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OVERVIEW

Who We Are

We are a lithium-ion battery recycling and reutilization company dedicated to exploring a circular and clean future. According to the F&S Report, in terms of sales revenue of recycled products in 2025, we were the second-largest lithium-ion battery recycling and reutilization enterprise and the largest third-party lithium-ion battery recycling and reutilization enterprise globally. As one of Chinese mainland’s earliest enterprises engaged in lithium-ion battery recycling since 2014, leveraging our first-mover advantage and comprehensive capabilities, we have established an integrated 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, and the production of lithium-ion battery materials for cathodes and anodes.

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: (i) we lead Chinese mainland’s ternary lithium-ion battery recycling industry in metal recovery rates, supported by our proprietary technology and technical know-how; (ii) we are a lithium-ion battery recycling and reutilization enterprise in Chinese mainland that has achieved “full element” recovery of lithium, nickel, cobalt, manganese, and iron, “full component” reutilization of black mass, battery cathodes and anodes, and “full system” coverage of dismantling, crushing, and recycling, establishing a comprehensive and complete lithium-ion battery recycling industry chain; and (iii) we are a lithium-ion battery recycling and reutilization enterprise in Chinese mainland 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 recycling platform, we process black mass, retired lithium-ion batteries, and battery manufacturing scraps, which constitute the primary feedstock for our recycling operations. 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 recycling of resources 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 black mass, retired lithium-ion batteries and battery manufacturing 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: (i) *Cathode — Ternary Batteries*: We dismantle and crush retired ternary batteries and battery manufacturing 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

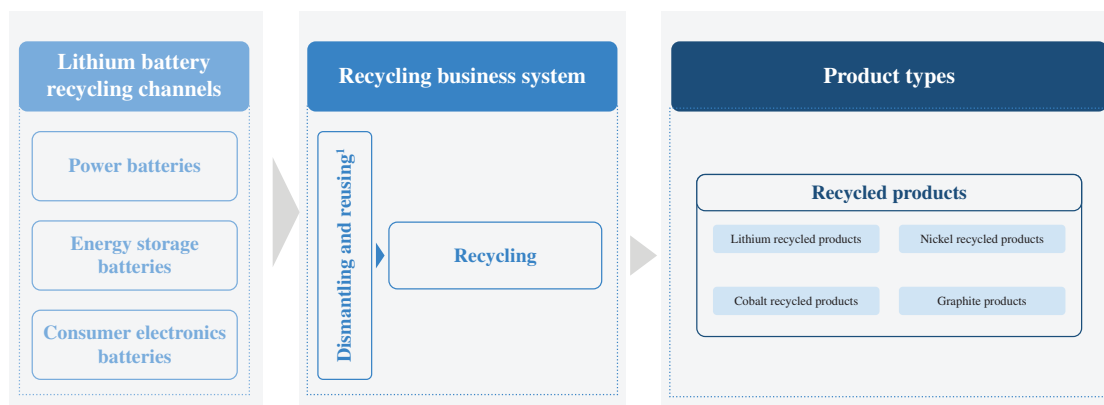
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ternary precursors and cathode materials for ternary lithium-ion batteries. We expect to tap into the downstream market through synthesizing electrodeposited nickel and electrodeposited cobalt, which have broader application scenarios beyond ternary batteries, by 2026; (ii) *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 2027; and (iii) *Anode* — We recycle and process graphite anode materials from retired batteries and battery manufacturing scraps to manufacture graphite anode materials suitable for use in new lithium-ion batteries.

Our primary raw materials include black mass produced from the dismantling and crushing of retired lithium-ion batteries and battery manufacturing scraps as well as the retired lithium-ion batteries and battery manufacturing 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. From 2023 to 2024, the proportion of our direct procurement of retired lithium-ion batteries and battery manufacturing scraps increased to 17.1% in 2024. Our procurement of lithium-ion batteries and battery manufacturing scraps decreased to 3.1% of our total purchase in 2025, primarily because the production lines of black mass, with lithium-ion batteries and battery manufacturing scraps as raw materials, were partially shut down for technical improvement in 2025. We have established ongoing cooperative relationships with renowned battery and battery material manufacturers and EV manufacturers including Dongfeng Yuechuang, Gotion High-tech and Lishen Battery to ensure the supply of retired battery materials. Looking forward, with the approaching wave of lithium-ion battery retirements, the global and Chinese mainland’s power battery scrap volume is expected to reach 8,075.2 thousand tons and 4,775.9 thousand tons respectively by 2031, representing CAGRs of 51.5% and 54.6% from 2025 to 2031. 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 2027. In addition, we plan to further tap into the downstream market and produce electrodeposited nickel and electrodeposited cobalt by 2026, 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.

