000 and RMB1,300,000, respectively.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the balances of the Group's bank deposits in Jiangxi Wanzai Rural Commercial Bank Limited were approximately RMB28,000, RMB36,000, RMB551,000 and RMB954,000, respectively.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the balances of the Company's bank deposits in Jiangxi Wanzai Rural Commercial Bank Limited were approximately RMB2,000, RMB1,000, RMB10,000 and RMB10,000 respectively.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. At the end of each of the Relevant Periods, the Group and the Company assessed the credit risk of cash and cash equivalents and pledged deposits, and considered the risk to be minimal as they were placed in reputable financial institutions.

The carrying amounts of the cash and cash equivalents approximated to their fair values due to their short-term maturity.

26. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of each of the Relevant Periods, based on the recognition date, was as follows:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	158,534	281,021	289,790	287,302
1 to 2 years	539	2,302	9,031	25,977
2 to 3 years	993	321	1,557	2,532
Over 3 years	–	969	1,286	1,362
Total	160,066	284,613	301,664	317,173

Trade payables are non-interest-bearing and are normally settled on 60-day terms. At the end of each of the Relevant Periods, the carrying amounts of trade and bills payables approximated to their fair values.

As at 31 December 2021, 2022, 2023 and 30 June 2024, certain bills payable of the Group were secured by the pledged deposits amounting to RMB1,000, RMB29,571,000, RMB130,011,000, RMB37,630,000, respectively.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	32,786	75,700	122,990	143,648
1 to 2 years	1	–	31,442	16,522
Total	32,787	75,700	154,432	160,170

As at 31 December 2021, 2022, 2023 and 30 June 2024, certain bills payable of the Company were secured by the pledged deposits amounting to nil, RMB21,000,000, RMB30,440,000, RMB37,630,000, respectively.

27. OTHER PAYABLES AND ACCRUALS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable	5,129	9,543	9,509	8,649
Other payables	72,117	28,874	50,324	40,872
Other tax payables	4,465	10,829	4,518	5,256
Others	–	200	523	–
Total	81,711	49,446	64,874	54,777

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll and welfare payable	2,423	4,891	4,333	3,620
Other payables	12,042	5,841	10,023	112,406
Other tax payables	704	758	996	1,227
Total	15,169	11,490	15,352	117,253

Other payables are unsecured and repayable on demand.

28. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

The Group

	As at 1 January	As at 31 December			As at 30 June
	2021	2021	2022	2023	2024
	RMB'000 *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	6,003	3,494	4,150	10,950	9,424

The Company

	As at 1 January	As at 31 December			As at 30 June
	2021	2021	2022	2023	2024
	RMB'000 *(unaudited)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advances from customers	2,077	53	2,077	564	666

The Group receives payments from customers based on billing schedules as established in the contracts. A portion of payments is usually received in advance of the performance under the contracts.

29. DEFERRED INCOME

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants and subsidies	10,511	29,348	29,144	28,830

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

The Group

31 December 2021	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.95-6.5	2022	297,116
Current portion of long-term bank loans – secured	3.7-5.66	2022	32,031
Other loans – secured	9.42-10.53	2022	13,820
Total – current			342,967
Non-current			
Bank loans – secured	3.7-5.5	2024	52,500
Total – non-current			52,500
Total			395,467

31 December 2022	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.11-6.94	2023	443,939
Current portion of long-term bank loans – secured	3.2-5.5	2023	160,404
Other loans – secured	6.72-9.58	2023	120,120
Total – current			724,463
Non-current			
Bank loans – secured	3.2-4.6	2024-2025	166,379
Other loans – secured	6.72-9.58	2024-2025	94,299
Total – non-current			260,678
Total			985,141

31 December 2023	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.22-5	2024	953,897
Current portion of long-term bank loans – secured	3.2-5.3	2024	128,095
Other loans – secured	6.39-9.58	2024	80,984
Total – current			1,162,976
Non-current			
Bank loans – secured	3.2-5	2025-2028	410,833
Other loans – secured	6.39-9.29	2025-2026	9,760
Total – non-current			420,593
Total			1,583,569

30 June 2024	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.35-5.5	2024-2025	873,538
Bank loans – unsecured	4.5	2024-2025	9,900
Current portion of long-term bank loans – secured	3.2-5	2024-2025	191,301
Other loans – secured	6.18-9.58	2024-2025	77,906
Total – current			1,152,645
Non-current			
Bank loans – secured	3.2-5	2025-2028	358,324
Other loans – secured	6.18-9.58	2025-2026	53,648
Total – non-current			411,972
Total			1,564,617

Notes:

(i) The Group's bank and other loans are all denominated in RMB.

(ii) Certain bank and other loans were guaranteed by controlling shareholders and their respective associates. Further details are included in note 37 to the Historical Financial Information.

(iii) Certain items of property, plant and equipment (note 13) with net carrying amounts of approximately RMB58,381,000, RMB197,938,000, RMB603,854,000 and RMB636,123,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, were pledged as security for bank facilities and other loans granted to the Group.

(iv) A portion of the Group's equity investment (note 18) with amounts of approximately RMB31,201,000, RMB18,133,000, nil and nil as at 31 December 2021, 2022 and 2023, and 30 June 2024, respectively, was pledged as security for bank facilities granted to the Group.

(v) Certain bank deposits (note 25) with amounts of RMB10,000,000, RMB4,000,000, RMB3,500,000 and RMB49,683,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, were pledged as security for bank facilities and letter of credit granted to the Group.

(vi) Certain leasehold land (note 14) with an amount of RMB32,317,000 as at 30 June 2024 was pledged as security for bank facilities granted to the Group.

(vii) As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain bank loans amounting to RMB14,300,000, RMB7,500,000, RMB200,100,000 and RMB216,000,000, respectively, were subject to covenants, primarily with requirements regarding the debt-to-asset ratio. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group was not in violation of these covenants.

An analysis of the maturity of borrowings is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	329,147	604,343	1,081,992	1,074,739
In the second year	52,500	72,379	222,996	213,297
In the third to fifth years, inclusive	–	94,000	123,320	112,769
Beyond five years	–	–	64,517	32,258
Total	381,647	770,722	1,492,825	1,433,063
Analysed into:				
Other loans repayable:				
Within one year or on demand	13,820	120,120	80,984	77,906
In the second year	–	93,576	9,760	53,648
In the third to fifth years, inclusive	–	723	–	–
Total	395,467	985,141	1,583,569	1,564,617

The Company

31 December 2021	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	2.25-5.37	2022	100,146
Current portion of long-term bank loans – secured	3.7-5.66	2022	32,031
Other loans – secured	9.42	2022	628
Total – current			132,805
Non-current			
Bank loans – secured	3.7-5.5	2024	52,500
Total – non-current			52,500
Total			185,305

31 December 2022	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.55-4.2	2023	179,708
Current portion of long-term bank loans – secured	3.7-5.5	2023	125,586
Total – current			305,294
Non-current			
Bank loans – secured	3.7-4.6	2024-2025	117,417
Total – non-current			117,417
Total			422,711

31 December 2023	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.35-4.6	2024	507,705
Current portion of long-term bank loans – secured	3.7-5.3	2024	126,292
Other loans – secured	8.2	2024	10,394
Total – current			644,391
Non-current			
Bank loans – secured	3.9-5	2025-2027	357,298
Other loans – secured	8.2	2025	5,524
Total – non-current			362,822
Total			1,007,213

30 June 2024	Effective interest rate	Maturity	
	(%)		*RMB'000*
Current			
Bank loans – secured	1.45-5.5	2024-2025	561,026
Bank loans – unsecured	4.5	2024-2025	9,900
Current portion of long-term bank loans – secured	3.35-5	2024-2025	178,943
Other loans – secured	6.18-8.2	2024-2025	25,803
Total – current			775,672
Non-current			
Bank loans – secured	3.35-5	2025-2027	315,738
Other loans – secured	6.18-8.2	2026	12,573
Total – non-current			328,311
Total			1,103,983

(a) The Company's bank loans are all denominated in RMB.

(b) Certain bank loans and other loans were guaranteed by controlling shareholders and their respective associates. Future details are included in note 37 to the Historical Financial Information.

(c) Certain items of property, plant and equipment (note 13) with net carrying amounts of approximately RMB18,579,000, RMB154,500,000, RMB520,091,000 and RMB539,705,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, were pledged as security for bank facilities granted to the company.

(d) Certain bank deposits (note 25) with amounts of RMB4,000,000, RMB3,500,000 and RMB19,683,000 as at 31 December 2022, 2023 and 30 June 2024, respectively, were pledged as security for bank facilities granted to the Company.

(e) Certain leasehold land (note 14) with an amount of RMB32,317,000 as at 30 June 2024 was pledged as security for bank facilities granted to the Company.

(f) As at 31 December 2021, 2022 and 2023 and 30 June 2024, certain bank loans of RMB14,300,000, RMB7,500,000, RMB200,100,000 and RMB216,000,000, respectively, were subject to covenants, primarily with requirements regarding the debt-to-asset ratio. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Company was not in violation of these covenants.

An analysis of the maturity of borrowings is as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year or on demand	132,177	305,294	633,997	749,869
In the second year	52,500	71,417	172,881	173,180
In the third to fifth years, inclusive	–	46,000	119,900	110,300
Beyond five years	–	–	64,517	32,258
Total	184,677	422,711	991,295	1,065,607
Other loans repayable:				
Within one year or on demand	628	–	10,394	25,803
In the second year	–	–	5,524	12,573
Total	185,305	422,711	1,007,213	1,103,983

31. PAID-IN CAPITAL AND SHARE CAPITAL

The Group and the Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued:				
Ordinary shares of RMB1.00 each	130,402	369,617	369,617	369,617
Fully paid:				
Ordinary shares of RMB1.00 each	130,402	361,658	369,617	369,617

A summary of movements in the Company's paid-in capital and share capital is as follows:

	Number of shares in issue in thousand shares	Paid-in capital	Share capital
		RMB'000	*RMB'000*
At 1 January 2021	102,650	102,650	–
New issues *(note i)*	27,752	27,752	–
At 31 December 2021	130,402	130,402	–
At 31 December 2021 and 1 January 2022	130,402	130,402	–
Conversion to a joint stock company *(note ii)*	4,598	(130,402)	135,000
New issues *(note iii)*	29,966	–	22,007
Transfer of capital reserve to share capital *(note iv)*	204,651	–	204,651
At 31 December 2022	369,617	–	361,658
At 31 December 2022 and 1 January 2023	369,617	–	361,658
Contributions from shareholders *(note iii)*	–	–	7,959
At 31 December 2023 and 30 June 2024	369,617	–	369,617

Notes:

(i) On 5 February 2021, shares amounting to RMB8,952,000 were issued for two investors. On 10 March 2021, shares amounting to RMB8,400,000 were issued for the employee incentive platform, namely Zhaoqing Shengda Energy Technology Partnership LP ("Zhaoqing Shengda"). On 22 July 2021, the Company issued shares amounting to RMB10,400,000 for additional investors.

(ii) Pursuant to the shareholders' resolutions dated 1 January 2022, the then existing shareholders of the Company approved the conversion of the Company into a joint stock company with limited liabilities in form of shares of RMB135,000,000.

(iii) The Company completed multiple rounds of financing in 2022 and issued shares amounting to RMB29,966,000 for these [**REDACTED**] investors. In these newly issued shares, an amount of RMB22,007,000 in capital shares was paid by in 2022, with the remaining RMB7,959,000 in capital shares paid in 2023.

(iv) Pursuant to the shareholders' resolution dated 6 December 2022, all of the then shareholders of the Company approved the conversion of capital reserve into share capital by way of issuance of additional shares amounting to RMB204,651,000 and the number of shares of each shareholder increased proportionately in accordance to their interest in the Company.

32. SHARE-BASED PAYMENTS

To provide incentives and rewards to eligible participants who contribute to the Group's operation, the Company, has designed and established an employee shareholding platform for the Company to operate a restricted share incentive scheme (the "**Scheme**") which became effective on 9 February 2021. The restricted shares granted to the employees under the Scheme shall be vested and exercisable upon completion of a five-year service period. The shares granted are subject to restrictions on transfer, termination and such other limitations set forth in the plan. After the grant of the awards, the participants became partners of the employee incentive platform. Mr. Li Sen, the chairman of the board of directors of the Company, acts as the general partner of the platform, and is obliged to repurchase the shares of the resigned eligible participants at subscription prices. If the Company fails to complete its [**REDACTED**] of shares before the agreed timeline, Mr. Li Sen is also obliged to repurchase the shares of the resigned eligible participants at subscription prices plus interest.

The fair value of services received in return for shares granted to employees was measured by reference to the fair value of shares granted and the subscription price paid by employees. When determining the fair value of the equity instruments, the Group evaluates their fair value of these equity instruments granted on the grant date, primarily based on the recent transaction price.

Movements in the number of restricted shares under the Scheme during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June
	2021	2022	2023	2024
	in thousand shares	*in thousand shares*	*in thousand shares*	*in thousand shares*
At beginning of the year/period	–	8,400	8,400	8,400
Granted	8,400	590	50	–
Forfeited/cancelled	–	(590)	(50)	–
At end of the year/period	8,400	8,400	8,400	8,400

Share-based payment expenses during the Relevant Periods and six months ended 30 June 2023 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Restricted shares granted by the Company under the Scheme	8,725	15,238	11,013	5,019	6,201

33. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods and six months ended 30 June 2023 are presented in the consolidated statements of changes in equity.

(a) Capital reserve

The capital reserve of the Group includes the share premium contributed by the shareholders of the Company.

(b) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 32 to the Historical Financial Information.

(c) Special reserve — safety funds

Pursuant to the *Management Measures for the Extraction and Use of Enterprise Safety Production Funds*, the Group is required to set aside an amount to maintenance, production and other similar funds. The funds can be used for the maintenance of production and improvements of safety and are not available for distribution to shareholders.

(d) Fair value reserve of equity investments designated at FVOCI

The fair value reserve represented fair value changes of the equity investment designated at fair value through other comprehensive income as set out in note 18 to the Historical Financial Information.

(e) Statutory reserve

In accordance with the PRC Company Law, the Group is required to appropriate 10% of its net profits after tax, as determined under the Chinese Accounting Standards, to the statutory reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations, the statutory reserve may be used either to offset losses, or to be converted to increase paid-in capital or share capital, provided that the balance after such conversion is not less than 25% of the registered capital. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

The following tables set forth the reserves of the Company:

	Capital reserve	Share-based payment reserve	Special reserve – safety fund	Fair value reserve of equity investments designated at FVOCI	Statutory reserve	Retained profits/ (accumulated losses)	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021 (unaudited)	80,892	–	6,168	(6,137)	723	1,505	83,151
Loss for the year	–	–	–	–	–	(5,551)	(5,551)
Other comprehensive loss for the year:							
Changes in fair value of equity investment at FVOCI, net of tax	–	–	–	(2,470)	–	–	(2,470)
Total comprehensive loss for the year	–	–	–	(2,470)	–	(5,551)	(8,021)
Contributions from shareholders	153,952	–	–	–	–	–	153,952
Share-based payments	–	8,725	–	–	–	–	8,725
Safety fund	–	–	(580)	–	–	580	–
At 31 December 2021	234,844	8,725	5,588	(8,607)	723	(3,466)	237,807

	Capital reserve	Share-based payment reserve	Special reserve – safety fund	Fair value reserve of equity investments designated at FVOCI	Statutory reserve	Accumulated losses	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	234,844	8,725	5,588	(8,607)	723	(3,466)	237,807
Loss for the year	–	–	–	–	–	(8,819)	(8,819)
Other comprehensive loss for the year:							
Changes in fair value of equity investment at FVOCI, net of tax	–	–	–	(1,819)	–	–	(1,819)
Total comprehensive loss for the year	–	–	–	(1,819)	–	(8,819)	(10,638)
Contributions from shareholders	943,243	–	–	–	–	–	943,243
Transfer of capital reserve to share capital	(204,651)	–	–	–	–	–	(204,651)
Conversion to a joint stock company	9,594	–	–	–	(723)	(13,469)	(4,598)
Share-based payments	–	15,238	–	–	–	–	15,238
Safety fund	–	–	850	–	–	(850)	–
At 31 December 2022	983,030	23,963	6,438	(10,426)	–	(26,604)	976,401

	Capital reserve	Share-based payment reserve	Special reserve – safety fund	Fair value reserve of equity investments designated at FVOCI	Accumulated losses	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	983,030	23,963	6,438	(10,426)	(26,604)	976,401
Loss for the year	–	–	–	–	(190,914)	(190,914)
Other comprehensive loss for the year:						
Changes in fair value of equity investment at FVOCI, net of tax	–	–	–	(7,230)	–	(7,230)
Total comprehensive loss for the year	–	–	–	(7,230)	(190,914)	(198,144)
Contributions from shareholders	257,341	–	–	–	–	257,341
Share-based payments	–	11,013	–	–	–	11,013
Safety fund	–	–	(1,448)	–	1,448	–
At 31 December 2023	1,240,371	34,976	4,990	(17,656)	(216,070)	1,046,611

	Capital reserve	Share-based payment reserve	Special reserve – safety fund	Fair value reserve of equity investments designated at FVOCI	Accumulated losses	Total reserves
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2024	1,240,371	34,976	4,990	(17,656)	(216,070)	1,046,611
Loss for the year	–	–	–	–	(82,294)	(82,294)
Other comprehensive loss for the year:						
Changes in fair value of equity investment at FVOCI, net of tax	–	–	–	415	–	415
Total comprehensive income/(loss) for the year	–	–	–	415	(82,294)	(81,879)
Share-based payments	–	6,201	–	–	–	6,201
Safety fund	–	–	164	–	(164)	–
At 30 June 2024	1,240,371	41,177	5,154	(17,241)	(298,528)	970,933

34. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2021, 2022 and 2023, and six months ended 30 June 2023 and 30 June 2024, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB3,631,000, RMB28,027,000, RMB87,256,000 RMB14,759,000, and RMB25,952,000, respectively, in respect of lease arrangements for leasehold land, buildings and machinery.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2021	320,394	–	320,394
Changes from financing cash flows	281,634	(299)	281,335
New leases	–	3,631	3,631
Non-cash settlement of other borrowings*	(209,086)	–	(209,086)
Interest expense	15,235	52	15,287
Interest paid	(12,710)	–	(12,710)
At 31 December 2021	395,467	3,384	398,851
At 1 January 2022	395,467	3,384	398,851
Changes from financing cash flows	753,687	(21,157)	732,530
New leases	–	28,027	28,027
Non-cash settlement of other borrowings*	(176,657)	–	(176,657)
Interest expense	28,841	220	29,061
Interest paid	(16,197)	–	(16,197)
At 31 December 2022	985,141	10,474	995,615
At 1 January 2023	985,141	10,474	995,615
Changes from financing cash flows	728,649	(49,594)	679,055
New leases	–	87,256	87,256
Non-cash settlement of other borrowings*	(144,494)	–	(144,494)
Interest expense	64,590	1,105	65,695
Interest paid	(50,317)	–	(50,317)
At 31 December 2023	1,583,569	49,241	1,632,810
At 1 January 2023	985,141	10,474	995,615
Changes from financing cash flows (unaudited)	633,321	(13,545)	619,776
New leases (unaudited)	–	14,710	14,710
Non-cash settlement of other borrowings* (unaudited)	(121,786)	–	(121,786)
Interest expense (unaudited)	30,725	259	30,984
Interest paid (unaudited)	(24,451)	–	(24,451)
At 30 June 2023 (unaudited)	1,502,950	11,898	1,514,848
At 1 January 2024	1,583,569	49,241	1,632,810
Changes from financing cash flows	215,708	(10,177)	205,531
New leases	–	25,952	25,952
Non-cash settlement of other borrowings*	(238,406)	–	(238,406)
Interest expense	33,153	1,680	34,833
Interest paid	(29,407)	–	(29,407)
At 30 June 2024	1,564,617	66,696	1,631,313

* The non-cash settlement of other borrowings comprises (i) the settlement of other borrowings arising from endorsed bills receivable that are not derecognised and (ii) the netting of refundable sale and leaseback deposits against lease payments payable.

(c) Total cash outflow for leases

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Within operating activities	11	185	1,263	470	714
Within financing activities	299	21,157	49,594	13,545	10,177
Total	310	21,342	50,857	14,015	10,891

35. PLEDGE OF ASSETS

Details of the Group's assets pledged are included in notes 13, 14, 18 and 25 to the Historical Financial Information at the end of each of the Relevant Periods.

36. COMMITMENTS

The Group had the following contractual commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Property, plant and equipment	65,307	335,747	523,999	494,576

In addition, the Group had the following commitments provided to associates at the end of each of the Relevant Periods:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Capital injection obligation	–	500	33,900	43,900

37. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Name of related parties	Relationship with the Group
Li Yan	Controlling shareholder
Li Sen	Controlling shareholder
Li Yao	Controlling shareholder
Jiangxi Dongliang Investment Holdings Co., Ltd. ("Jiangxi Dongliang")	Controlling shareholder
Jiangxi Ruifeng Environmental Protection Co., Ltd.	Controlled by the controlling shareholders
Jiangxi Taiyun Logistics Co., Ltd.	Controlled by the controlling shareholders
Wanzai Zhicheng Industrial Co., Ltd.	Controlled by the controlling shareholders
Yichun Guangyi Mining Co., Ltd.	Subsidiary of an entity controlled by a controlling shareholder, as well as a close family member of a controlling shareholder
Wanzai County Sitong Guarantee Center (Limited Partnership)	Affiliate of an entity controlled by a controlling shareholder, as well as a close family member of a controlling shareholder
Wanzai Zhaofeng Trading Co., Ltd.	Affiliate of a controlling shareholder
Longji Power	A joint venture of the Group

Name of related parties	Relationship with the Group
Guangdong Yifan Construction Co., Ltd.*	Affiliate of a controlling shareholder's family member
Jiangxi Liyuan New Materials Co., Ltd.	Entity with 10% of shares held by the Group
Jiangxi Wanzai Rural Commercial Bank Limited	Entity with 9% of shares held by the Group
Jiangxi Yichun Yuxin Copper Industry Co., Ltd.	Managed by a controlling shareholder
Huichang Xiaoshan Hecheng Mining Co., Ltd.	Entity controlled by a shareholder of the Company

* The related party relationship was terminated in August 2022 after a controlling shareholder's family member disposed all of its equity interest in Guangdong Yifan Construction Co., Ltd.

(b) The Group had the following transactions with related parties during the Relevant Periods:

	As at 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from sales of goods and services					
Wanzai Zhicheng Industrial Co., Ltd.	982	221	–	–	2,955
Jiangxi Yichun Yuxin Copper Industry Co., Ltd.	670	–	–	–	–
Jiangxi Ruifeng Environmental Protection Co., Ltd.	25	–	–	–	–
Jiangxi Liyuan New Materials Co., Ltd.	–	96	–	–	–
Longji Power	–	–	–	–	2,974
Total	1,677	317	–	–	5,929
Purchase of goods and services					
Jiangxi Yichun Yuxin Copper Industry Co., Ltd.	51,043	–	11,621	11,621	–
Jiangxi Taiyun Logistics Co., Ltd.	7,482	13,219	20,521	9,306	9,521
Wanzai Zhicheng Industrial Co., Ltd.	6,123	3,820	1,753	–	2,947
Jiangxi Ruifeng Environmental Protection Co., Ltd.	1,878	–	–	–	–
Yichun Guangyi Mining Co., Ltd.	885	340	443	214	–
Guangdong Yifan Construction Co., Ltd.	–	4,578	–	–	–
Jiangxi Liyuan New Materials Co., Ltd.	–	138,021	259,071	255,253	–
Total	67,411	159,978	293,409	276,394	12,468
Rental expenses to a related party					
Wanzai Zhicheng Industrial Co., Ltd.	–	–	174	–	87

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Outstanding balances with related parties:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Wanzai Zhicheng Industrial Co., Ltd.	462	–	–	12
Jiangxi Liyuan New Materials Co., Ltd.	–	108	–	–
Total	462	108	–	12
Prepayments, deposits and other receivables				
Longji Power	–	–	–	11,795
Jiangxi Ruifeng Environmental Protection Co., Ltd.	50	–	–	–
Jiangxi Yichun Yuxin Copper Industry Co., Ltd.	–	–	21	21
Li Yan	–	1,237	1,237	1,237
Li Yao	123	123	123	123
Impairment	–	–	–	(5,897)
Total	173	1,360	1,381	7,279
Trade and bills payables				
Wanzai Zhicheng Industrial Co., Ltd.	2,189	–	1,753	376
Jiangxi Taiyun Logistics Co., Ltd.	2,593	4,154	6,408	7,284
Yichun Guangyi Mining Co., Ltd.	857	319	139	52
Guangdong Yifan Construction Co., Ltd.	–	4,578	458	458
Jiangxi Liyuan New Materials Co., Ltd.	–	7,085	–	–
Total	5,639	16,136	8,758	8,170
Other payables and accruals				
Longji Power	–	–	9,300	–
Li Sen	–	–	2,970	2,970
Li Yan	6,185	–	–	–
Total	6,185	–	12,270	2,970

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables				
Wanzai Zhicheng Industrial Co., Ltd.	462	–	–	–
Subsidiaries of the Company	25,388	117,352	60,738	266,435
Total	25,850	117,352	60,738	266,435
Prepayments, deposits and other receivables				
Jiangxi Yichun Yuxin Copper Industry Co., Ltd.	–	–	21	21
Subsidiaries of the Company	132,516	590,376	830,885	674,537
Total	132,516	590,376	830,906	674,558
Trade and bills payables				
Wanzai Zhicheng Industrial Co., Ltd.	1,169	–	–	–
Jiangxi Taiyun Logistics Co., Ltd.	459	762	2,253	2,480
Guangdong Yifan Construction Co., Ltd.	–	4,578	458	458
Jiangxi Liyuan New Materials Co., Ltd.	–	2,965	–	–
Subsidiaries of the Company	1,057	–	5,294	2,177
Total	2,685	8,305	8,005	5,115
Other payables and accruals				
Li Sen	–	–	2,970	2,970
Subsidiaries of the Company	–	–	2,300	102,771
Total	–	–	5,270	105,741

At the end of each of the Relevant Periods, except for the amounts due to Mr. Li Yan, Mr. Li Sen and Longji Power as disclosed above, all the remaining balances with related parties were trade in nature.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short term employee benefits	1,109	2,431	3,503	1,793	1,490
Share-based payment expenses	270	2,621	2,766	1,307	1,459
Total	1,379	5,052	6,269	3,100	2,949

Further details of directors' emoluments are included in note 8 to the Historical Financial Information.

(e) Related party guarantees

The Group's provision of guarantees for related parties

Year ended 31 December 2021

Guarantors	Guaranteed parties	Amounts	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
		RMB'000			
A subsidiary of the Company	A controlling shareholder	6,000	1-Jul-2021	1-Dec-2022	No
A subsidiary of the Company	A controlling shareholder	5,000	1-Jan-2021	1-Dec-2022	No

Year ended 31 December 2022

Guarantors	Guaranteed parties	Amounts	Inception date of guarantee	Expiry date of guarantee	Whether performance of guarantee has been completed
		RMB'000			
A subsidiary of the Company	Wanzai County Sitong Guarantee Center (Limited Partnership)	5,000	14-Jan-2022	1-Jun-2022	Yes
A subsidiary of the Company	A controlling shareholder	6,000	1-Jul-2021	1-Dec-2022	Yes
A subsidiary of the Company	A controlling shareholder	5,000	1-Jan-2021	1-Dec-2022	Yes

Provision of guarantees by related parties for bank and other loans of the Group:

(i) As at 31 December 2021, certain bank loans of RMB146,450,000 and certain other loans of RMB13,820,000 were guaranteed by the controlling shareholders and their respective associates.

(ii) As at 31 December 2022, certain bank loans of RMB618,340,000 and certain other loans of RMB214,419,000 were guaranteed by the controlling shareholders and their respective associates.

(iii) As at 31 December 2023, certain bank loans of RMB1,171,868,000 and certain other loans of RMB111,899,000 were guaranteed by the controlling shareholders and their respective associates.

(iv) As at 30 June 2024, certain bank loans of RMB1,325,602,000 and certain other loans of RMB164,823,000 were guaranteed by the controlling shareholders and their respective associates.

(f) Borrowings from related parties

Lenders*	Amounts	Inception date	Due date	Nature
	RMB'000			
Huichang Xiaoshan Hecheng Mining Co., Ltd.	30,452	1-Jan-2020	31-Dec-2021	Loan
Yichun Guangyi Mining Co., Ltd.	20,000	1-Jan-2020	31-Dec-2021	Loan
Wanzai Zhaofeng Trading Co., Ltd.	4,000	1-Jan-2020	31-Dec-2021	Loan
Jiangxi Dongliang	108,500	1-Jan-2020	31-Dec-2021	Loan
Li Yao	55,640	1-Jan-2020	31-Dec-2021	Loan
Jiangxi Wanzai Rural Commercial Bank Limited	40,000	17-Aug-2021	16-Aug-2022	Loan
Jiangxi Wanzai Rural Commercial Bank Limited	28,000	9-Aug-2022	23-Aug-2023	Loan
Jiangxi Yichun Yuxin Copper Industry Co., Ltd.	9,060	1-Jan-2020	31-Dec-2021	Loan
Jiangxi Ruifeng Environmental Protection Co., Ltd.	4,000	1-Jan-2020	31-Dec-2021	Loan
Li Yan	11,291	2-Jan-2020	31-Dec-2022	Loan

* The Group entered into loan agreements with these related parties, the loans were interest-bearing at the agreed interest rates. All the principal and interest of the loans were fully repaid before the due date.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of each of the Relevant Periods were as follows:

The Group

As at 31 December 2021

Financial assets

	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	41,793	–	41,793
Trade and bills receivables	2,043	241,794	243,837
Financial assets included in prepayments, other receivables and other assets	–	554	554
Pledged and restricted deposits	–	10,001	10,001
Cash and cash equivalents	–	11,890	11,890
Total	43,836	264,239	308,075

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	160,066
Financial liabilities included in other payables and accruals	72,117
Interest-bearing bank and other borrowings	395,467
Total	627,650

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	1,000	–	–	1,000
Equity investments designated at FVOCI	–	45,974	–	45,974
Trade and bills receivables	–	4,717	356,772	361,489
Financial assets included in prepayments, other receivables and other assets	–	–	42,636	42,636
Pledged and restricted deposits	–	–	33,571	33,571
Cash and cash equivalents	–	–	211,221	211,221
Total	1,000	50,691	644,200	695,891

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	284,613
Financial liabilities included in other payables and accruals	28,874
Interest-bearing bank and other borrowings	985,141
Total	1,298,628

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	6,000	–	–	6,000
Equity investments designated at FVOCI	–	38,744	–	38,744
Trade and bills receivables	–	27,728	393,460	421,188
Financial assets included in prepayments, other receivables and other assets	–	–	32,932	32,932
Derivative financial instruments	490	–	–	490
Pledged and restricted deposits	–	–	140,092	140,092
Cash and cash equivalents	–	–	99,698	99,698
Total	6,490	66,472	666,182	739,144

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	301,664
Financial liabilities included in other payables and accruals	50,324
Interest-bearing bank and other borrowings	1,583,569
Total	1,935,557

As at 30 June 2024

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	3,000	–	–	3,000
Equity investments designated at FVOCI	–	39,159	–	39,159
Trade and bills receivables	–	48	197,438	197,486
Financial assets included in prepayments, other receivables and other assets	–	–	26,998	26,998
Pledged deposits	–	–	93,894	93,894
Cash and cash equivalents	–	–	39,451	39,451
Total	3,000	39,207	357,781	399,988

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	317,173
Financial liabilities included in other payables and accruals	40,872
Interest-bearing bank and other borrowings	1,564,617
Total	1,922,662

The Company

As at 31 December 2021

Financial assets

	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	41,793	–	41,793
Trade and bills receivables	43	83,952	83,995
Financial assets included in prepayments, other receivables and other assets	–	132,662	132,662
Cash and cash equivalents	–	11,723	11,723
Total	41,836	228,337	270,173

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	32,787
Financial liabilities included in other payables and accruals	12,042
Interest-bearing bank and other borrowings	185,305
Total	230,134

As at 31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	1,000	–	–	1,000
Equity investments designated at FVOCI	–	45,974	–	45,974
Trade and bills receivables	–	22	143,847	143,869
Financial assets included in prepayments, other receivables and other assets	–	–	591,566	591,566
Pledged and restricted deposits	–	–	25,000	25,000
Cash and cash equivalents	–	–	105,999	105,999
Total	1,000	45,996	866,412	913,408

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	75,700
Financial liabilities included in other payables and accruals	5,841
Interest-bearing bank and other borrowings	422,711
Total	504,252

As at 31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	–	38,744	–	38,744
Trade and bills receivables	–	26,307	121,991	148,298
Financial assets included in prepayments, other receivables and other assets	–	–	848,200	848,200
Derivative financial instruments	490	–	–	490
Pledged and restricted deposits	–	–	40,521	40,521
Cash and cash equivalents	–	–	16,690	16,690
Total	490	65,051	1,027,402	1,092,943

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	154,432
Financial liabilities included in other payables and accruals	10,023
Interest-bearing bank and other borrowings	1,007,213
Total	1,171,668

As at 30 June 2024

Financial assets

	Financial assets at FVOCI	Financial assets at amortised cost	Total
	RMB'000	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	39,159	–	39,159
Trade and bills receivables	48	344,403	344,451
Financial assets included in prepayments, other receivables and other assets	–	660,239	660,239
Pledged and restricted deposits	–	63,894	63,894
Cash and cash equivalents	–	15,659	15,659
Total	39,207	1,084,195	1,123,402

Financial liabilities

	Financial liabilities at amortised cost
	RMB'000
Trade and bills payables	160,170
Financial liabilities included in other payables and accruals	112,406
Interest-bearing bank and other borrowings	1,103,983
Total	1,376,559

Transfers of financial assets

Transferred financial assets that are not derecognised in their entirety

At 31 December 2021, 2022 and 2023 and 30 June 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Endorsed Bills") with carrying amounts of RMB64,792,000, RMB32,925,000, RMB34,294,000 and RMB33,279,000, respectively, to certain of its suppliers in order to settle the trade payables due to such suppliers (the "Endorsement"). In the opinion of the directors, the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Bills, and accordingly, it continued to recognise the full carrying amounts of the Endorsed Bills and the associated trade payables settled. Subsequent to the Endorsement, the Group did not retain any rights on the use of the Endorsed Bills, including the sale, transfer or pledge of the Endorsed Bills to any other third parties.

At 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying amounts of the bank acceptance bills which the Group had discounted to the banks while having recourse obligations when the bills became due were RMB177,179,000, RMB123,928,000, RMB241,534,000, and RMB52,883,000, respectively. For bills receivable discounted to banks with full recourse, as the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount of bills receivable and has recognised the bank and other borrowings for the discounted amounts received.

Transferred financial assets that are derecognised in their entirety

At 31 December 2021, 2022 and 2023 and 30 June 2024, the Group endorsed certain bills receivable accepted by banks in Mainland China (the "Derecognised Bills") to certain of its suppliers in order to settle the trade payables due to such suppliers or already discounted to banks with no recourse obligation at the maturity date with carrying amounts in aggregate of RMB538,051,000, RMB1,250,160,000, RMB1,862,795,000 and RMB489,451,000, respectively. The Derecognised Bills had a maturity of one to six months at the end of each of the Relevant Periods. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognised Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognised Bills, including the Group, in disregard of the order of precedence (the "Continuing Involvement"). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognised Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognised Bills. Accordingly, it has derecognised the full carrying amounts of the Derecognised Bills and the associated trade payables. The maximum exposure to loss from the Group's Continuing Involvement in the Derecognised Bills and the undiscounted cash flows to repurchase these Derecognised Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's Continuing Involvement in the Derecognised Bills are not significant.

During the years ended 31 December 2021, 2022 and 2023 and six months ended 30 June 2023 and 2024, the Group has recognised losses on the date of transfer of the Derecognised Bills amounting to RMB6,688,000, RMB5,842,000, RMB11,397,000, RMB6,319,000 and RMB3,163,000, respectively. The endorsement has been made evenly throughout the Relevant Periods.

39. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, the current portion of pledged and restricted deposits, trade and bills receivables, financial assets included in prepayment, deposits and other assets, pledged and restricted deposits, trade and bills payables, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance team headed by the finance managers is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance team reports directly to the finance head. At each reporting date, the finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group invests in financial assets at fair value through profit or loss, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values of these structured deposits based on the net values announced by the banks at the end of each of the Relevant Periods.

The fair values of unlisted equity investments designated at fair value through other comprehensive income have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to book ("P/B") multiple and price to sales ("P/S") multiple for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

The Group

As at 31 December 2021

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Equity investments designated at FVOCI	41,793	41,793
Financial liabilities		
Interest-bearing bank and other borrowings	395,467	398,471

As at 31 December 2022

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	1,000	1,000
Equity investments designated at FVOCI	45,974	45,974
Financial liabilities		
Interest-bearing bank and other borrowings	985,141	959,487

As at 31 December 2023

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	6,000	6,000
Equity investments designated at FVOCI	38,744	38,744
Derivative financial instruments	490	490
Pledged time deposits with original maturity of more than one year	5,281	5,281
Financial liabilities		
Interest-bearing bank and other borrowings	1,583,569	1,450,895

As at 30 June 2024

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	3,000	3,000
Equity investments designated at FVOCI	39,159	39,159
Pledged time deposits with original maturity of more than one year	5,281	5,281
Financial liabilities		
Interest-bearing bank and other borrowings	1,564,617	1,519,367

The Company

As at 31 December 2021

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Equity investments designated at FVOCI	41,793	41,793
Financial liabilities		
Interest-bearing bank and other borrowings	185,305	186,457

As at 31 December 2022

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Financial assets at FVTPL	1,000	1,000
Equity investments designated at FVOCI	45,974	45,974
Financial liabilities		
Interest-bearing bank and other borrowings	422,711	425,771

As at 31 December 2023

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Equity investments designated at FVOCI	38,744	38,744
Derivative financial instruments	490	490
Pledged time deposits with original maturity of more than one year	5,281	5,281
Financial liabilities		
Interest-bearing bank and other borrowings	1,007,213	960,675

As at 30 June 2024

	Carrying amounts	Fair values
	RMB'000	*RMB'000*
Financial assets		
Equity investments designated at FVOCI	39,159	39,159
Pledged time deposits with original maturity of more than one year	5,281	5,281
Financial liabilities		
Interest-bearing bank and other borrowings	1,103,983	1,134,659

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2021, 2022 and 2023 and 30 June 2024:

The Group and the Company

	Valuation technique	Significant unobservable input	Range/weighted average	Sensitivity of fair value of the input
Financial assets				
Equity investments designated at FVOCI				
Unlisted equity investments	Market approach	Discounts for lack of marketability ("DLOM")	31 December 2021: 23%	1% increase or decrease in discount would result in increase or decrease in fair value by RMB423,000
			31 December 2022: 20%-38%	1% increase or decrease in discount would result in increase or decrease in fair value by RMB466,000
			31 December 2023: 19%-34%	1% increase or decrease in discount would result in increase or decrease in fair value by RMB361,000
			30 June 2024: 18%-35%	1% increase or decrease in discount would result in increase or decrease in fair value by RMB404,000

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments.