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Note:

1. We primarily sourced black mass from external suppliers during the Track Record Period, as we are still in an early stage of developing our own black mass production capabilities.

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. 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. 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 Chinese mainland 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 Chinese mainland, 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 21.1 million tons by 2031, representing a CAGR of 52.2% from 2025 to 2031. 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 Chinese mainland increased from 154.5 GWh in 2021 to 769.7 GWh in 2025, representing a CAGR of 49.4%. As these batteries begin to retire, the volume of retired power battery in Chinese mainland is expected to reach 4,775.9 thousand tons by 2031, representing a CAGR of 54.6% from 2025. Additionally, retired energy storage batteries will bring further growth to the battery recycling market, with the volume of retired energy storage battery in Chinese mainland expected to reach 35.8 thousand tons by 2031, representing a CAGR of 111.5% from 2025 to 2031. 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 301.8 thousand tons in 2031 in Chinese mainland, representing a CAGR of 9.1% from 2025.

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While Chinese mainland 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 2025, the production volume of lithium-ion batteries in Chinese mainland accounted for 70.7% of the global production volume. Chinese Mainland also maintains its position as the world’s largest producer of EVs, accounting for 68.7% of the global production volume of EVs in 2025. In the energy storage sector, the production volume of lithium-ion batteries in Chinese mainland has also increased significantly in recent years, accounting for 64.6% of the global production volume in 2025. However, Chinese mainland faces a severe shortage of core mineral resources, such as lithium, nickel and cobalt. In 2025, the exploitable reserves of lithium, nickel and cobalt in Chinese mainland accounted for 12.4%, 3.1% and 1.3% of the global resource reserves, respectively. In 2025, the production volume of lithium, nickel and cobalt ores in Chinese mainland represented 21.4%, 3.1% and 0.6% of the global production volume, respectively. This substantial gap between Chinese mainland’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 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. To meet such requirements, many major automotive and battery manufacturers have established specific procurement targets for recycled materials, recognizing the critical importance of creating sustainable solutions for end-of-life batteries. Some of our customers have even formalized this commitment by entering into “Sustainability and Compliance Agreements” with their suppliers, explicitly requiring that products be manufactured using recycled materials whenever possible. Such regulatory requirement of minimum recycled content and customer reaction also represent that recycled materials are on par with battery materials from traditional mining operations in terms of technical specifications and quality. 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 Chinese mainland while supporting global sustainability objectives.

Our Comprehensive Capabilities

We have established significant first-mover advantages through our “full element” recovery, “full component” reutilization, and “full system” coverage. Our R&D and production capabilities, robust product quality, quality customer base, and comprehensive supply chain enable us to capture booming market opportunities in Chinese mainland 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 Chinese mainland, 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

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級專精特新“小巨人”企業) and have also participated in formulating multiple industry standards. Additionally, our enterprise standard — battery-grade nickel sulfate crystal — was listed as “Pacesetter Standards” in Jiangxi Province. 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, in terms of sales revenue and sales volume of recycled materials in 2025, we ranked second in the global lithium-ion battery recycling and reutilization solution market. 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.
- ***Quality 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. Such established supply relationships with industry leaders also demonstrate that our recycled products are on par with battery materials from traditional mining operations in terms of technical specifications and quality.

These comprehensive capabilities, which are further detailed below, enable us to capture the growing market opportunities in Chinese mainland 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

Lithium-ion Battery Recycling and Reutilization Company with Significant First-mover Advantages and Scale Benefits

Leveraging our first-mover advantages and comprehensive capabilities as a lithium-ion battery recycling and reutilization company, we have established an integrated ecosystem encompassing: (i) “**Full Element**” Recovery of all valuable materials of retired lithium-ion batteries, such as lithium, nickel, cobalt, manganese, and iron; (ii) “**Full Component**” Reutilization of both battery cathodes and anodes; and (iii) “**Full System**” Coverage which represents our comprehensive and end-to-end production capability that covers the dismantling and crushing of retired batteries, and the production of lithium-ion battery materials for cathodes and anodes.

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According to the F&S Report, in terms of sales revenue of recycled products in 2025, we were the second-largest lithium-ion battery recycling and reutilization enterprise and the largest third-party lithium-ion battery recycling and reutilization enterprise globally. We believe our current scale, strong market position and operational excellence are supported by, among others: (i) our comprehensive recycling capabilities across mainstream battery systems including ternary lithium-ion and LFP batteries; (ii) significant operational scale through three strategic production bases, with expanding production capacity and overall production capacity utilization rates reaching 80.5% in 2025; and (iii) 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 Chinese mainland 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. We are qualified on the MIIT’s “whitelist” for recycling operations. This qualification, combined with our scale advantages and technological expertise, positions us favorably as industry consolidation accelerates, particularly evident in our ability to secure 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, Chinese mainland’s retired battery volumes for power, energy storage, and consumer applications are expected to reach 4,775.9 thousand tons, 35.8 thousand tons and 301.8 thousand tons in 2031, respectively, representing CAGRs of 54.6%, 111.5% and 9.1% from 2025, 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 Chinese mainland’s lithium-ion battery recycling industry with comprehensive recycling capabilities, significant operational scale and R&D capabilities, we believe we are well positioned to increase sales volume and enhance profit margins while expanding our market leadership in this thriving industry.