Assets measured at fair value

The Group

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	–	–	41,793	41,793
Trade and bills receivables	–	2,043	–	2,043
Total	–	2,043	41,793	43,836

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	1,000	–	–	1,000
Equity investments designated at FVOCI	–	–	45,974	45,974
Trade and bills receivables	–	4,717	–	4,717
Total	1,000	4,717	45,974	51,691

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	6,000	–	–	6,000
Equity investments designated at FVOCI	–	–	38,744	38,744
Trade and bills receivables	–	27,728	–	27,728
Derivative financial instruments	–	490	–	490
Total	6,000	28,218	38,744	72,962

As at 30 June 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	3,000	–	–	3,000
Equity investments designated at FVOCI	–	–	39,159	39,159
Trade and bills receivables	–	48	–	48
Total	3,000	48	39,159	42,207

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets.

The Company

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	–	–	41,793	41,793
Trade and bills receivables	–	43	–	43
Total	–	43	41,793	41,836

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	1,000	–	–	1,000
Equity investments designated at FVOCI	–	–	45,974	45,974
Trade and bills receivables	–	22	–	22
Total	1,000	22	45,974	46,996

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	–	–	38,744	38,744
Trade and bills receivables	–	26,307	–	26,307
Derivative financial instruments	–	490	–	490
Total	–	26,797	38,744	65,541

As at 30 June 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity investments designated at FVOCI	–	–	39,159	39,159
Trade and bills receivables	–	48	–	48
Total	–	48	39,159	39,207

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives and financial assets at FVTPL, comprise interest-bearing bank and other borrowings, pledged and restricted deposits, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade and bills payables, financial assets included in prepayment, deposits and other receivables, and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

An impairment analysis was performed at end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at the end of each of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

The Group

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	256,600	256,600
Financial assets included in prepayments, other receivables and other assets					
– Normal**	632	–	–	–	632
Pledged and restricted deposits					
– Not yet past due	10,001	–	–	–	10,001
Cash and cash equivalents					
– Not yet past due	11,890	–	–	–	11,890
Total	22,523	–	–	256,600	279,123

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	380,373	380,373
Financial assets included in prepayments, other receivables and other assets					
– Normal**	43,089	–	–	–	43,089
Pledged and restricted deposits					
– Not yet past due	33,571	–	–	–	33,571
Cash and cash equivalents					
– Not yet past due	211,221	–	–	–	211,221
Total	287,881	–	–	380,373	668,254

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	442,084	442,084
Financial assets included in prepayments, other receivables and other assets					
– Normal**	33,464	–	–	–	33,464
– Doubtful**	–	–	3,500	–	3,500
Pledged and restricted deposits					
– Not yet past due	140,092	–	–	–	140,092
Cash and cash equivalents					
– Not yet past due	99,698	–	–	–	99,698
Total	273,254	–	3,500	442,084	718,838

As at 30 June 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	207,794	207,794
Financial assets included in prepayments, other receivables and other assets					
– Normal**	21,440	–	–	–	21,440
– Doubtful**	–	11,795	5,128	–	16,923
Pledged and restricted deposits					
– Not yet past due	93,894	–	–	–	93,894
Cash and cash equivalents					
– Not yet past due	39,451	–	–	–	39,451
Total	154,785	11,795	5,128	207,794	379,502

The Company

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	87,106	87,106
Financial assets included in prepayments, other receivables and other assets					
– Normal**	132,718	–	–	–	132,718
Cash and cash equivalents					
– Not yet past due	11,723	–	–	–	11,723
Total	144,441	–	–	87,106	231,547

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	145,263	145,263
Financial assets included in prepayments, other receivables and other assets					
– Normal**	591,700	–	–	–	591,700
Pledged and restricted deposits					
– Not yet past due	25,000	–	–	–	25,000
Cash and cash equivalents					
– Not yet past due	105,999	–	–	–	105,999
Total	722,699	–	–	145,263	867,962

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	152,832	152,832
Financial assets included in prepayments, other receivables and other assets					
– Normal**	848,442	–	–	–	848,442
Pledged and restricted deposits					
– Not yet past due	40,521	–	–	–	40,521
Cash and cash equivalents					
– Not yet past due	16,690	–	–	–	16,690
Total	905,653	–	–	152,832	1,058,485

As at 30 June 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	–	–	–	348,555	348,555
Financial assets included in prepayments, other receivables and other assets					
– Normal**	660,470	–	–	–	660,470
– Doubtful**	–	23,056	–	–	23,056
Pledged and restricted deposits					
– Not yet past due	63,894	–	–	–	63,894
Cash and cash equivalents					
– Not yet past due	15,659	–	–	–	15,659
Total	740,023	23,056	–	348,555	1,111,634

Notes:

* For trade and bills receivables to which the Company and the Group apply the simplified approach for impairment, information based on the provision matrix is disclosed in note 21.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with a floating interest rate.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax through the impact on floating rate borrowings.

The Group

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		RMB'000
Year ended 31 December 2021		
Interest-bearing bank and other borrowings	50	(1)
	(50)	1
Year ended 31 December 2022		
Interest-bearing bank and other borrowings	50	(58)
	(50)	58
Year ended 31 December 2023		
Interest-bearing bank and other borrowings	50	(2,145)
	(50)	2,145
Six months ended 30 June 2024		
Interest-bearing bank and other borrowings	50	(1,471)
	(50)	1,471

The Company

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax
		RMB'000
Year ended 31 December 2021		
Interest-bearing bank and other borrowings	50	(1)
	(50)	1
Year ended 31 December 2022		
Interest-bearing bank and other borrowings	50	(58)
	(50)	58
Year ended 31 December 2023		
Interest-bearing bank and other borrowings	50	(2,142)
	(50)	2,142
Six months ended 30 June 2024		
Interest-bearing bank and other borrowings	50	(1,456)
	(50)	1,456

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities and lease liabilities as at end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

The Group

As at 31 December 2021

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	352,194	54,891	–	407,085
Lease liabilities	209	438	4,720	5,367
Trade and bills payables	158,602	1,464	–	160,066
Financial liabilities included in other payables and accruals	72,117	–	–	72,117
Total	583,122	56,793	4,720	644,635

As at 31 December 2022

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	736,339	286,069	–	1,022,408
Lease liabilities	821	1,518	13,657	15,996
Trade and bills payables	281,021	2,623	969	284,613
Financial liabilities included in other payables and accruals	28,874	–	–	28,874
Total	1,047,055	290,210	14,626	1,351,891

As at 31 December 2023

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	1,201,376	369,091	67,497	1,637,964
Lease liabilities	13,865	25,328	19,363	58,556
Trade and bills payables	289,790	10,588	1,286	301,664
Financial liabilities included in other payables and accruals	50,324	–	–	50,324
Total	1,555,355	405,007	88,146	2,048,508

As at 30 June 2024

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	1,226,959	390,226	33,834	1,651,019
Lease liabilities	25,500	32,719	18,445	76,664
Trade and bills payables	287,302	28,509	1,362	317,173
Financial liabilities included in other payables and accruals	40,872	–	–	40,872
Total	1,580,633	451,454	53,641	2,085,728

The Company

As at 31 December 2021

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	138,491	54,891	–	193,382
Lease liabilities	209	438	4,720	5,367
Trade and bills payables	32,786	1	–	32,787
Financial liabilities included in other payables and accruals	12,042	–	–	12,042
Total	183,528	55,330	4,720	243,578

As at 31 December 2022

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	286,707	161,785	–	448,492
Lease liabilities	614	1,311	13,657	15,582
Trade and bills payables	75,700	–	–	75,700
Financial liabilities included in other payables and accruals	5,841	–	–	5,841
Total	368,862	163,096	13,657	545,615

As at 31 December 2023

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	674,184	315,227	66,165	1,055,576
Lease liabilities	2,264	3,844	13,965	20,073
Trade and bills payables	122,990	31,442	–	154,432
Financial liabilities included in other payables and accruals	10,023	–	–	10,023
Total	809,461	350,513	80,130	1,240,104

As at 30 June 2024

	Less than 1 year	1 to 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other borrowings	807,423	309,229	32,730	1,149,382
Lease liabilities	4,917	5,610	14,666	25,193
Trade and bills payables	143,648	16,522	–	160,170
Financial liabilities included in other payables and accruals	112,406	–	–	112,406
Total	1,068,394	331,361	47,396	1,447,151

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit profile and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using the debt-to-asset ratio, which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods were as follows:

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	661,608	1,390,118	2,044,452	2,046,407
Total assets	1,006,353	2,864,383	3,314,316	3,175,659
Debt-to-asset ratio	66%	49%	62%	64%

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	236,734	522,120	1,195,408	1,401,566
Total assets	604,943	1,860,179	2,611,636	2,742,116
Debt-to-asset ratio	39%	28%	46%	51%

41. EVENTS AFTER THE RELEVANT PERIODS

There was no significant event after the end of the Relevant Periods that require additional disclosure or adjustments.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2024.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[●]

The following is the text of a letter, a summary of the subject property and valuation conclusion prepared for the purpose of incorporation in this document received from Shanghai Lixin Appraisal Co., Ltd., an independent valuer, in connection with its valuation as at [30 September 2024] of the property interests held by Guangdong Jinsheng New Energy Co., Ltd..

立信

Shanghai Lixin Appraisal Co., Ltd.
8th Floor, No. 738, Shenjia Nong Road, Pudong New Area, Shanghai.
Tel: +86-21-68877288
Email: lixin@lixin.cn

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Guangdong Jinsheng New Energy Co., Ltd. (the "Company") for us to carry out the valuation of the property interests (the "Properties") located in the People's Republic of China (the "PRC") held by the Company, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at [30 September 2024] (the "Valuation Date").

VALUATION BASIS

Our valuation of each property represents its market value, which is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In valuing the Properties, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the International Valuation Standards published from time to time by the International Valuation Standards Council, the "Real Estate Appraisal Standards" (National Standard GB/T50291-2015) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, the "Basic Terminology of Real Estate Appraisal" (National Standard GB/T50899-2013) issued by the Ministry of Housing and Urban-Rural Development of the People's Republic of China, the "Urban Land Valuation Procedures" (GB/T18508-2014) jointly issued by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China and the Standardization Administration of China, as well as relevant national and local laws and regulations.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised Properties have been categorized according firstly to type of interests held by the Company, which in turn being classified into the following groups:

Group I – Property held and occupied by Guangdong Jinsheng New Energy Co., Ltd.

Group II – Property leased by Guangdong Jinsheng New Energy Co., Ltd.

VALUATION ASSUMPTIONS

1. This valuation report assumes that the property owner has legally acquired the subject property, that all legal documents and procedures involved in the acquisition process are complete, that all fees have been fully paid, and that the property owner legally enjoys the right to possess, use, benefit from, and dispose of the subject property. The subject property was constructed in a lawful manner, and all planning and construction involved in the construction process have been approved by the government authorities. The subject property is used in a lawful manner, and all legal documents and procedures involved in the utilization are complete.

2. During the valuation, the company provided us with the ownership certificate of the subject property, which is attached. We only used the relevant content contained in the ownership document as the basis for the valuation. After on-site inspection, we assume that the information provided by the company is legal, authentic, accurate, and complete, without any reason to doubt its legitimacy, authenticity, accuracy, and completeness.

3. The valuer has paid attention to major factors affecting the value of the subject property, such as housing safety and environmental pollution. In the absence of any reason to suspect safety hazards in the subject property and without corresponding professional institutions for identification and testing, it is assumed that the subject property can be used safely and normally.

4. The valuer did not conduct a professional measurement of the building area of the house. After on-site inspection and observation, the building area of the subject property is roughly equivalent to the recorded building area.

5. This valuation report assumes that the subject property can be continuously utilized or used for its legal purpose.

6. This valuation report assumes that the real estate market at the time of value of the subject property is an open, competitive, and voluntary trading market.

7. This valuation report assumes that the condition of the subject property at the time of value is basically consistent with that on the date of issuance of the report, without considering the impact of possible changes on the valuation. In the valuation, we did not consider the impact of major changes in national macroeconomic policies and unforeseen factors such as force majeure, nor did we consider the impact of special transaction methods and future disposal risks on the market value of the subject property.

VALUATION APPROACHES

In the valuation of the first group of property interests, we used the cost approach to value the property interests.The cost method is generally applicable to the valuation of non-standard industrial plants or clubs, hotels and other properties with strong integrity. The type of the subject property is a factory building, and the market transactions of similar real estate in the surrounding area are not active. However, the cost structure of its land, construction and installation is relatively clear, so it meets the conditions for the application of the cost method.

Basic formula of cost method:

real estate value = land acquisition cost + construction cost + management cost + investment interest + sales expense + sales tax + development profit – building depreciation

The second group of property interests consists of properties leased by the company. We have attributed no commercial value to the property.

TITLE INVESTIGATION

The valuer has been provided with copies of documents related to the property rights of the real estate, however, due to the current registration system, we have no authority to investigate the legal rights or any attached liabilities of the real estate. Therefore, the possible related liabilities of the subject property being valuated were not considered during the valuation.

All legal documents disclosed in this report are for reference only, and the valuer is not responsible for any legal matters related to the legal rights and interests of the subject property contained in this report.

SITE INVESTIGATION

The site inspection was carried out on 23 October 2024 by Yang Weijie (Registered Real Estate Appraiser) and Ying Shengyue (Public Valuer). The subject property maintains a reasonable condition commensurate with its age and usage, and is equipped with standard building facilities.

SOURCE OF INFORMATION

Information provided by the company: (1) Real estate ownership certificate; (2) Relevant settlement reports and construction contracts for the construction of the factory area; (3) Land concession contract.

During the valuation, the company provided us with the ownership certificate of the subject property. We used the relevant content contained in the ownership document as the basis for the valuation. After on-site inspection, we assume that the information provided by the company is legal, authentic, accurate, and complete, without any reason to doubt its legitimacy, authenticity, accuracy, and completeness.

LIMITING CONDITION

1. This valuation report is only used for the purpose of this valuation and is not responsible for other purposes.

2. This valuation report is not to be used as a proof of ownership in any form.

3. This valuation report is only valid if it is used in its entirety. The company will not be responsible for any possible losses caused by using only part of the content in this report.

4. This valuation report is valid for a period of one year. Within the usage period of the report, if there are significant changes in the pricing criteria of the subject property that clearly affect its value, a revaluation should be conducted.

5. Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts are in RMB.

The attachment is the summary of the subject property and valuation conclusion.

This letter is from:

Shanghai Lixin Appraisal Co., Ltd.
8th Floor, No. 738, Shenjia Nong Road, Pudong New Area, Shanghai.
Ying Shengyue,
Public Valuer
Yang Weijie,
Registered Real Estate Appraiser
Ying Enjie,
Registered Real Estate Appraiser, Member of the Royal Institution of Chartered Surveyors

November 6th, 2024

VALUATION CONCLUSION

Group I: Property held and occupied by Guangdong Jinsheng New Energy Co., Ltd.

Property	Location	Description and tenure	Market value Attributable to the Company as at [30 September 2024]
			(RMB)
Industrial Property Held by Guangdong Jinsheng New Energy Co., Ltd., Located in Xinqiao Town, Gaoyao District, Zhaoqing City, Guangdong Province	"Tangpo" next to National Highway 324, Butang District, Xinqiao Town, Gaoyao District, Zhaoqing City (Old Factory Area)	The property was held for owner occupation as at the valuation Date. The land for the old factory area is located in Butang Area, Xinqiao Town, Gaoyao District, Zhaoqing City, adjacent to National Highway 324, with the local name "Tangpo". The land rights information is mainly recorded on the property ownership certificate of the buildings on the land. The rights holder is Guangdong Jinsheng New Energy Co., Ltd., with the land classified as granted land for industrial use and a usage period until December 7th, 2042. The parcel area is 15,667.90 square meters.	493,492,681

Building name	Gross Floor area
	(m^2)
Finished Product & Extraction Workshop	4,338.40
First Floor Workshop & Second Floor Office	4,338.40
Power Distribution Room	69.92
Concentration Workshop 2	1,231.14
Dormitory Building	2,298.87
Boiler Workshop	1,218.71
Wastewater Treatment & Raw Material & Auxiliary Material Workshop	2,520.00
Concentration Workshop 1	309.26
Finished Product Warehouse	502.18
Duty Room (Reception Room)	99.2
Guard Room 1	15.24
Guard Room 2 (Weighbridge Room)	21.1
MVR Workshop	13.36
Total	16,975.78

The buildings in the old factory area have all obtained real estate ownership certificates and are industrial workshops with a total building area of 16,975.78 square meters. According to the real estate ownership certificates, the property was completed in 1997-2017.

Property	Location	Description and tenure	Market value Attributable to the Company as at [30 September 2024]
			(RMB)
	Xinqiao Town, Gaoyao District, Zhaoqing City (New Factory Area)	The property was held for owner occupation as at the valuation Date. The land for the new factory area is located in Xinqiao Town, Gaoyao District, Zhaoqing City.The property ownership certificate number is "Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0012131," and the rights holder is Guangdong Jinsheng New Energy Co., Ltd. The land is classified as granted land for industrial use, and its usage period until May 12, 2072. The parcel covers an area of 31,775.25 square meters.	

Building name	Gross Floor area
	(m^2)
Comprehensive Utilization Workshop of No. 1 Factory Building	4,573.35
Precursor Workshop of No. 2 Factory Building	15,094.08
Leaching Workshop of No. 3 Factory Building	12,154.41
Extraction Workshop of No. 4 Factory Building	11,316.75
No. 5 Warehouse	830.6
R&D Workshop of No. 6 Factory Building	8,647.32
Dormitory Building	4,206.33
Power Distribution Room	2,027.80
Total	58,850.64

The buildings in the new factory area have all obtained real estate ownership certificates and are industrial workshops with a total building area of 58,850.64 square meters. According to the real estate ownership certificates, the property was completed in 2023.

Property	Location	Description and tenure	Market value Attributable to the Company as at [30 September 2024]
			(RMB)
	Nianyuwang and Lieyan, Xinqiao Town, Gaoyao District, Zhaoqing City (Buildings on Leased Land)	The property was held for owner occupation as at the valuation Date. **Building name** — **Gross Floor area** *(m^2)* Chikan Team One (Auxiliary Factory Building 3a) — 612.98 Chikan Team Three (Auxiliary Factory Building 3b) — 1,402.50 Chikan Team Two (Auxiliary Factory Building 2) — 825.00 Chikan Team Four (Auxiliary Factory Building 1) — 491.98 Total — 3,332.46 The Company has obtained part of the land through leasing and has built three factories on the leased land, with a total construction area of 3,332.46 square meters. All of them have been issued with real estate ownership certificates, and the property rights are owned by the land rights holder. However, the construction costs of the factories are actually borne by the Company. According to the land lease contract, after the expiration of the land lease term, the buildings on the land belong to the land rights holder. However, if the government needs to expropriate the land and buildings during the land lease period, the compensation for the buildings on the land belongs to the Company. According to the real estate ownership certificates, the property was completed in 2023.	
	West Side of National Highway 324, Butang, Xinqiao Town, Gaoyao District, Zhaoqing City (Land to be Developed)	The property was held for future development purposes as at the valuation Date. According to the real estate ownership certificates, the parcel covers an area of 73,652.16 square meters.	

Notes:

1. The aforementioned properties have all obtained real estate ownership certificates, the numbers of the certificates are Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0002135, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0002097, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0002067, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0002134, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0002138, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005777, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005828, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005904, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005827, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005908, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005778, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005905, Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0005826, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0007036, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025160, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025162, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025171, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025168, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025163, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025169, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0025170, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0024238, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0024242, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0024243, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0024111, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership No. 0028622, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership No. 0030381, Guangdong (2023) Zhaoqing Gaoyao Real Estate Ownership No. 0028664 and Guangdong (2022) Zhaoqing Gaoyao Real Estate Ownership Certificate No. 0012131.

2. Except for the Buildings on the Leased Land, we have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:

   a. Guangdong Jinsheng New Energy Co., Ltd. is the legal user of the state-owned land use rights of the property. Guangdong Jinsheng New Energy Co., Ltd. has the rights to occupy, use, receive benefit from and upon consent from the mortgagee to transfer, lease, mortgage or otherwise dispose of the land use rights of the property within the use terms specified in the relevant Real Estate Ownership Certificates;

   b. Guangdong Jinsheng New Energy Co., Ltd. legally holds the building ownership rights of the aforementioned property. Guangdong Jinsheng New Energy Co., Ltd. has the rights to occupy, use, receive benefit from and upon consent from the mortgagee to transfer, lease, mortgage or dispose the land use rights of the property within the use terms specified in the relevant Real Estate Ownership Certificates; and

   c. As of the date of issuance of the legal opinion, the aforementioned properties owned by Guangdong Jinsheng New Energy Co., Ltd. have been mortgaged. For the specific details of the mortgage agreement, please refer to the legal opinion.

Group II: Property leased by Guangdong Jinsheng New Energy Co., Ltd.

No.	Location	Building Area	Land Area	Lease Term	Rent	Use
		(m^2)	*(m^2)*		*(RMB/m^2/Month)*	
1 . . .	Nianyuwang & Lieyan	–	4,968.00	2021/9/1-2041/8/31	3.5	Industrial
2 . . .	Xiaolang	–	9,703.00	2022/11/1-2042/10/31	3.5	Industrial
3 . . .	Shapo (Sanjiao Brick Factory)	–	1,734.40	2023/1/1-2042/12/31	3.5	Industrial
4 . . .	Industrial Park, Xinqiao Town, Gaoyao District	8,643.00	16,350.60	2023/10/1-2025/12/31	15.74	Industrial
		8,643.00	32,756.00			

Notes:

1. The leased land, buildings, and structures have no commercial value.

2. On property numbered 1, the Company has constructed factory buildings on the leased land, totaling three buildings with a total construction area of 3,332.46 square meters. All three buildings have been issued with real estate ownership certificates, and the property rights are owned by the land rights holder. However, the construction costs of the factories are actually borne by Guangdong Jinsheng New Energy Co., Ltd.. According to the land lease contract, after the expiration of the land lease term, the buildings on the land belong to the land rights holder. However, if the government needs to expropriate the land and buildings during the land lease period, the compensation for the buildings on the land belongs to the Company. For its valuation, please refer to the first group.

TAX ON SECURITIES HOLDERS

The income tax and the tax on capital gains for holders of H Shares shall be subject to the laws and practices of China and the jurisdictions in which the holders of H Shares are located or subject to tax. The following summary of certain relevant tax provisions is based on current laws and practices, and does not take into account anticipated changes in or amendments to relevant laws and policies or constitute any opinions or suggestions. The discussion does not address all of the possible tax consequences associated with the investment in H Shares, nor does it consider the specific circumstances of any particular investor, which in some cases may be subject to special regulations. Therefore, you should consult your own tax adviser as to the tax consequences of investing in H Shares. The discussion is based on the laws and relevant interpretations in force as of the Latest Practicable Date, which are subject to change and may have a retroactive effect.

Apart from the income tax, tax on capital gains and profit tax, business tax/value added tax, stamp duty and estate duty, no tax issues in China or Hong Kong are mentioned in the discussion. Prospective investors are advised to consult their financial advisers regarding the mainland China, Hong Kong and other tax consequences of owning and disposing of H Shares.

CHINESE TAX

Dividend-related tax

Individual investor

According to the provisions of the latest Individual Income Tax Law of the People's Republic of China revised on August 31, 2018 and the latest Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (the "**Individual Income Tax Law**") revised on December 18, 2018, dividends distributed by Chinese enterprises shall be subject to a uniform individual income tax rate of 20%. For foreign individuals who are not Chinese residents, dividends received from Chinese enterprises are generally subject to a tax rate of 20%, unless specifically exempted by the tax authorities of the State Council or reduced under an applicable tax treaty. According to the Circular on Issues Concerning Differentiated Individual Income Tax Policies on Dividends from Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) promulgated on September 7, 2015, the specific tax treatment applies to dividends and bonuses obtained from listed companies. According to the Circular, individuals who purchase shares of listed companies through public offerings or on the stock market shall be subject to tax rates depending on their holding period. If the holding period exceeds one year, the income from dividends and bonuses shall be exempted from the individual income tax. If the holding period is one month or less, the total income from dividends and bonuses shall be included in the taxable income. For a holding period of one month to one year, 50% of the income from dividends and bonuses shall be temporarily included in the taxable income. The individual income tax rate of this portion of income is uniform at 20%. According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the

Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the Chinese government shall have the right to impose a tax on dividends payable by a Chinese company to a Hong Kong resident (including the natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company and satisfies certain conditions for being the beneficial owner of the equity interest, the tax levied shall not exceed 5% of the total dividends payable by the Chinese company.

The Fifth Protocol (《第五議定書》), which entered into force on December 6, 2019, introduces specific criteria for determining the entitlement to agreed treatment. Under the Fifth Protocol, agreed treatment shall not be granted if it is reasonably determined, after weighing all relevant facts and conditions, that obtaining such benefit is the main purpose of arrangements or transactions so as to provide direct or indirect benefits under the Arrangement, except where the treatment is consistent with the relevant object and purpose of the arrangements.

In addition, the dividend provisions of the tax agreements shall be applied in accordance with Chinese tax laws and regulations, including the guidelines set out in the Circular of the State Administration of Taxation on Issues related to the Implementation of Dividend Provisions of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) (Guo Shui Han [2009] No. 81). Compliance with these regulations is essential for determining the tax applicable to dividends under the Arrangement.

Corporate investor

The Enterprise Income Tax Law of the People's Republic of China was promulgated by the National People's Congress on March 16, 2007 and last revised on December 29, 2018, and the Regulations on the Implementation of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) (together with the Enterprise Income Tax Law of the People's Republic of China, collectively referred to as the "**Enterprise Income Tax Law**") was promulgated by the State Council on December 6, 2007, which came into effect on January 1, 2008 and was revised on April 23, 2019. According to the Enterprise Income Tax Law, if a non-resident enterprise does not have an institution or place in China, or has an institution or place in China but its income derived from China is not actually related to the above-mentioned Chinese institution or place, it is generally required to pay a 10% enterprise income tax on its income derived from China (including received from a Chinese resident enterprise). The enterprise income tax payable by a non-resident enterprise shall be withheld at source, and the payer of the income shall withhold the income tax from the amount to be paid to the non-resident enterprise. The tax withheld may be reduced or exempted under applicable treaties for the avoidance of double taxation.

As further clarified in the Circular of the State Administration of Taxation on Issues Relating to the Withholding and Payment of the Enterprise Income Tax on Dividends Distributed by Chinese Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued and implemented by the State Administration of Taxation (the "SAT") on November 6, 2008, Chinese resident enterprises shall withhold and pay the enterprise income tax at a uniform rate of 10% on behalf of the overseas non-resident enterprise holders of H shares in distributing dividends for 2008 and subsequent years. Shareholders of non-Chinese resident enterprises who need to enjoy the treatment under the tax agreements shall be governed by the relevant provisions of the tax agreements.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the Chinese government may impose a tax on dividends payable by a Chinese company to a Hong Kong resident (including the natural person and legal entity), but such tax shall not exceed 10% of the total dividends payable. However, if a Hong Kong resident directly holds 25% or more of the equity interest in a Chinese company, and the Hong Kong resident is the beneficial owner of the dividends and meets other conditions, the tax levied shall not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol provides that these provisions do not apply to arrangements or transactions whose main purpose is to obtain such tax benefits.

Notwithstanding other provisions of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, if the benefits are reasonably considered to be one of the main purposes of the arrangements or transactions (a direct or indirect benefit under the Arrangement), taking into account all the relevant facts and conditions, the standard treaty benefits shall not be granted unless the granting hereof in such a case would be consistent with the relevant aims and objectives under the Arrangement. The dividend provisions of the tax agreements shall be implemented in accordance with the Circular of the State Administration of Taxation on Issues related to the Implementation of Dividend Provisions of Tax Agreements and other Chinese tax laws and regulations.

Tax treaty

Non-resident investors living in jurisdictions that have entered into treaties with China on the avoidance of double taxation or made relevant adjustments shall be entitled to the relief from the enterprise income tax on dividends received from Chinese companies. China has treaties or arrangements on the avoidance of double taxation with a number of countries and regions, including the Hong Kong Special Administrative Region, the Macao Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom, and the United States. Non-Chinese resident enterprises entitled to preferential tax rates under the relevant tax treaties or arrangements shall apply to the Chinese tax authorities for a refund of the enterprise income tax in excess of the agreed rate, and the refund application shall be approved by the Chinese tax authorities.

Share transfer tax

Value added tax and local surtax

According to the guideline set out in the Circular on Comprehensive Launch of Pilot Replacement of Business Tax with Value-added Tax (《關於全面推開營業税改徵增值税試點的通知》) (Cai Shui [2016] No. 36) ("**Circular No. 36**"), which has been effective since May 1, 2016, and was subsequently revised on July 11, 2017 and March 20, 2019, individuals and entities trading services in China shall be subject to the value-added tax ("VAT"). "Sale of services in China" is defined as transactions conducted by service providers or recipients in China. In addition, Circular No. 36 provides that transfers of financial products (including transfers of ownership of marketable securities) shall be subject to a VAT rate of 6% on the taxable income. In this case, the taxable income refers to the balance of the sales price after deducting the purchase price. This VAT obligation applies to ordinary and foreign VAT payers. It is worth noting that individuals are exempted from VAT obligations when engaging in the transfer of financial products. According to the above provisions, non-resident individuals who sell or dispose of H shares shall be exempt from the VAT in China. However, if the holder is a non-resident enterprise, it shall be exempt from the VAT in China only if the buyer of the H shares is an individual or entity located outside China. Conversely, if the buyer of the H shares is an individual or entity located in China, the holder may have to pay the VAT in China.

Income tax

Individual investor

Under the Individual Income Tax Law, gains from the transfer of equity interests in Chinese resident enterprises shall be subject to a 20% individual income tax.

According to the Circular on Continued Temporary Exemption of Individual Income Tax on Income from Transfer of Stocks (《關於個人轉讓股票所得繼續暫免徵收個人所得税的通知》) issued by the Ministry of Finance and the SAT on March 30, 1998, individuals shall continue to be temporarily exempted from the individual income tax on the income from the transfer of shares in listed enterprises from January 1, 1997. In the newly revised Individual Income Tax Law, the NPC Standing Committee has not explicitly stated whether they would continue to temporarily exempt individuals from the individual income tax on the income from the transfer of shares in listed enterprises.

According to the Circular on the Issues Relating to the Collection of Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得税有關問題的通知》) jointly promulgated by the MOF, the SAT and the CSRC on December 31, 2009 and came into effect on the same date, individuals shall continue to be exempted from the individual income tax on the income from the transfer of listed shares acquired from the public offering of listed companies and the transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange, with the exception of the relevant restricted shares as defined in the Supplementary Circular on the

Issues Relating to the Collection of Individual Income Tax on Individuals' Income from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》), which was jointly promulgated and enforced by the above-mentioned authorities on November 10, 2010. As of the Latest Practicable Date, the above provisions did not expressly provide for the imposition of individual income tax on the transfer of shares of Chinese resident enterprises listed on overseas stock exchanges by non-Chinese resident individuals.

Corporate investor

According to the Enterprise Income Tax Law, non-resident enterprises usually shall pay a 10% enterprise income tax on its income derived from sources in China, including gains realized from the sale of equity interests in Chinese resident enterprises. However, this tax only applies to cases where the non-resident enterprises have no institutions or establishments within the territory of China, or which, despite such institutions or establishments, have obtained incomes unrelated to such institutions or establishments.

The income tax payable by a non-resident enterprise shall be withheld at source, and the payer shall be the withholding agent. The tax shall be withheld by the withholding agent from the amount paid to the non-resident enterprise on each payment or due payment. Notably, the tax liability may be diminished to avoid double taxation under an applicable tax treaty or agreement.

Stamp duty

According to the Stamp Tax Law of the People's Republic of China, which was promulgated on June 10, 2021 and became effective on July 1, 2022, the Chinese stamp duty only applies to specific taxable documents entered into or received in China, legally binding in China and protected by Chinese laws. Therefore, the provisions on the stamp duty levied on the transfer of shares of listed companies in China do not apply to the purchase and disposal of H shares by non-Chinese investors outside China.

Estate duty

Under the current Chinese regulations, there is no estate duty imposed in the jurisdiction.

Major taxes payable by the Company in China

Please refer to the section headed "Regulatory Overview" in this document.

Foreign Exchange Control in China

Renminbi, the legal tender of China, is still subject to foreign exchange control and cannot be freely convertible into foreign currencies. The State Administration of Foreign Exchange under the People's Bank of China is responsible for all matters related to foreign exchange, including the implementation of foreign exchange control regulations.

According to the Regulations on Foreign Exchange Control of the People's Republic of China (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996, implemented on April 1, 1996, and last revised on August 5, 2008, all international payments and transfers shall be classified into the current account and capital account. The current account shall be subject to the reasonable examination of the authenticity of transaction documents and their consistency with foreign exchange receipts and payments by the financial institutions engaging in the business of foreign exchange settlement and sales, and shall be subject to the supervision and inspection by the foreign exchange administrative authorities. With regard to the capital account, foreign organizations and individuals making direct investments in China shall, upon approval by the competent authorities concerned, register with the foreign exchange administrative authorities. The foreign exchange income obtained from abroad may be repatriated or deposited abroad. Foreign exchange funds and foreign exchange settlement funds under the capital account shall be used for the purposes approved by the relevant competent authorities and the foreign exchange administrative authorities. When there is or may be a serious imbalance in the balance of payments, or when there is or may be a serious crisis in the national economy, the State may take measures necessary to guarantee and control the balance of payments.

The Regulations on Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated by the PBOC on June 20, 1996 and implemented on July 1, 1996, have removed other restrictions on foreign exchange under the current account, but imposed existing restrictions on foreign exchange transactions under the capital account.

According to the Announcement on Improving the Reform of the RMB Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》) promulgated and implemented by the PBOC on July 21, 2005, China began to implement a managed floating exchange rate system based on market supply and demand and adjusted with reference to a basket of currencies from July 21, 2005. As a result, the RMB exchange rate is no longer pegged to a single US dollar. The PBOC shall announce, after the market closes on each working day, the closing price of the exchange rate of the US dollar and other currencies traded in the interbank foreign exchange market against RMB on that day, which serves as the median price for transactions of that currency against RMB on the following working day.

According to China's relevant laws and regulations, when Chinese enterprises (including foreign-invested enterprises) require foreign exchange for current account transactions, they may make payments through foreign exchange accounts opened in designated foreign exchange banks without the approval of foreign exchange control agencies, but valid transaction receipts and vouchers shall be provided. If a foreign-invested enterprise needs to distribute profits to its shareholders through foreign exchange, and a Chinese enterprise (such as the Company) needs to pay dividends to its shareholders through foreign exchange according to relevant regulations, it may make payments from the foreign exchange account of a designated foreign exchange bank or make exchanges and payments at a designated foreign exchange bank according to the resolution of the Board or the general meeting on profit distribution.

According to the Decision of the State Council on the Cancellation and Adjustment of a Batch of Items Requiring Government Review and Approval (《國務院關於取消和調整一批行政審批項目等事項的決定》) issued by the State Council on October 23, 2014, it decided to cancel the examination and approval requirements of the SAFE and its branches for the remittance and settlement of proceeds raised from the overseas listing of overseas shares into domestic accounts in RMB.

According to the Circular of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued and implemented by the SAFE on December 26, 2014, a domestic company shall, within 15 business days from the date of closing of overseas listing, apply for the registration of overseas listing with the local branch of the SAFE at the place of its incorporation. Proceeds from the overseas listing of the domestic company may be repatriated to a domestic account or deposited in an overseas account, provided that the use of the proceeds is consistent with the relevant content set out in this document and other disclosure documents.

According to the Circular of the State Administration of Foreign Exchange on Reforming and Standardizing the Policy on Settlement Management of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) promulgated and implemented by the SAFE on June 9, 2016, relevant policies have made it clear that domestic institutions may settle their foreign exchange incomes under the capital account (including funds raised from the overseas listing), which are subject to discretional settlement, with banks as actually needed for business operation.

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "**Constitution**") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution, and the Legislation Law of the PRC (《中華人民共和國立法法》) (the "**Legislation Law**") which was amended in 2023, the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to enact and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to enact and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to enact administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may enact local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the National Audit Office of the People's Republic of China as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, enact rules.

The people's congresses and their respective standing committees of cities with subordinate districts may, in the areas of urban and rural development and management, environmental protection and the preservation of history and culture, enact local regulations based on the specific circumstances and actual requirements, which shall become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions, but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. The people's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned. The people's governments of the provinces, autonomous regions, municipalities and cities with subordinate districts may enact rules in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities. The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the cities with subordinate districts or autonomous prefectures within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》) amended in 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the adjudication work of the people's courts at all levels.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》) (the "**Civil Procedure Law**", amended in 2023), which was adopted in 1991, amended in 2007, 2012, 2017 and 2021 and last amended on September 1, 2023 by the Standing Committee of the NPC, and will become effective on January 1, 2024, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either located at the plaintiff's or the defendant's place of domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC.