R&D Capabilities with Core Technologies that Drive Continuous Cost Reduction, Efficiency Improvement, and Margin Enhancement

As one of Chinese mainland’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 December 31, 2025, we had 105 R&D employees. For the year ended December 31, 2025, we invested approximately 4.3% 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 ten national and provincial-level research projects, participated in formulating 34 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 the Latest Practicable Date, we owned 64 invention patents and 124 utility model patents in Chinese mainland. We have mastered several core technologies, including multi-component salt separation technology for nickel-lithium extraction, integrated nickel-cobalt

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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. Our recovery rates for nickel and cobalt metal were approximately 98.5% during the Track Record Period, surpassing the industry average of approximately 95%, according to the F&S Report.

Quality 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 Yuechuang, Gotion Hi-tech and Lishen Battery. According to the F&S Report, during the Track Record Period, our customers include nine of the top ten battery material manufacturers in Chinese mainland in terms of sales volume of ternary precursors in 2025 and we have entered into the supply chain of four of the top five lithium-ion battery manufacturers in Chinese mainland in terms of shipment volume in 2025. 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. For details, see “— Sales, marketing and customers — Our customers.”

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 2027. 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 2026, 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

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production capabilities which enables us to directly process retired battery packs, improving overall recycling efficiency while enhancing our cost control and profit margins. Our direct procurement of retired lithium-ion batteries and battery manufacturing scraps reached 3.1% of our total purchase in 2025. Leveraging our industry-leading position, and comprehensive strengths in R&D, production and quality control, we have established ongoing partnerships with renowned battery and battery material manufacturers including Dongfeng Yuechuang, Gotion Hi-tech and Lishen Battery to secure 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 Yuechuang 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 Yuechuang’s EVs — recycling the retired battery packs 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 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 approximately RMB100.0 million, RMB77.1 million and RMB95.5 million in R&D for 2023, 2024 and 2025, respectively, 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.

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OUR STRATEGIES

Expand Upstream and Downstream in the Lithium-ion Battery Materials Value Chain to Enhance Our Integrated 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, our Ganzhou Base has an approved processing capacity for black mass of approximately 69.7 thousand tons. 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 retired battery packs. Furthermore, we are expanding downstream by developing in-house production capabilities for cathode materials including LFP cathode materials. 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 (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 integrated ecosystem. During the Track Record Period, we had not produced any LFP cathode materials.

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. During the Track Record Period, our production facilities have maintained relatively high utilization rates of approximately 77.0%, 78.2% and 80.5% in 2023, 2024 and 2025, respectively.^(Note 1) According to the F&S Report, the production volume of ternary materials in Chinese mainland is expected to grow from 842.1 thousand tons in 2025 to 1,599.3 thousand tons in 2031, with a CAGR of 11.3%. According to the same source, the production volume of power batteries in Chinese mainland is expected to increase from 1,254 GWh in 2025 to 4,332 GWh in 2031, with a CAGR of 23.0%. The price decline of relevant products such as lithium carbonate from late 2022 through 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 52,645 tons in 2023 to 61,160 tons in 2024, further expanding our market share. In 2025, our sales volume of lithium carbonate continued to increase while the sales volume of nickel sulfate and cobalt sulfate decreased. For details, see “Financial Information — Description of Major Components of our Results of Operations — Revenues — Sales Volume and Average Selling Price of Our Products.” 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 2026. 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

Note:

- (1) The production capacity for 2025 has been adjusted to exclude the capacity attributable to production lines under technical improvement in 2025.

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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: (i) 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. (ii) 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. (iii) 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. (iv) 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

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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 and cobalt sulfate. Sales of lithium, nickel and cobalt recycled products accounted for approximately 88.7% of our total revenues for the year ended December 31, 2025, with lithium recycled products, nickel recycled products, and cobalt recycled products contributing 44.8%, 24.4%, and 19.4%, respectively. The table below sets forth a breakdown of our revenues by product types for the periods indicated:

	For the Year Ended December 31,					
	2023		2024		2025	
	RMB	%	RMB	%	RMB	%
	<i>(in RMB thousands, except percentages)</i>					
Lithium recycled products	1,455,704	50.4	769,391	35.6	988,163	44.8
<i>Battery-grade lithium</i>						
<i>carbonate</i>	520,603	18.1	579,936	26.9	931,977	42.3
<i>Crude lithium carbonate . . .</i>	604,915	20.9	49,061	2.3	–	–
<i>Other lithium recycled</i>						
<i>products</i>	330,186	11.4	140,393	6.5	56,186	2.6
Nickel recycled products	926,598	32.0	903,973	41.9	537,815	24.4
<i>Nickel sulfate</i>	926,598	32.0	903,973	41.9	537,815	24.4
Cobalt recycled products	400,411	13.8	324,727	15.1	426,755	19.4
Provision of processing						
services ⁽¹⁾	5,703	0.2	834	0.0	60,817	2.8
Others ⁽²⁾	103,129	3.6	158,313	7.4	188,464	8.6
Total	2,891,545	100.0	2,157,238	100.0	2,202,014	100.0

Note:

- (1) Includes provision of processing services for cobalt sulfate and industrial grade lithium carbonate.
- (2) Mainly includes sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate.

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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,					
	2023		2024		2025	
	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
Lithium carbonate	7,410	196,443	10,599	72,594	15,318	64,511
Battery-grade lithium carbonate .	2,909	178,975	7,669	75,617	14,099	66,102
Crude lithium carbonate .	2,706	223,546	746	65,797	—	—
Other lithium recycled products . . .	1,796	183,896	2,184	64,295	1,219	46,105
Nickel sulfate . .	32,827	28,227	37,652	24,009	23,134	23,248
Cobalt sulfate . .	12,407	32,273	12,908	25,158	9,376	45,517

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.

The table below sets forth a breakdown of our gross profit and gross profit margin by product types for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit/(loss)	Gross profit/(loss) margin	Gross profit/(loss)	Gross profit/(loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%
Lithium recycled products . . .	(42,659)	(2.9)	(17,712)	(2.3)	18,825	1.9
Battery-grade lithium carbonate	22,954	4.4	2,884	0.5	19,925	2.1
Crude lithium carbonate . .	(55,682)	(9.2)	(795)	1.6	—	—
Other lithium recycled products	(9,931)	(3.0)	(19,801)	(14.1)	(1,098)	(2.0)
Nickel recycled products . . .	(26,734)	(2.9)	(10,254)	(1.1)	14,511	2.7
Nickel sulfate	(26,734)	(2.9)	(10,254)	(1.1)	14,511	2.7
Cobalt recycled products . . .	(18,672)	(4.7)	(30,377)	(9.4)	71,084	16.7
Others ⁽¹⁾	39,346	36.2	(4,776)	(3.0)	55,438	22.2

Note:

- (1) Mainly includes sales of manganese sulfate, iron phosphate, black mass and by-products and scraps, such as sodium sulfate.

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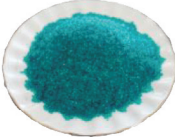
Our products

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 sulfate which are critical battery material products. Our products, namely battery-grade lithium carbonate, battery-grade nickel sulfate and battery-grade cobalt sulfate, are standardized products with the same purity level.

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 in 2026, which we expect will further diversify our product matrix, enhance our profit margin and enrich the application scenarios of our products. We have already possessed the core techniques for producing electrodeposited nickel and electrodeposited cobalt. Our sales strategies related to the new products are at early stage of development and we have not secured any indicative orders or collaboration agreements with any of our customers.

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.

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.

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Product Type	Product Picture	Features	Applications
Graphite		Black crystalline flakes.	Primarily used in anode materials for lithium-ion batteries.

PRODUCTION

Overview

We have established integrated production capability for lithium-ion battery recycling, resource recovery, and reuse. Our production capability features: (i) **“Full Element” Recovery**: We are able to recover all valuable materials of retired lithium-ion battery, such as lithium, nickel, cobalt, manganese, and iron; (ii) **“Full Component” Reutilization**: We have established capability for resource recovery for both battery cathodes and anodes; and (iii) **“Full System” Coverage**: We have built comprehensive, end-to-end production capability that covers the dismantling and crushing of retired batteries, and the production of lithium-ion battery materials for battery cathodes and anodes.

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 Chinese mainland’s lithium-ion battery recycling and reutilization solution market — Market drivers of global and Chinese mainland’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 ranked third in the world in 2025. As of December 31, 2025, our comprehensive capabilities to recycle retired lithium-ion batteries and battery production remnants and excess materials include the licensed capacity to recycle: (i) 100 thousand tons of retired ternary lithium-ion batteries per year, which is expected to increase to 280 thousand tons in 2026. For more details, please see “— Production — Production Expansion Plans;” (ii) 40 thousand tons of retired LFP batteries per year; and (iii) 18 thousand tons of anode materials 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 2027. 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 sulfate 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

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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.