If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally and whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

According to the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) promulgated by the Supreme People's Court on January 25, 2024, the Arrangements apply to the reciprocal recognition and enforcement of effective judgments in civil, commercial cases and civil compensation in criminal cases between courts of the Mainland and Hong Kong. Accordingly, the effective judgments satisfying the conditions of the Arrangement may be recognized and enforced by the PRC court or Hong Kong court upon the application by the parties concerned.

THE COMPANY LAW AND TRIAL MEASURES AND GUIDELINES FOR OVERSEAS LISTING

A joint stock limited company incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

The Company Law of the People's Republic of China ("**Company Law**") which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023, respectively and the latest amendment of which was implemented on July 1, 2024.

The Overseas Listing Trial Measures promulgated by the CSRC on February 17, 2023 and effective on March 31, 2023, which are applicable to overseas offerings and listings of securities of PRC domestic companies.

The Guidelines for Articles of Association of Listed Companies (the "**Guidelines**") issued by the CSRC on December 16, 1997, as last amended on December 15, 2023 and effective on the same date, which provide guidance on the articles of association of companies. Accordingly, the contents of the Guidelines are set out in the Company's Articles of Association and a summary thereof is set out in the section headed "Appendix VII — Summary of Articles of Association" of this document.

Set out below is a summary of the major provisions of the Company Law and the trial measures and guidelines for overseas listing.

General

A joint stock limited company refers to an enterprise legal person incorporated in China under the Company Law with independent legal person properties and entitlements to such legal person properties and with its registered capital divided into shares of equal par value. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters must convene an inaugural meeting within 30 days after the full payment of the shares to be issued at the time of the establishment of the company, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of subscribers holding a majority of the voting rights. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

If a promoter does not contribute in accordance with the shares subscribed for by it or if the actual value of the non-monetary property contributed as capital is significantly less than the shares subscribed for, the other promoters shall be jointly and severally liable with it to the extent of the shortfall in the capital contribution.

Share capital

The promoters of a company can make capital contributions in cash or in non-monetary assets which can be valued in currency and transferable according to law, such as physical items, intellectual property rights, land use rights, equity interests, creditor's rights and so on, except for properties that are prohibited from being used as capital contributions under the provisions of laws and administrative regulations. If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out. The shares issued by a company shall be registered shares.

The Overseas Listing Trial Measures provides that domestic enterprises that are listed overseas may raise funds and distribute dividends in foreign currencies or Renminbi.

Under the Overseas Listing Trial Measures, for a domestic company directly offering and listing overseas, shareholders of its domestic unlisted shares applying to convert such shares into shares listed and traded on an overseas trading venue shall conform to relevant regulations promulgated by the CSRC, and authorise the domestic company to file with the CSRC on their behalf. The domestic unlisted shares mentioned in the preceding paragraph refer to the shares that have been issued by domestic enterprises but have not been listed or listed for trading on domestic exchanges. Domestic unlisted shares shall be centrally registered and deposited with domestic securities registration and settlement institutions. The registration and settlement arrangements of overseas listed shares shall be subject to the provisions of overseas listing places.

The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the public offering of its shares shall not be transferred within one year from the date of listing of the shares of the company on a stock exchange. Directors, supervisors and senior management of a company shall declare to the company their holdings of the company's shares and the status of changes therein, and shall not transfer over 25% of the shares held by each of them in the company each year during the term of office determined at the time of assumption of office or transfer any share of the company held by each of them within one year after the listing date.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance, the class and amount of new shares to be issued to existing shareholders and the amount of the proceeds of issue of the new shares without par value included in the registered capital. In the case of the issue of shares without par value, more than half of the proceeds of issue of the new shares is to be included in the registered capital.

When a company offers shares to the public, it shall be registered by the securities regulatory authority under the State Council and announce a document. When the shares issued by the company are fully paid up, a public announcement shall be made accordingly.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law: (i) the company shall prepare a balance sheet and a property list; (ii) the reduction of registered capital shall be approved by a shareholders' meeting; (iii) the company shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or the National Enterprise Credit Information Publicity System within 30 days from the date of the resolution on the reduction; and (iv) creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who request and are against the resolution regarding the merger or division with other companies at a shareholders' meeting; (v) use of shares for conversion of convertible corporate bonds issued by the company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be cancelled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If a listed company purchases its shares under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralised trading shall be adopted publicly.

Transfer of shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of the shareholder register of listed companies, those provisions shall prevail.

Shareholder

Under the Company Law and the Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the right:

- to receive dividends and profit distributions in any other form in proportion to their shareholdings;
- to lawfully require, convene, preside over or attend shareholders' meetings either in person or by proxy and exercise the corresponding voting right;
- to supervise, present suggestions on or make inquiries about the operations of the Company;
- to transfer, gift or pledge their shares in accordance with the laws, administrative regulations and the articles of association;
- to inspect the company's articles of association, shareholder register, counterfoil of company debentures, minutes of shareholders' meetings, resolutions of the board of directors, resolutions of the Supervisory Committee and financial and accounting reports of the company;
- in the event of the termination or liquidation of the company, to participate in the distribution of the remaining property of the company in proportion to the shares held by them;
- to require the company to buy their shares in the event of their objection to resolutions of the shareholders' meeting concerning merger or division of the company; and
- any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The shareholders' meeting may exercise its powers:

- to elect and remove the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;
- to review and approve the reports of the board of directors;
- to review and approve the reports of the Supervisory Committee;
- to review and approve the company's profit distribution proposals and loss recovery proposals;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of corporate bonds;
- to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;
- to amend the articles of association; and
- to exercise any other authority stipulated in the articles of association.

A shareholders' meeting is required to be held once every year. An extraordinary shareholders' meeting is required to be held within two months of the occurrence of any of the following:

- the number of directors is less than the number stipulated by the Company Law or less than two-thirds of the number specified in the articles of association;
- the outstanding losses of the company amounted to one-third of the company's total share capital;
- shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary shareholders' meeting;
- the board deems necessary;
- the Supervisory Committee proposes to hold; or
- any other circumstances as provided for in the articles of association.

Under the Company Law, shareholders' meetings shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholders' meetings shall be given to all shareholders 15 days prior to the meeting. Under the Guidance for Articles of Association, after the notice of the shareholders' meetings is issued, the shareholders' meetings shall not be postponed or cancelled without justifiable reasons, and the proposals listed in the notice of shareholders' meetings shall not be cancelled. In the event of postponement or cancellation, the convener shall make an announcement and explain the reasons at least two working days before the original meeting date.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Guidance for Articles of Association, the board of directors and the Secretary of the board of directors will cooperate with the shareholders' meetings convened by the supervisory committee or shareholders. The board of directors will provide the register of shareholders on the date of equity registration. Moreover, when a shareholders' meetings is held, all directors, supervisors and the secretary of the board of directors of the company shall attend the meeting, and managers and other senior management personnel shall attend the meeting as nonvoting delegates.

Pursuant to the Company Law, shareholders who individually or jointly hold more than 1% of the company's shares may put forward interim proposals and submit them to the convener in writing 10 days before the shareholders' meetings. The convener shall issue a supplementary notice of the shareholders' meetings within two days after receiving the proposal and announce the contents of the interim proposal.

Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, except the shareholders of classified shares, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law and the Guidance for Articles of Association, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) equity incentive plan; (iv) the company purchases or sells major assets within one year or any guaranty provided to others by the company within one year exceeds 30% of the company's total audited assets in the latest period; (v) the merger, division, dissolution, liquidation or change in the form of the company; and (vi) other matters stipulated by laws, administrative regulations or the Articles of Association, as well as other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the Company Law, a joint stock limited company is required to establish a board of directors. A joint stock limited company that is of small size or has a small number of shareholders may not have a board of directors and may have one director who exercises the powers and functions of the board of directors as provided for in the Company Law. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors may exercise its powers:

- to convene shareholders' meetings and report on its work to the shareholders' meetings;
- to implement resolutions of the shareholders' meeting;
- to decide on the company's operational plans and investment proposals;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- to formulate proposals for the merger, division or dissolution of the company or change of corporate form;
- to decide on the setup of the company's internal management organs;
- to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;
- to formulate the company's basic management system; and
- to exercise any other authority stipulated in the articles of association.

Board meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisory committee. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorisation to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or a resolution of the shareholders' meeting, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be exempted from that liability.

Chairman of the Board of the Directors

Under the Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualifications of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offence of corruption, bribery, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence. If he/she has been pronounced on a suspended sentence, the period of two years has not elapsed since the expiration of the suspension of sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of revocation of business license and the order for closure; or

- a person who is listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

Other circumstances under which a person is disqualified from acting as a director are set out in the Guidance for Articles of Association.

Supervisory Committee

Under the Company Law, a joint stock limited company may, in accordance with the provisions of its articles of association, establish an audit committee under the board of directors comprising directors to exercise the powers and functions of the Supervisory Committee, in place of a Supervisory Committee or supervisors. Otherwise, a joint stock limited company shall have a supervisory committee composed of not less than three members. The supervisory committee is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the supervisory committee shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise. The directors and senior management may not act concurrently as supervisors.

The supervisory committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory committee are elected with approval of more than half of all the supervisors. The chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the chairman of the supervisory committee is incapable of performing or not performing his duties, the vice chairman of the supervisory committee shall convene and preside over the meetings of the supervisory committee. In the event that the vice chairman of the supervisory committee is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the supervisory committee.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The supervisory committee of a company shall hold at least one meeting every six months. According to the Company Law, a resolution of the supervisory committee shall be passed by more than half of all the supervisors.

The supervisory committee exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to initiate proposals for resolutions to shareholders' meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The supervisory committee may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall exercise his/her powers in accordance with provisions of the articles of association or as authorised by the board of directors. The manager attends board meetings. According to the Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the Company Law to comply with the relevant laws, regulations and the articles of association. Directors, supervisors and senior management have fiduciary and diligent duties to the company and should take measures to avoid any conflict between their own interests and the interests of the company and not make use of their powers to obtain improper benefits.

Directors, supervisors and senior management have a duty of diligence to the company and should exercise reasonable care in performing their duties in the best interests of the company, as would normally be expected of a manager. Directors, supervisors and senior management are prohibited from:

- seizing or misappropriating company property or funds;
- depositing the company's capital into accounts under his/her own name or the name of other individuals;
- giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;
- taking commissions from the transactions between the company and any other person into his/her own pocket;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their fiduciary duty to the company.

Income generated by directors or senior management in violation of aforementioned regulations shall be returned to the company.

Directors, Supervisors and senior management, who directly or indirectly enter into contracts or conduct transactions with the company, shall report to the board of directors or the shareholders' meeting on matters relating to the entering into of such contracts or the conduct of such transactions, which shall be approved by a resolution of the board of directors or the shareholders' meetings in accordance with the provisions of the articles of association of the company.

Directors, supervisors and senior management shall not use the convenience of their positions to seek business opportunities belonging to the company for themselves or others, except in the following circumstances: i) after reporting to the board of directors or the shareholders' meetings and a resolution by the board of directors or the shareholders' meetings in accordance with the articles of association of the company has been passed; or ii) the company is unable to take advantage of the business opportunity in accordance with the provisions of the laws, administrative regulations or the articles of association of the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable for the damages to the company.

Finance and Accounting

Under the Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the Company Law, a joint stock limited company shall prepare and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual shareholder' meetings. A joint stock limited company which has issued shares to the public must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital). If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions. After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meetings, allocate discretionary common reserve fund from after-tax profits. The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association. Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund. The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. Where the reserve fund of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Upon the conversion of statutory common reserve fund into capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meetings, board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meetings, board of directors or the board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidance for Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the shareholders' meetings.

Profit Distribution

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendment to the Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In the event of a company registration, the amendments to the articles of association shall be registered with the relevant registration authorities in accordance with applicable laws.

Dissolution and Liquidation

According to the Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association occurred; (ii) the shareholders' meetings has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked, or the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders. If any of the situations as mentioned in the preceding paragraph arises, a company shall publicize the situations through the National Enterprise Credit Information Publicity System within ten days.

In the event of (i) or (ii) above, a company may carry on its existence by amending its articles of association or by a resolution of the shareholders' meetings if it has not distributed its assets to its shareholders yet. The amendment of the articles of association or resolution of a shareholders' meetings in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' meetings.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established. The directors shall be the liquidation obligors of the company and form a liquidation group to carry out liquidation within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors except where the articles of association provide otherwise or the shareholders resolve to elect another person. If a liquidation group is not established within the stipulated period or fails to carry out the liquidation after its formation, any interested party may apply to the people's court and request the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to liquidate the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to settle claims and debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meetings or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance with the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to he liquidation to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meetings or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to apply for deregistration.

The members of the liquidation group are obliged to perform their liquidation duties with fidelity and diligence. The members of the liquidation group shall be liable for damages caused to the company if they are negligent in performing their liquidation duties. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Overseas Listing Trial Measures, a PRC domestic company seeking overseas listing shall submit an application to the CSRC in accordance with the administrative filing procedures required by the Overseas Listing Trial Measures.

Merger and Division

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

Securities Law and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). This regulation deals mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. The latest amendment to the Securities Law took effect on March 1, 2020. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that a domestic enterprise must comply with the relevant provisions of the State Council in order to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

On November 14, 2019, the CSRC issued the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H-share Companies, which became effective on the same day and was partially amended on August 10, 2023 pursuant to the Decision of the China Securities Regulatory Commission on Amending and Repeal Certain Securities and Futures System Documents. The purpose of the Guidelines is to regulate the listing and circulation of unlisted domestic shares (including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares issued in the PRC upon overseas listing and unlisted shares held by overseas shareholders) of domestic joint stock limited companies listed on the Stock Exchange (hereinafter referred to as H-share companies) (hereinafter referred to as "**Full Circulation**").

H-share companies applying for "Full Circulation" shall apply to the CSRC for record-filing. H-share companies may, separately or concurrently, submit an application for "Full Circulation" when applying for offshore refinancing. An unlisted domestic joint stock limited company may submit an application for "Full Circulation" at the same time when applying for an overseas initial public offering and listing.

1. DIRECTORS AND BOARD OF DIRECTORS

(1) Power to allot and issue shares

The Articles of Association stipulate that, on the premise of not violating the laws and regulations, the Articles of Association and the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed, the shareholders' meeting may grant a general mandate to the Board of Directors to issue, allot and deal with additional ordinary shares not exceeding 20% of the issued ordinary shares (or other proportions as required by applicable laws, regulations and the Hong Kong Listing Rules).

(2) Power to dispose the assets of the Company or any of its subsidiaries

The Company's purchase or sale of major assets within one year exceeding 30% of the Company's latest audited total assets is subject to the approval of the shareholders' meeting.

(3) Provision of financial assistance to purchase shares of the Company or any of its subsidiaries

In the interests of the Company, it may provide financial assistance to others to purchase shares of the Company or its parent company by a resolution of the shareholders' meeting or by a resolution of the Board of Directors according to the Articles of Association or the authorization of the shareholders' meeting, provided that the Company complies with the securities regulatory rules of the place where its shares are listed, but the cumulative total amount of financial assistance shall not exceed 10% of the total issued share capital. A resolution made by the Board of Directors shall be adopted by more than two-thirds of all directors.

(4) Election, dismissal and retirement of directors

The Board of Directors consists of at least seven directors, of whom at least three are independent non-executive directors. The directors shall be elected at the shareholders' meeting. The number of independent non-executive directors, at any time, shall be at least three and represent more than one third of members of the Board of Directors, and at least one of the independent non-executive directors must have appropriate professional qualifications as required by the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules), or appropriate accounting or related financial management expertise. At least one independent non-executive director of the Company shall reside in Hong Kong on a regular basis.

The Board of Directors shall have one chairman and one vice chairman, both of whom shall be elected by more than half of all members of the Board of Directors.

The directors shall be elected or replaced by the shareholders' meeting for a term of three years and may be dismissed by the shareholders' meeting before the expiration of the term, and upon expiration of their terms, shall be eligible for re-election.

The tenure of a director shall commence from the date when he/she takes office until the end of the tenure of the existing Board of Directors.

Where no re-election is made in a timely manner upon expiration of the term of a director, the original director shall continue to perform his/her duties as a director in accordance with the provisions of laws, administrative regulations and the Articles of Association until a re-elected director takes office. Any person appointed by the Board of Directors to fill a casual vacancy or as an addition to the Board of Directors shall hold office until the first annual shareholders' meeting of the Company after his/her appointment, and shall then be eligible for re-election.

Where a director resigns, he/she shall notify the Company in writing, and the resignation shall take effect on the date the Company receives the notice. However, in the circumstances specified in the preceding paragraph, the director shall continue to perform his/her duties.

Subject to the shareholders' meeting held in compliance with the provisions of relevant laws and administrative regulations, the shareholders may, by an ordinary resolution, dismiss any director (including executive director) before the expiration of his/her term of office without prejudice to any claim for damages by such director pursuant to any contract.

The general manager or other senior management may serve as directors concurrently. However, the total number of directors serving the office of the general manager or other senior management concurrently and directors held by employee representatives shall not exceed half of the total number of directors of the Company.

None of the following persons shall serve as the director, supervisor or senior management of the Company:

i. a person who loses or has limited capacity for civil conduct;

ii. a person who has been sentenced to criminal punishment for corruption, bribery, seizing property, misappropriating property or disturbing the order of the socialist market economy, where no more than five years has elapsed since the expiration of the execution period, or who has been deprived of his/her political rights due to offences committed, where no more than five years has elapsed since the expiration of the execution period, or who has been placed under probation, where no more than two years has elapsed since the expiration of probation;

iii. a person who is a former director, factory manager, or manager of a company or enterprise which has entered into insolvent liquidation and is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the insolvent liquidation of the company or enterprise;

iv. a person who is a former legal representative of a company or enterprise which had its business license revoked or is ordered to close down due to any violation of the law and who incurred personal liability, where less than three years has elapsed since the date of revocation of the business license or being ordered to close down;

v. a person who has a relatively large amount of debts due and outstanding and was listed as dishonest person subject to enforcement by the people's court;

vi. a person who was prohibited by the CSRC from entering the securities market and the prohibition period has not expired;

vii. other circumstances as stipulated by laws, administrative regulations or departmental rules.

Where the Company elects, appoints or engages directors, supervisors or senior management in violation of the above provisions, the election, appointment or engagement shall be ineffective. The Company shall dismiss the directors from their positions if any of the above circumstances occur during their term of office.

(5) Directors shall comply with the laws, administrative regulations and the Articles of Association and bear the following fiduciary obligations towards the Company:

i. shall not make use of powers to accept bribes or other illegal income or encroach upon the Company's assets;

ii. shall not misappropriate the Company's funds;

iii. shall not deposit the Company's assets or funds into an account opened in his/her own name or the name of another individual;

iv. shall not violate the provisions of the Articles of Association in providing a loan to others using the Company's funds or providing guarantees for others using the Company's assets without the consent of the shareholders' meeting or the Board of Directors;

v. shall not enter into a contract or transaction with the Company which violates the provisions of the Articles of Association or without the consent of the shareholders' meeting;

vi. shall not make use of his/her position to seek business opportunities which rightfully belong to the Company for himself/herself or others, or engage in the same type of business as the Company on his/her own or for others without the consent of the shareholders' meeting;

vii. shall not pocket commissions of transactions with the Company;

viii. shall not disclose confidential information of the Company without authorization;

ix. shall not make use of his/her relationships to compromise the interests of the Company;

x. any other fiduciary obligations stipulated by laws, administrative regulations, departmental rules, the Articles of Association and the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed.

Income derived by a director from violation of the above provisions shall belong to the Company; if losses are caused to the Company, the director shall be liable for compensation.

The director shall comply with laws, administrative regulations, the Articles of Association and the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed, and bear the following duty of diligence towards the Company:

i. exercise the rights conferred by the Company prudently, seriously and diligently to ensure that the commercial activities of the Company comply with laws and administrative regulations of the State and the requirements of various economic policies of the State and the commercial activities shall not exceed the scope of business stipulated in the business license;

ii. treat all shareholders fairly;

iii. get a timely grasp of the status of the Company's business operation and management;

iv. sign written statements confirming the regular reports of the Company and ensure the truthfulness, accuracy and completeness of the information disclosed by the Company;

v. provide the relevant information and materials to the Supervisory Committee truthfully, and shall not hinder exercise of powers by the Supervisory Committee or the supervisors;

vi. any other duties of diligence stipulated by laws, administrative regulations, departmental rules and the Articles of Association, as well as the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed.

(6) Qualification shares of directors

There are no provisions in the Articles of Association relating to qualification shares of directors.

(7) Directors' power to borrow

There are no provisions in the Articles of Association relating to directors' power to borrow.

(8) Compensation for loss of office of directors

There are no provisions in the Articles of Association relating to compensation for loss of office of directors.

2. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company may amend the Articles of Association in accordance with the laws, administrative regulations and the requirements of the stock exchange in the place where the Company's securities are listed.

Amendments to the Articles of Association shall be examined and approved by the competent authorities, and shall be submitted to the competent authorities for approval; where the amendments involve the registered particulars of the Company, procedures for change of registration shall be handled in accordance with the law; where the amendments do not involve change of registration, the amended Articles of Association shall be submitted to the company registration authority for filing.

3. ALTERATION TO RIGHTS ATTACHED TO CLASS OF SHARES

Any change to the rights attached to the class of shares (where appropriate) shall be passed by more than two-thirds of the voting rights represented by shareholders of the Company holding shares of the class to which the relevant rights are attached.

4. A SPECIAL RESOLUTION REQUIRING AN ABSOLUTE MAJORITY OF VOTES

A special resolution of the shareholders' meeting shall be passed by votes representing more than two-thirds of the voting rights represented by the shareholders (including proxies thereof) present at the meeting.

The following matters shall be approved by special resolutions at the shareholders' meeting:

i. increase or reduction in registered capital of the Company;

ii. amendment to the Articles of Association;

iii. the Company's purchase, sale of major assets or guarantee within one year with the amount exceeding 30% of the Company's latest audited total assets;

iv. the stock incentive plans;

v. merger, division, spin-off, dissolution and liquidation (including voluntary winding-up) or change in corporate form of the Company;

vi. other matters stipulated by laws, administrative regulations, the Articles of Association or the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules), and that the shareholders' meeting determines by ordinary resolutions may have a significant impact on the Company and need to be approved by special resolutions.

5. VOTING RIGHTS

Shareholders (including proxies thereof) shall exercise their voting rights according to the number of voting shares they represent, and each share shall have one vote.

Shares held by the Company shall not carry any voting rights and shall not be counted into the total shares with voting rights represented by shareholders attending the shareholders' meeting.

6. REQUIREMENTS OF THE SHAREHOLDERS' MEETING

The shareholders' meetings include annual shareholders' meetings and extraordinary shareholders' meetings. The annual shareholders' meeting shall be convened once a year and be held within six months after the end of the previous accounting year.

7. ACCOUNTING AND AUDITING

(1) Financial and accounting polices

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and requirements of relevant government departments of the State.

The Company shall prepare its financial and accounting reports in accordance with the relevant laws, administrative regulations and departmental rules. The Company shall, in each year, issue a consolidated annual financial audit report for the previous year, which shall be audited by an accounting firm engaged by the Company and submitted to the Board of Directors and the shareholders' meeting for approval, unless otherwise provided by the stock exchange and the securities regulatory authorities in the place where the Company's securities are listed.

(2) Appointment and dismissal of accountants

The appointment, dismissal or non-reappointment of an accounting firm by the Company shall be approved by an ordinary resolution at the shareholders' meeting. The Board of Directors shall not appoint an accounting firm prior to the resolution passed at the shareholders' meeting.

The Company shall ensure that the accounting documents, books of accounts, financial and accounting reports, and other accounting information provided to the accounting firm appointed are true and complete without any omission, concealment or false statement.

The audit fee of the accounting firm shall be decided at the shareholders' meeting.

When the Company dismisses or does not re-appoint an accounting firm, it shall give advance notice of 30 days to the accounting firm. The accounting firm shall be permitted to make representations at the shareholders' meeting where a voting process concerning the dismissal of such accounting firm is carried out.

Where the accounting firm resigns, it shall state at the shareholders' meeting whether or not there are situations of irregularities in the Company.

8. NOTICE AND CONVENING OF THE SHAREHOLDERS' MEETING

The shareholders' meeting is the body of authority of the Company and shall exercise its powers and functions in accordance with the laws.

In any of the following circumstances, the Company shall hold an extraordinary shareholders' meeting within two months from the date of the occurrence of the circumstance:

i. when the number of directors is less than the number required by the Company Law or two-thirds of the number of directors specified in the Articles of Association;

ii. when the unrecovered losses of the Company amount to one-third of the total paid-up share capital;

iii. when the shareholders individually or jointly holding more than ten percent of total voting shares issued of the Company make a request;

iv. when deemed necessary by the Board of Directors;

v. where it is proposed by the Supervisory Committee;

vi. other circumstances specified by laws, administrative regulations, departmental rules or the Articles of Association or the rules of the securities regulatory authority or the stock exchange in the place where the Company's securities are listed.

When the Company convenes the shareholders' meeting, the Board of Directors, the Supervisory Committee and shareholders who individually or collectively hold more than 1% of the Company's shares shall be entitled to submit proposals to the Company.

Shareholders individually or jointly holding over 1% of the Company's shares can put forward a temporary proposal 10 days before convening the shareholders' meeting and submit the proposal in writing to the Board of Directors. The provisional proposal should have clear topics and specific resolutions. The Board of Directors shall inform other shareholders within two days upon receiving the proposal and submit it to the shareholders' meeting for consideration, unless the provisional proposal violates the laws, administrative regulations or the Articles of Associations, or does not fall within the terms of reference of the shareholders' meeting. The Company shall not increase the shareholding of the shareholder putting forward such provisional proposal.

A company offering shares to the public shall give the notice required by the preceding two paragraphs by way of announcement.

Except for the circumstances prescribed in the preceding paragraph, the convener shall not amend the proposals stated in the notice of the shareholders' meeting or add new proposals upon the issuance of the notice of the shareholders' meeting.

The shareholders' meeting shall not vote and resolve on proposals not stated in the notice of the shareholders' meeting.

Notice of an annual shareholders' meeting shall be given to all shareholders by the convener at least 21 days before the meeting; notice of an extraordinary shareholders' meeting shall be given to all shareholders at least 15 days before the meeting.

The aforesaid period of "21 days" or "15 days" counted by the Company shall not include the day on which the meeting is convened but include the day on which the notice is given.

The notice of the shareholders' meeting shall include the following particulars:

i. time, place and duration of the meeting;

ii. matters and proposals submitted to the meeting for consideration;

iii. an express statement that all shareholders shall have the right to attend the shareholders' meeting and may authorize a proxy in writing to attend and vote at such meeting, and that a proxy need not be a shareholder of the Company;

iv. the record date for the shareholders who are entitled to attend the shareholders' meeting;

v. name and telephone number of the standing contact person of the meeting;

vi. the voting time and voting procedure via network or through other means;

vii. other contents stipulated by relevant laws, regulations, rules, normative documents, the rules of the securities regulatory authority or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules), and the Articles of Association.

Notices and supplementary notices of the shareholders' meeting shall adequately and completely disclose the specific contents of all proposals as well as all the information or explanations that help the shareholders to make reasonable judgments on the matters to be discussed. Where the opinions of an independent non-executive director are required on the matters to be discussed, such opinions and reasons thereof shall be disclosed when the notices or supplementary notices of the shareholders' meeting are given.

Resolutions of the shareholders' meeting include ordinary resolutions and special resolutions.

Ordinary resolutions shall be passed by votes representing more than half of the voting rights held by shareholders (including proxies thereof) attending the shareholders' meeting.

Special resolutions shall be passed by votes representing two thirds or more of the voting rights held by shareholders (including proxies thereof) attending the shareholders' meeting.

The following matters shall be approved by ordinary resolutions at the shareholders' meeting:

i. work reports of the Board of Directors and the Supervisory Committee;

ii. the profit distribution plan and loss recovery plan formulated by the Board of Directors;

iii. appointment and dismissal of the members of the Board of Directors and the Supervisory Committee, their remunerations and the method of payment thereof;

iv. the Company's annual budgets and final accounts;

v. the annual report of the Company;

vi. other matters except those that should be passed by special resolutions pursuant to laws, administrative regulations, the Articles of Association or the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed.

The following matters shall be approved by special resolutions at the shareholders' meeting:

i. increase or decrease of the registered capital of the Company;

ii. amendment to the Articles of Association;

iii. the Company's purchase, sale of major assets or guarantee within one year with the amount exceeding 30% of the latest audited total assets of the Company;

iv. stock incentive plans;

v. merger, division, spin-off, dissolution and liquidation (including voluntary winding-up) or change in corporate form of the Company;

vi. other matters stipulated by laws, administrative regulations, the Articles of Association or the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules), and that the shareholders' meeting determines by ordinary resolutions may have a significant impact on the Company and need to be approved by special resolutions.

If any resolution of the shareholders' meeting or the Board of Directors of the Company violates the laws or administrative regulations, the shareholders shall have the right to request the people's court to invalidate the resolution.

If the convening procedures or voting methods of the shareholders' meeting or the meetings of the Board of Directors violate the laws, administrative regulations or the Articles of Association, or the contents of a resolution run counter to the Articles of Association, the shareholders shall have the right to request the people's court to cancel such resolution within sixty days after passing the resolution, unless there is only a minor defect in the convening procedures or voting methods of the shareholders' meeting or the meetings of the Board of Directors, which does not have a material effect on the resolution.

A shareholder who has not been notified to attend the shareholders' meetings may petition People's Court to revoke such resolution within 60 days from the date on which he/she knows or should know that the resolution was made at the shareholders' meeting; if the right of revocation is not exercised within one year from the date on which the resolution is made, the right of revocation shall be extinguished.

9. TRANSFER OF SHARES

The shares issued before the Company's public offering of shares shall not be transferred within one year from the date on which the Company's shares are listed on the stock exchange. Where laws, administrative regulations or the securities regulatory authorities of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail.

The directors, supervisors and senior management of the Company shall report to the Company the shares they held in the Company and the changes thereof, and the shares transferred each year during the term of office shall not exceed 25% of the total number of shares they held in the Company; the shares they held in the Company shall not be transferred within one year from the date on which the Company's shares are listed. The abovementioned personnel shall not transfer the shares of the Company they held within half a year after leaving the Company.

Where the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules) provide otherwise regarding the restrictions on the transfer of overseas listed shares, such provisions shall prevail.

10. REPURCHASE OF SHARES IN THE COMPANY

The Company shall not repurchase its own shares. However, the Company may repurchase its own shares in accordance with the provisions of the laws, administrative regulations, departmental rules and the Articles of Association under the following circumstances:

i. to decrease the registered capital of the Company;

ii. to merge with another company holding shares of the Company;

iii. to issue shares under employee stock ownership plan or as share incentives;

iv. where shareholders require the Company to purchase their shares due to their disagreement on the merger or division resolution passed at the shareholders' meeting;

v. to use the shares in the conversion of the convertible corporate bonds issued by the Company;

vi. where it is necessary for preserving the value of the Company and the interest of shareholders;

vii. circumstances permitted by laws, administrative regulations, departmental rules, the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules), etc.

If the relevant laws and regulations, regulatory documents, and the relevant provisions of the rules of the securities regulatory authorities or the stock exchange in the place where the Company's securities are listed (including but not limited to the Hong Kong Listing Rules) have other provisions on the matters involved in the aforementioned share repurchases, such provisions shall prevail.

Except for the above, the Company shall not repurchase any of its own shares.

Where the Company repurchases its own shares, it shall fulfil its information disclosure obligations in accordance with the law.

11. DIVIDEND DISTRIBUTION METHODS

The Company may distribute dividends in the form of cash or shares as follows:

i. Profit distribution principles of the Company: the Company implements a dividend distribution policy of equal shares and equal benefits, whereby shareholders shall receive dividends and other forms of benefit distribution in accordance with their proportion of shareholdings. The Company implements a positive profit distribution policy, which attaches importance to a reasonable return on investment to investors and maintains continuity and stability. The Company may distribute profits in the form of cash or shares, etc. The distribution of profits shall not exceed the extent of accumulated distributable profits and shall not impair the Company's ability to continue its business. The opinions of independent non-executive directors, external supervisors (if any) and public investors shall be fully considered in the decision-making and discussion process of the profit distribution policy by the Board of Directors, the Supervisory Committee and the shareholders' meeting of the Company.

ii. Overall forms of profit distribution of the Company: the Company may distribute the dividends in the form of cash, shares or a combination of them, and shall giving priority to cash dividends for profit distribution to the extent that the Company meets the conditions for distribution of cash dividends.

iii. Specific conditions and proportion of the Company's dividend distribution in cash: the Company distributes profits primarily in the form of cash. Specifically, if the Company makes a profit in a year and has distributable profits after making up for losses and appropriating the statutory reserves and surplus reserves according to the law, then the Company shall make cash dividends; the Company's profit distribution shall not exceed the scope of accumulated distributable profits.

The Company shall pay cash dividends and other payments to holders of unlisted domestic shares in RMB. When the Company pays cash dividends and other payments to the holders of overseas listed shares, it shall be denominated and declared in RMB and paid in Hong Kong dollars. The foreign currencies required by the Company to pay cash dividends and other payments to the holders of overseas listed shares shall be processed in accordance with the relevant regulations of the State on foreign exchange control.

Unless otherwise specified in the relevant laws and administrative regulations, the exchange rate for cash dividends and other payments paid in Hong Kong dollars shall be calculated on the basis of average selling price of the relevant foreign exchange published by the People's Bank of China one calendar week prior to the date of announcement of the dividends and other payments.

12. PROXIES

Shareholders may attend the shareholders' meeting in person or by a proxy to attend and vote on their behalf. A proxy need not be a shareholder of the Company.

An individual shareholder attending the shareholders' meeting in person shall present his/her identity card or other valid identity certificates; a proxy attending the shareholders' meeting on behalf of an individual shareholder shall present his/her identity card and power of attorney of the shareholder.

For a corporate shareholder, its legal representative or a proxy appointed thereby shall attend the meeting. The legal representative attending the meeting shall present his/her identity card or valid certificate bearing evidence of his/her qualifications as legal representative; a proxy attending the meeting on behalf of the legal representative shall present his/her identity card and the written power of attorney lawfully issued by the legal representative of the corporate shareholder.

13. REGISTER OF SHAREHOLDERS

The Company shall establish a register of shareholders in accordance with laws. The register of shareholders serves as sufficient evidence of the shareholders' shareholdings in the Company. Shareholders shall enjoy the rights and assume the obligations according to the class of shares held by them. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

For any shareholder who is registered in the register of shareholders or any person who requests his/her name be entered in the register of shareholders, if his/her share certificates are lost, he/she may apply to the Company for issuing replacement share certificates in respect of such shares. Application by a holder of unlisted shares for issuance of a replacement share certificate due to loss of the same shall be dealt with pursuant to the relevant provisions of the Company Law. In the event that a holder of overseas listed shares has lost his/her share certificates and applies for issuing replacement share certificates, such matter may be dealt with in accordance with the laws, the rules of the stock exchange or other relevant stipulations of the place where the original register of shareholders of overseas listed shares is maintained.

Transfer of shares shall be recorded in the register of shareholders. Pursuant to the understanding reached and the agreement entered into between the securities regulatory authorities of the State Council and the overseas securities regulatory authorities, the Company may keep the register of the shareholders of the overseas listed shares overseas and entrust an overseas entity to manage it. In case of inconsistency between the original and copy of the register of the shareholders of the overseas listed shares, the original shall prevail.

Any amendments or corrections to the different parts of the register of shareholders shall be made according to the laws of the place where that part of the register of shareholders is kept.

The shareholders of the Company shall be entitled to inspect the register of shareholders.

14. QUORUM FOR THE SHAREHOLDERS' MEETING AND THE BOARD OF DIRECTORS

There are no provisions of the quorum for the shareholders' meeting.

A meeting of the Board of Directors may be held only if a majority of the directors are present.

15. RIGHTS OF MINORITY SHAREHOLDERS IN RELATION TO FRAUD OR OPPRESSION

If a director or a senior management causes losses to the Company due to violation of the requirements of the laws, administrative regulations or the Articles of Association while performing his/her duties, shareholders who hold 1% or more, individually or jointly, of the Company's shares for more than 180 consecutive days shall have the right to request the Supervisory Committee in written to file a lawsuit to the people's court; if the Supervisory Committee causes losses to the Company due to violation of the requirements of the laws, administrative regulations or the Articles of Association while performing its duties, shareholders may request the Board of Directors in written to file a lawsuit to the people's court.

Upon receipt of the written request from the shareholders as stipulated in the preceding paragraph, in case the Supervisory Committee or the Board of Directors refuses to file a lawsuit or fails to file a lawsuit within 30 days from receipt of such request, or under urgent circumstances where failure to file a lawsuit immediately will have the Company suffer from irreparable damages, the aforesaid shareholders as stipulated in the preceding paragraph shall have the right to file a lawsuit to the people's court directly in their own names in the interests of the Company.

In the event that any person infringes the legitimate interests of the Company and causes losses thereto, the shareholders may file a lawsuit to the people's court.

In the event of violation of laws, administrative regulations or the provisions under the Articles of Association by a director or a senior management resulting damage to the interests of shareholders, the shareholders may file a lawsuit to the people's court.

Where shareholders abuse their rights and causes losses to the Company or other shareholders, such shareholders shall be liable for compensation in accordance with laws.

Where shareholders abuse the Company's legal independent status or the limited liability of shareholders to disregard debts, thereby severely damaging the interests of the Company's creditors, such shareholders shall bear joint and several liability for the debts of the Company. If shareholders conduct any action stipulated in the preceding paragraph by using two or more companies controlled by him/her, each company shall assume joint and several liability for the debts of any one of the companies.

The controlling shareholders and the de facto controllers of the Company shall not use their connected relations to prejudice the interests of the Company. Any losses caused to the Company as a result of such violation shall be compensated.

The controlling shareholders and de facto controllers of the Company shall bear the fiduciary duty to the Company and other shareholders. The controlling shareholders shall exercise the rights of capital contributors in strict accordance with laws, and they shall not damage the legitimate rights and interests of the Company and other shareholders by means of profit distribution, asset reorganization, outbound investment, capital occupation, loan guarantee, etc., nor damage the interests of the Company and other shareholders by means of using their controlling position.

The directors, supervisors and senior management of the Company shall obey the law, administrative regulations and the Articles of Association. They shall fulfil their duties of loyalty and diligence to the Company in good faith and consciously safeguard the safety of the Company's assets. They shall not make use of their positions to accommodate, assist or allow the controlling shareholders to occupy the funds of the Company, nor shall they infringe the Company's interests through irregular guarantees, unfair connected transactions and other means.

Where the Hong Kong Listing Rules and other applicable laws and regulations provide for the protection of minority investors, the Company shall implement such provisions.

16. PROCESS OF DISSOLUTION AND LIQUIDATION

The Company may be dissolved for any of the following reasons:

i. the operating term prescribed in the Articles of Association has expired, or any other grounds for dissolution prescribed in the Articles of Association have arisen;

ii. the shareholders' meeting has passed a resolution to dissolve the Company;

iii. dissolution is required due to a merger or division of the Company;

iv. the Company is revoked of business license, ordered to close down or cancelled according to the law;

v. serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding more than 10% of all shareholders' voting rights of the Company may petition the people's court to dissolve the Company.

Where the Company is to be dissolved pursuant to items (i), (ii), (iv) or (v) of the preceding paragraph, it shall be liquidated. The directors are the liquidation obligors of the Company, and they shall establish a liquidation committee within fifteen days from the date of occurrence of the cause of dissolution. The liquidation committee shall consist of directors, unless the shareholders' meeting decides to elect another person. The liquidation obligors shall bear the liability for damage suffered by the Company or creditors due to their failure to fulfil the obligations of liquidation in a timely manner. Where the Company fails to form a liquidation committee for liquidation within the prescribed period of time or fails to carry out liquidation after forming the liquidation committee, its stakeholders may petition the people's court to appoint the relevant persons to establish a liquidation committee for liquidation. The people's court shall accept the application and promptly organize a liquidation committee to carry out liquidation.

Where the Company is dissolved in accordance with the provisions of item (iv) of the preceding paragraph, the department or the company registration authority that made the decision to revoke the business license, order the closure or cancel the registration may apply to the people's court for designating the relevant persons to form a liquidation committee to carry out liquidation.

The liquidation committee shall notify creditors within ten days of its establishment, and it shall make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days of publication of the announcement if not receiving the notice.

The creditors shall provide a description and supporting evidence of matters relating to their claims. The liquidation committee shall register the creditors' claims.

The liquidation committee shall not pay off creditors during the period of declaration of claims.

After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidation committee shall prepare a liquidation plan, which shall be submitted to the shareholders' meeting or the people's court for confirmation.

After paying all liquidation expenses, staff wages and labor insurance expenses, statutory expenses, outstanding taxes, and company debts, the remaining assets of the Company shall be distributed to the shareholders in proportion to their respective shareholdings.

During the liquidation, the Company shall continue in existence but shall not carry on any business unconnected to the liquidation.

The assets of the Company shall not be distributed to its shareholders before payments have been made in accordance with the preceding provisions.

Where the liquidation committee, after identifying the Company's assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company's debts in full, the liquidation committee shall apply to the people's court for a declaration of bankruptcy in accordance with the law.

Once the people's court has accepted the Company's bankruptcy application, the liquidation committee shall transfer the liquidation matters to the bankruptcy administrator designated by the people's court.

Members of the liquidation committee shall perform their liquidation duties and assume duties of loyalty and diligence.

Any member of the liquidation committee who neglects to perform the liquidation duties and causes losses to the Company shall be liable for compensation; any member of the liquidation committee who willfully or through gross negligence causes losses to the creditors shall be liable for compensation.

Following the completion of liquidation, the liquidation committee shall prepare a report on liquidation, submit it to the shareholders' meeting or the people's court for confirmation, and submit it to the company registration authority and apply for cancellation of registration of the Company.

17. OTHER MATERIAL PROVISIONS FOR THE COMPANY OR THE SHAREHOLDERS

(1) General provisions

The Company is a joint stock limited company with perpetual existence.

The shareholders may bring litigation against each other. The shareholders may bring litigations against the directors, supervisors, general manager and other senior management of the Company. The shareholders may bring litigation against the Company. The Company may bring litigations against shareholders, directors, supervisor, general manager and other senior management.

(2) Subject to approvals at the shareholders' meeting, the Company may, based on its requirements for operation and development and in accordance with the laws and regulations, increase its capital by way of:

i. public offering of shares;

ii. non-public offering of shares;

iii. offering of bonus shares to existing shareholders;

iv. capitalization of surplus reserve into share capital;

v. other means stipulated by laws and administrative regulations.

The Company may reduce its registered capital. The reduction of the registered capital of the Company shall be made in accordance with the Company Law and other relevant regulations as well as procedures stipulated in the Articles of Association.

(3) Shareholders

A shareholder of the Company shall be entitled to the following rights:

i. receive dividends and benefit distributions in other forms according to the portion of shares he/she holds;

ii. make a request to, convene, preside over and attend or appoint a proxy to attend the shareholders' meeting, and exercise the corresponding voting rights in accordance with the law;

iii. carry out supervision of the Company's operations, and make recommendations or raise questions;

iv. transfer, grant or pledge the shares he/she holds in accordance with the laws, administrative regulations and the provisions of the Articles of Association;

v. access to the Articles of Association, register of shareholders, counterfoils of corporate bonds, minutes of the shareholders' meeting, resolutions of meetings of the Board of Directors, resolutions of meetings of the Supervisory Committee and financial and accounting reports;

vi. participation in the distribution of surplus property of the Company according to the portion of shares he/she holds at the time when the Company ceases operation or goes into liquidation;

vii. those shareholders who object to a resolution made at the shareholders' meeting on the merger or division of the Company request the Company to purchase their shares;

viii. access to the Hong Kong branch register of shareholders, provided that the Company may close the register of shareholders on terms equivalent to Section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

ix. other rights conferred by laws, administrative regulations, departmental rules or the Articles of Association and the rules of the securities regulatory authorities or the stock exchange in the place where the securities of the Company are listed (including but not limited to the Hong Kong Listing Rules).

(4) Board of Directors

The Board of Directors shall be accountable to the shareholders' meeting and exercise the following duties and powers:

i. to convene the shareholders' meeting and report to the shareholders' meeting;

ii. to implement the resolutions passed at the shareholders' meeting;

iii. to determine the Company's business plans and investment schemes;

iv. to prepare the Company's annual financial budget and final accounts;

v. to formulate the Company's profit distribution plan and loss recovery plan;

vi. to formulate proposals for increases or reductions of the Company's registered capital and for the issuance of corporate bonds or other securities and listing plans;

vii. to draft plans for material acquisition, acquisition of the shares of the Company or merger, division, dissolution and change in corporate form;

viii. to determine matters relating to the Company's external investment, asset acquisition and disposal, asset mortgage, external guarantee, entrusted wealth management, connected transaction and external donations within the scope of the authority of the shareholders' meeting;

ix. to determine the establishment of the Company's internal management structure;

x. to decide to appoint or dismiss the Company's general manager and the secretary to the Board of Directors, and pursuant to the general manager's nominations, to appoint or dismiss senior management including vice general manager and chief financial officer of the Company and to decide on their remuneration, rewards and penalties;

xi. to formulate the Company's basic management system;

xii. to formulate the proposed amendments to the Articles of Association;

xiii. to deal with information disclosures of the Company;

xiv. to propose to the shareholders' meeting for appointment or replacement of the accounting firms serving as the auditors of the Company;

xv. to receive the work report submitted by the general manager of the Company and to review his/her performance;

xvi. other duties and powers specified in the laws, administrative regulations, departmental rules or the Articles of Association and the rules of the securities regulatory authorities or the stock exchange in the place where the securities of the Company are listed (including but not limited to the Hong Kong Listing Rules).

(5) Independent non-executive directors

The Company shall have three independent non-executive directors according to the relevant laws and regulations, among which one shall be an accounting professional.

(6) Secretary to the Board of Directors

The Company shall have a secretary to the Board of Directors, who will be responsible for the preparation of the shareholders' meeting and the meetings of the Board of Directors, document keeping as well as the management of shareholders' information, information disclosure and other matters.

(7) Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of three supervisors, including two shareholder representative supervisors and one employee representative supervisor. Two shareholder representative supervisors shall be elected by the shareholders' meeting. One employee representative supervisor shall be democratically elected by the employees of the Company via the meeting of the employee representatives, meeting of the employees or in other forms.

The Supervisory Committee shall have one chairman. The chairman shall be elected by a majority of all supervisors. The chairman of the Supervisory Committee shall convene and preside over the meeting of the Supervisory Committee. If the chairman of the Supervisory Committee is unable to or fails to perform his/her duty, one supervisor jointly elected by more than half of the supervisors shall convene and preside over the meeting of the Supervisory Committee.

The Supervisory Committee performs the following duties and powers:

i. to review the periodic reports of the Company prepared by the Board of Directors and to provide review comments in writing;

ii. to inspect the financial status of the Company;

iii. to supervise the performance of duties by the directors and senior management, and propose to dismiss directors and senior management who have violated the laws, administrative regulations, the Articles of Association or resolutions of the shareholders' meeting;

iv. to demand rectifications of the directors and senior management where their conducts are detrimental to the interests of the Company;

v. to propose to hold an extraordinary shareholders' meeting, and to convene and preside over the shareholders' meeting if the Board of Directors fails to do so as required by the Company Law;

vi. to submit proposals to the shareholders' meeting;

vii. to take legal actions against directors and senior management according to the Company Law;

viii. to attend the meetings of the Board of Directors;

ix. to investigate if there are any abnormalities in the operation of the Company; and if necessary, to engage professional institutions such as an accounting firm and a law firm to assist with its work at the expenses of the Company;

x. other duties and powers specified by the Articles of Association or granted by the shareholders' meeting.

(8) General manager

The Company shall have one general manager, who shall be appointed or dismissed by the Board of Directors.

The general manager shall be accountable to the Board of Directors and exercise the following duties and powers:

i. to take charge of the production, operation and management of the Company, to organize and implement the resolutions adopted by the Board of Directors, and to report his/her work to the Board of Directors;

ii. to organize and implement the annual business plans and investment plans of the Company;

iii. to draft schemes for the establishment of the Company's internal management departments;

iv. to formulate the basic management system of the Company;

v. to formulate the detailed rules and regulations of the Company;

vi. to make proposals regarding the appointment or dismissal of the vice general manager and chief financial officers of the Company to the Board of Directors;

vii. to decide on the appointment or dismissal of management other than those to be appointed or dismissed by the Board of Directors;

viii. other duties and powers authorized by the Articles of Association or the Board of Directors.

(9) Profit distribution

In distribution of the profit after tax of the year, 10% of the profit shall be contributed to the statutory reserves of the Company. When the aggregate statutory reserves of the Company have reached more than 50% of the registered capital of the Company, the Company may cease to make further contributions.

Where the statutory reserves of the Company are not sufficient to recover the losses for the previous year, the profit for the current year shall first be used to recover the losses before contributing to the statutory reserves as stipulated in the preceding paragraph.

The Company may also contribute to the discretionary reserves from the profit after tax upon contributing to the statutory reserves, subject to the resolution of the shareholders' meeting.

The Company may distribute the profit after tax according to the proportion of shareholdings after making up for losses and contributing to the statutory reserves, unless it is stipulated in the Articles of Association that such distribution shall not be made in accordance with the proportion of shareholding.

If the shareholders' meeting breaches the preceding paragraph by distributing profits to the shareholders before the Company recovers losses and contributes to the statutory reserves, the shareholders shall return to the Company the profits distributed in violation of the regulations.

The shares of the Company held by the Company are not entitled to any profit distribution.

The reserves of the Company may be used to recover losses, expand the production and operation of the Company, or be converted to increase the registered capital of the Company. Where any losses need to be recovered with reserves of the Company, discretionary reserves and statutory reserves shall be used first and if still insufficient, capital reserves can be used in accordance with the regulations.

When the statutory reserves are converted into capitals, the remaining amount of such reserves shall not be less than 25% of the registered capital of the Company before the conversion.

If the Company is still in a loss position after recovering losses with statutory reserves, it may reduce the registered capital to recover the losses. If the registered capital is reduced to recover the losses, the Company shall not make any distribution to the shareholders, nor shall it exempt the shareholders from the obligations to make capital contributions or pay up the amounts of shares.

After reducing its registered capital in accordance with the provisions of the preceding paragraph, the Company shall not distribute profits until the cumulative amount of the statutory reserves and the discretionary reserves reaches 50% of its registered capital.

If the registered capital is reduced in violation of the provisions of the laws and regulations and the Articles of Association, the shareholders shall return the funds so received, and the reduced capital contribution of the shareholders shall be restored to its original amount; if losses are caused to the Company, the shareholders and the responsible directors, supervisors and senior management shall be liable for compensation.

1. FURTHER INFORMATION ABOUT OUR GROUP

A. Incorporation

Our Company was incorporated under the laws of mainland China under the name of Zhaoqing Jinsheng Metal Industry Co., Ltd. (肇慶市金晟金屬實業有限公司) on 24 December 2010 with limited liability.

Our registered office is located at Tangpo near National Highway 324, Butang District, Xinqiao Town, Gaoyao District, Zhaoqing, Guangdong Province, China. We were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on November 14, 2024, and our principal place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong. Ms. Ng Wai Kam (伍偉琴女士) has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in mainland China, its operations are subject to the relevant laws and regulations of mainland China. A summary of the relevant aspects of laws and regulations of mainland China and the Articles of Association is set out in Appendices VI and VII to this document, respectively.

B. Changes in Share Capital of Our Company

On December 24, 2010, our Company was established with a registered capital of RMB10,000,000.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

On December 19, 2022, the share capital of our Company increased from RMB155,349,361 to RMB360,000,000.

On December 28, 2022, the share capital of the our Company increased from RMB360,000,000 to RMB369,616,500.

C. Further Information about Our Major Subsidiaries

The list of our principal subsidiaries as of the Latest Practicable Date is set out in the Accountants' Report in Appendix I to this document.

Save as disclosed below, no alteration in the registered capital of our major subsidiaries has taken place within the two years preceding the date of this document:

Jiangxi Longxiang Lithium Battery Co., Ltd. (江西龍祥鋰電池有限公司)

On December 12, 2023, the registered share capital of Jiangxi Longxiang Lithium Battery Co., Ltd. increased from RMB100 million to RMB140 million.

D. Resolutions Passed by Our Shareholders' General Meeting of Our Company in Relation to the [REDACTED]

Pursuant to the shareholders' meeting held on December 15, 2024, the following resolutions, among others, were duly passed:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the [**REDACTED**] shall not exceed [**REDACTED**] of the enlarged share capital of our Company upon completion of the [**REDACTED**] and granting the [**REDACTED**] the [**REDACTED**] of no more than [**REDACTED**] of the above number of H Shares to be issued;

(c) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association, which shall become effective on [**REDACTED**]; and

(d) authorization of the Board and its authorized person to handle relevant matters relating to, among other things, the [**REDACTED**], the issue and [**REDACTED**] of the H Shares.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Our Material Contracts

The following are contracts (not being contracts entered into in the ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this document that are or may be material:

(a) the capital increase agreement dated December 28, 2022 entered into by and among our Company, the then existing Shareholders, Zhaoqing Gaoyao Jiantou Investment Development Group Co., Ltd.* (肇慶市高要建投投資開發集團有限公司), Longnan Jiantou Zijing Private Equity Investment Fund Management Center (Limited Partnership)* (龍南市建投紫荊私募股權投資基金管理中心(有限合夥)), Ningbo Meishan Bonded Port Area Wenxuan Dinsheng Equity Investment Partnership Enterprise (Limited Partnership)* (寧波梅山保稅港區文軒鼎盛股權投資合夥企業(有限合夥)), Shenzhen Huachuang Xinshang No. 1 Industrial Investment Partnership Enterprise (Limited Partnership)* (深圳華創信商一號產業投資合夥企業(有限合夥)), Guangde Changzheng Guotou Xinghuo Investment Partnership Enterprise (Limited Partnership)* (廣德長證國投星火投資合夥企業(有限合夥)), Chutian Changxing (Wuhan) Enterprise Management Center (Limited Partnership)* (楚天長興(武漢)企業管理中心(有限合夥)) (the "**Investors**"), pursuant to which the Investors agreed to subscribe for an additional registered share capital of RMB9,616,500 of our Company at an aggregate consideration of RMB320,550,000;

(b) the land and factory asset transfer agreement (土地及廠房等資產轉讓合同) dated January 3, 2023 entered into by and among Jiangxi Longsheng New Materials Co., Ltd. (江西龍晟新材料有限公司) ("**Jiangxi Longsheng**"), Mingzhu Aluminum Co., Ltd. (明珠鋁業有限公司) ("**Mingzhu Aluminum**"), Longnan Economic Development Zone Park "Empty the Cage and Change the Bird" Work Headquarters* (龍南經開區園區"騰籠換鳥"工作指揮部) and Longnan Economic Development Zone Investment Promotion and Enterprise Service Bureau* (龍南經開區招商與企業服務局), pursuant to which Jiangxi Longsheng shall acquire from Mingzhu Aluminum the land use right and buildings erected thereon located at Plot A3-02, southwest area of Fukang Industrial Park (富康工業園西南片區A3-02地塊) at a consideration of RMB40,930,327.48;

(c) [the [**REDACTED**]]; and

(d) the [**REDACTED**].

B. Our Material Intellectual Property Rights

Save as disclosed below, as of the Latest Practicable Date, there were no other intellectual property rights which are or may be material in relation to our business.

(a) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, our Group had registered or has been authorised to use the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Please of registration	Class	Registered Owner	Registration number	Expiry Date
1. . .		PRC	1	Our Company	68063507	May 6, 2033
2. . .		PRC	1	Our Company	68055762	May 6, 2033
3. . .		PRC	1	Our Company	62408503	October 13, 2033
4. . .	J.S.N.E	PRC	1	Our Company	62408499	August 13, 2032
5. . .	RD	PRC	1	Jiangxi Ruida	20815624	September 20, 2027
6. . .	LONSUNEW 龙晟新	PRC	1	Jiangxi Longsheng	68924796	June 20, 2033

(b) Patents

(i) Registered Patents

As of the Latest Practicable Date, we had registered the owner of and/or had the right to use the following patents which we consider to be or may be material to our business:

No.	Patent	Category	Registered Owner	Place of Application	Patent Number	Application Date
1 . . .	An automatic grabbing robot for PACK battery pack module busbar processing	Invention patent	Our Company	PRC	ZL202410571435.5	May 10, 2024
2 . . .	A battery pack conductive performance testing device	Invention patent	Our Company	PRC	ZL202211038950.4	August 29, 2022
3 . . .	A residual power discharge device for ternary lithium battery cells	Invention patent	Our Company	PRC	ZL202310236546.6	March 13, 2023
4 . . .	A battery core performance testing device	Invention patent	Our Company	PRC	ZL202311028428.2	August 15, 2023
5 . . .	A kind of acid leaching equipment for positive and negative electrode powder in waste lithium battery wet recycling system	Invention patent	Our Company	PRC	ZL202111592138.1	December 23, 2021
6 . . .	An automatic pick-and-place device for battery modules	Invention patent	Our Company	PRC	ZL202210444483.9	April 26, 2022
7 . . .	A kind of polyhydric ferric phosphate heating and drying equipment	Invention patent	Our Company	PRC	ZL202310392759.8	April 13, 2023

No.	Patent	Category	Registered Owner	Place of Application	Patent Number	Application Date
8 . . .	A kind of concentration and crystallization device for nickel sulfate	Utility Model Patent	Our Company	PRC	ZL202020482604.5	April 06, 2020
9 . . .	A nickel sulfate solution oil removal device	Utility Model Patent	Our Company	PRC	ZL202020482605.X	April 06, 2020
10. . .	A device for purifying and removing impurities from nickel sulfate solution	Utility Model Patent	Our Company	PRC	ZL202020492439.1	April 07, 2020
11. . .	A device for removing magnetic substances from nickel sulfate solution	Utility Model Patent	Our Company	PRC	ZL202020525850.4	April 12, 2020
12. . .	A kind of auxiliary equipment for dismantling used lithium batteries and its working method	Invention patent	Jiangxi Ruida	PRC	ZL202111257419.1	October 27, 2021
13. . .	An extraction device for extracting nickel sulfate from waste lithium batteries	Invention patent	Jiangxi Ruida	PRC	ZL202210926227.3	August 03, 2022
14. . .	A kind of production equipment and production process of ternary precursor	Invention patent	Jiangxi Ruida	PRC	ZL202111310817.5	November 08, 2021
15. . .	Cobalt sulfate extraction device	Invention patent	Jiangxi Ruida	PRC	ZL202210189260.2	February 28, 2022

No.	Patent	Category	Registered Owner	Place of Application	Patent Number	Application Date
16. . .	A battery-grade nickel sulfate filter press filtrate recovery device	Invention patent	Jiangxi Ruida	PRC	ZL202210172965.3	February 22, 2022
17. . .	A testing device for detecting the remaining power in used lithium battery packs	Invention patent	Jiangxi Ruida	PRC	ZL202110781711.7	July 12, 2021
18. . .	Dense bucket control system for the synthesis of nickel-cobalt-manganese ternary precursors	Utility Model Patent	Jiangxi Ruida	PRC	ZL202021724268.7	August 18, 2020
19. . .	Purification device for recycling lithium carbonate from waste lithium batteries	Utility Model Patent	Jiangxi Ruida	PRC	ZL202021726135.3	August 18, 2020
20. . .	Energy-saving concentration and crystallization device for producing nickel sulfate from waste lithium batteries	Utility Model Patent	Jiangxi Ruida	PRC	ZL202021726095.2	August 18, 2020

(c) Software Copyrights

As of the Latest Practicable Date, our Group had registered the following software copyrights which we consider to be material to our business:

No.	Software name	Place of Registration	Registered Owner
1 . . .	Deep data mining and intelligent analysis system software (深度數據挖掘與智能分析系統軟件)	PRC	Jiangxi Ruida
2 . . .	Network security and data protection integrated tool software (網絡安全與數據保護一體化工具軟件)	PRC	Jiangxi Ruida

(d) Domain Name

As of the Latest Practicable Date, our Group had registered the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered Owner	Registration date	Expiry date
1	zqjs.cn	Our Company	August 05, 2011	August 05, 2029
2	jx-rdxny.com	Jiangxi Ruida	October 24, 2018	October 24, 2024

(e) Copyrights of works of fine art

As of the Latest Practicable Date, we have registered the following copyrights of fine art which are material to our business:

No.	Copyright of work of fine art	Registration number	Copyright owner	Date of Registration
1 . . .	J.S.N.E Logo	粵作登字-2022-F-00004293	Our Company	March 3, 2022
2 . . .	JS Logo	粵作登字-2022-F-00004294	Our Company	March 3, 2022
3 . . .	Jinsheng New Energy Logo	粵作登字-2022-F-00004292	Our Company	March 3, 2022

3. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

A. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters

We have entered into a service contract or appointment letter with each of the Directors and Supervisors. The principal particulars of these service contracts and appointment letters comprise (a) the term of the service; (b) subject to termination in accordance with their respective term; and (c) a dispute resolution provision. The service contracts and appointment letters may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to have a service contract with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

B. Remuneration of Directors and Supervisors

The aggregate remuneration (including fees, salaries, wages, share-based compensation, contributions to pension plans, benefits-in-kind and discretionary bonuses) for our Directors and Supervisors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 were approximately RMB8.1 million, RMB13.0 million, RMB9.4 million and RMB5.3 million, respectively.

Based on the current arrangements in force as of the Latest Practicable Date, it is estimated that the total remuneration for our Directors (including independent non-executive Directors) and Supervisors for the year ending December 31, 2024 will be approximately RMB11.1 million. The actual total remuneration of Directors and Supervisors for the year ending December 31, 2024 may be different from the expected remuneration as the discretionary bonuses will be determined based on the results of the Company for the year ending December 31, 2024.

During the Track Record Period, no remuneration was paid by us to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company. No compensation was paid by us to, or receivable by, our Directors, former Directors, Supervisors, former Supervisors or the five highest-paid individuals for each of the Track Record Period for the loss of any office in connection with the management of the affairs of any members of our Group. Furthermore, none of the Directors or Supervisors had waived or agreed to waive any emoluments during the same periods.

Save as disclosed above, no other payments have been made or are payable in respect of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 by any member of our Group to any of our Directors.

C. Disclosure of Interests

Disclosure of Interests of Directors, Supervisors and Chief Executive of the Company

Immediately following the completion of the [**REDACTED**] and [**REDACTED**] of Unlisted Shares into H Shares, assuming that the [**REDACTED**] is not exercised, the interest and short position of each of our Directors, Supervisors and chief executive in the Shares, underlying Shares and debentures of the Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange (for this purpose, the relevant provisions of the SFO will be interpreted as if they applied to the Supervisors) will be as follows:

				Approximate Percentage of Shareholding in	
Name of Director, Supervisor or Chief Executive	**Nature of Interest**	**Description of Shares(1)**	**Number of Unlisted Shares**	**the total issued Unlisted Shares**	**the total issued share capital**
Mr. Li Sen	Beneficial Owner	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	Interest in controlled corporation(2)	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	Interest held jointly with another person(3)	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Mr. Li Xin	Beneficial Owner	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
	Interest held jointly with another person(3)	Unlisted Shares	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) All interests state are long position.

(2) Zhaoqing Shengda is a limited partnership established under the laws of the PRC of which Mr. Li Sen is the general partner and controls all the votes in the Company that are held through Zhaoqing Shengda. Zhaoqing Shengda is an entity established for providing incentives to our senior management and core employees for their contributions to our Company. As of the Latest Practicable Date, Mr. Li Sen is the general partner of Zhaoqing Shengda and holds approximately 59.03% of the equity interest in Zhaoqing Shengda. The remaining equity interests in Zhaoqing Shengda are held by 19 limited partners consisting of one executive Director (Mr. Li Xin), two Supervisors (Mr. Liu Zhoumo and Mr. Li Jianqing), three senior management (Mr. Xu Youbin, Ms. Fu Xiaohua and Mr. Ye Daxin) and other individuals who are employees of our Group. None of such other employees holds more than one-third of the equity interest of Zhaoqing Shengda. As such, Mr. Li Sen is deemed to be interested in the Unlisted Shares held by Zhaoqing Shengda for the purpose of Part XV of the SFO.

(3) Jiangxi Dongliang is a limited company established under the laws of the PRC and beneficially owned as to 20.0% by each of the Li Brothers. Jiangxi Dongliang and each of the Li Brothers have entered into the AIC Agreement dated July 22, 2021 as supplemented by a supplemental AIC confirmation dated November 16, 2024 to confirm the acting in concert arrangement. See "History and Corporate Structure — Acting in Concert Arrangement." As such, under the SFO, Mr. Li Sen, Mr. Li Xin, Mr. Li Yao, Mr. Li Yan, Mr. Li Wang and Jiangxi Dongliang is deemed to be interested in the Shares which each other has interest (including the interest held by Mr. Li Sen through his controlled corporations comprising Zhaoqing Shengda and Zhaoqing Senlong) for the purpose of Part XV of the SFO.

Disclosure of Interests of Substantial Shareholders

(a) Interest in the Shares of Our Company

For information on the persons who will, immediately following the completion of the [**REDACTED**] and [**REDACTED**] of Unlisted Shares into H Shares, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of the Company, see "Substantial Shareholders."

(b) Interests of the Substantial Shareholders of Other Members of Our Group

As of the Latest Practicable Date, so far as our Directors are aware, no persons (other than our Directors or chief executive of our Company) were interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of other member of our Group.

D. Employee Share Ownership Plan

As of the Latest Practicable Date, our Company has an employee shareholding platform, namely Zhaoqing Shengda. As of the Latest Practicable Date, Zhaoqing Shengda held 20,152,394 Shares, representing approximately 5.45% of entire issued share capital of our Company. For further details of Zhaoqing Shengda, see "History and Corporate Structure — Employee Incentive Platform."

We have adopted the employee share ownership plan (the "**ESOP**") in respect of Zhaoqing Shengda on February 9, 2021. The ESOP is not subject to the provisions of Chapter 17 of the Listing Rules as it does not involve the grant of options or share awards by our Company to subscribe for the Shares after the [**REDACTED**]. Given the underlying Shares under Zhaoqing Shengda had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the awards under the ESOP.

Purpose

The purpose of the ESOP is to further enhance the governance structure of our Company, enhance corporate cohesion, promote development of our Company, establish a comprehensive long-term incentive mechanism and risk-sharing mechanism, fully mobilize the enthusiasm and creativity of our Directors, senior management, core technical personnel and key employees in accordance with the relevant principles determined by the Shareholders.

Eligibility

The eligible participants of the ESOP are mid-level to senior management personnel, core technical personnel and key business personnel and any other personnel as determined by the Board as having direct influence on our Company's operating results and future development.

Participation by Selected Participants

Mr. Li Sen, as the sole general partner of Zhaoqing Shengda, is responsible for the management of Zhaoqing Shengda and exercising the voting rights attaching to the Shares held by Zhaoqing Shengda, in accordance with the partnership agreement entered into among the general and limited partners of Zhaoqing Shengda.

The selected participants under the ESOP (the "**Participants**") are granted awards in the form of partnership interest in Zhaoqing Shengda and become indirectly interested in our Company through their respective interests as limited partners of Zhaoqing Shengda. The Participants are not entitled to any voting rights in our Company through Zhaoqing Shengda.

Restriction on Transfers

Each Participant shall enter into an employment contract with our Company for a term of five years and undertake that his/her tenure of employment shall be five years from the date of acquisition of partnership interest in Zhaoqing Shengda. During the said tenure of employment, the Participants shall not dispose of or transfer their respective partnership interest in the Zhaoqing Shengda, save for exit in accordance with the rules of the ESOP.

Arrangement for Departing Participants

During the employment period as specified in the relevant employment contract entered into between our Company and the Participant,

(a) the general partner of Zhaoqing Shengda shall be entitled to request the Participant to transfer to him or any other employee of our Group as approved by him the Participant's partnership interests in Zhaoqing Shengda at a consideration equivalent to the original investment costs paid by the relevant Participant for the purpose of obtaining the partnership interest in Zhaoqing Shengda:

   (i) being held criminally liable or termination of employment without authorization;

   (ii) termination of employment contract by our Company in accordance with applicable laws other than for economic reasons; and

   (iii) termination of employment relationship by our Company due to conducts such as violation of laws, breach of professional ethics, disclosure of secrets, dereliction of duty, or misconduct that harms our Company's interests or reputation, or engaging in prohibited activities outlined in a non-compete agreement entered into with our Company;

(b) the general partner of Zhaoqing Shengda shall be entitled to request the Participant to transfer to him or any other employee of our Group as approved by him the Participant's partnership interests in Zhaoqing Shengda at a consideration equivalent to the original investment costs paid by the relevant Participant for the purpose of obtaining the partnership interest in Zhaoqing Shengda plus annual interest of 8%:

   (i) termination of the employment contract by mutual agreement with our Company, or mutually agreed upon non-renewal after the employment contract expires; and

   (ii) resignation not owing to one's own fault.

(c) any change in position of the Participant (including promotion, demotion, change in position, rotation, secondment, intra-company transfer and extra-company transfer) shall not affect the partnership interests held by the Participant; and

(d) lost of capacity, retirement or death of a Participant shall not affect the partnership interests held by the Participant.

Special Exit Mechanism

In the event that our Company fails to complete its [**REDACTED**] on or before December 31, 2025 (including [**REDACTED**], reverse takeover or merger), the Participants are entitled to withdraw from the ESOP within three months from December 31, 2025. Upon receiving the exit request delivered by the Participant and approval by the Board, the general partner of Zhaoqing Shengda shall acquire, or procure any other employee of our Group as approved by him to acquire, the partnership interests in Zhaoqing Shengda held by the Participant at a consideration equivalent to the original investment costs paid by the relevant Participant for the purpose of obtaining the partnership interests in Zhaoqing Shengda plus an annual interest of 10% calculated from the date of payment of the original investment costs by the Participant.

E. Disclaimer

Save as disclosed in this document:

(i) none of our Directors or the chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**];

(ii) none of our Directors, Supervisors or any of the experts referred to under "— 5. Other Information — E. Qualification of Experts" has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iii) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(iv) none of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(v) so far as is known to our Directors, no person (not being a Director or chief executive of our Company or any member of our Group) will, immediately following the completion of the [**REDACTED**], have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(vi) none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in the five largest customers or the five largest suppliers of our Group;

(vii) there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group; and

(viii) there are no outstanding debentures of our Company or any member of our Group.

4. OTHER INFORMATION

A. Estate Duty

Our Directors have been advised that no material liability for estate duty under PRC laws is likely to fall upon any member of our Group.

B. Litigation

Save as disclosed in this document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the [**REDACTED**] for [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into [**REDACTED**].

Each of Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and each of the Joint Sponsors, we have agreed to pay each of the Joint Sponsors a fee of US$1.35 million to act as the sponsors of our Company in connection with the proposed [**REDACTED**] on the Stock Exchange.

D. Compliance Advisor

Our Company has appointed Altus Capital Limited as our compliance advisor in compliance with Rules 3A.19 of the Listing Rules.

E. Qualification of Experts

The qualification of the experts, as defined under the Listing Rules, who have given opinions in this document are as follows:

Name	Qualification
China International Capital Corporation Hong Kong Securities Limited	A licenced corporation under the SFO for type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
CMB International Capital Limited	A licenced corporation under the SFO for type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities as defined under the SFO
Zhong Lun Law Firm	Legal advisor to the Company as to PRC laws
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Frost & Sullivan (Beijing) Inc. Shanghai Branch Co.	Industry consultant
Shanghai Lixin Appraisal Co., Ltd.	Property Valuer

F. Consents of Experts

Each of the experts as referred to in "— 5. Other Information — E. Qualification of Experts" in this Appendix has given and has not withdrawn its consent to the issue of this document with the inclusion of its view, report and/or letter and/or legal opinion (as the case may be) and references to its name included herein in the form and context in which it respectively appears.

Save as disclosed in this document, as of the Latest Practicable Date, none of the experts named above has any shareholding interest in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

G. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

H. No Material Adverse Change

Our Directors confirm that, there has been no material adverse change in our business, financial condition and results of operations since June 30, 2024, being the latest balance sheet date of our consolidated financial statements as set out in the consolidated financial statements included in Appendix I to this document, and up to the date of this document.

I. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer on each of the purchaser and the seller is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

J. Restriction on Share Repurchases

For details of the restrictions on share repurchases by our Company, see "Summary of the Articles of Association — 10. Repurchase of Shares in the Company" in Appendix VII.

K. Preliminary Expenses

We have not incurred any material preliminary expenses.

L. Promoters

Within two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

M. Related Party Transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in "Appendix I — Accountants' Report — 37. Related Party Transactions."

N. Miscellaneous

Save as disclosed in this document:

(i) within the two years immediately preceding the date of this document:

(a) no share or loan capital of our Company or any of our subsidiaries had been issued or agreed to be issued or proposed to be fully or partly paid either for cash or a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries had been under option or is agreed conditionally or unconditionally to be put under option;

(c) no commissions, discounts, brokerages or other special terms had been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(d) no commission had been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(ii) there are no founder, management or deferred shares, convertible debt securities nor any debentures in our Company or any of our subsidiaries;

(iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(iv) our Company has no outstanding convertible debt securities or debentures;

(v) there is no arrangement under which future dividends are waived or agreed to be waived;

(vi) save for the H Shares to be issued in connection with the [**REDACTED**], none of the equity and debt securities of our Company, if any, is [**REDACTED**] or [**REDACTED**] with in any other stock exchange nor is any [**REDACTED**] or permission to deal being or proposed to be sought; and

(vii) all necessary arrangements have been made to enable the H shares to be admitted into [**REDACTED**] for clearing and settlement.

O. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(i) a copy of each of the material contracts referred to in "Statutory and General Information — 2. Further Information about our Business — A. Summary of Our Material Contracts" in Appendix VIII; and

(ii) the written consents referred to in the section headed "Statutory and General Information — 5. Other Information — F. Consents of Experts" in Appendix VIII.

B. DOCUMENTS AVAILABLE ON DISPLAY

Electronic copies of the following documents will be available on display on the website of our Company at **https://www.zqjs.cn/** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** during a period of 14 days from the date of this document:

(i) the Articles of Association;

(ii) the accountants' report from Ernst & Young, the text of which is set out in Appendix I;

(iii) the audited consolidated financial statements of our Group for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024;

(iv) the report from Ernst & Young on the unaudited [**REDACTED**] financial information of our Group, the texts of which are set out in the section headed "Unaudited [**REDACTED**] Financial Information" in Appendix II;

(v) the industry report issued by Frost & Sullivan referred to in "Industry Overview";

(vi) the PRC legal opinions issued by Zhong Lun Law Firm in respect of certain general corporate matters and property interests in mainland China of our Group;

(vii) the material contracts referred to in "Statutory and General Information — 2. Further Information about our Business — A. Summary of Our Material Contracts" in Appendix VIII;

(viii) the service contracts and appointment letters referred to in "Statutory and General Information — 3. Further Information about Our Directors and Supervisors — A. Particulars of Directors' and Supervisors' Service Contracts and Appointment Letters" in Appendix VIII;

(ix) the written consents referred to in "Statutory and General Information — 5. Other Information — F. Consents of Experts" in Appendix VIII; and

(x) the PRC Company Law, Securities Law, and the Trial Measures for the Administration Related to the Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof.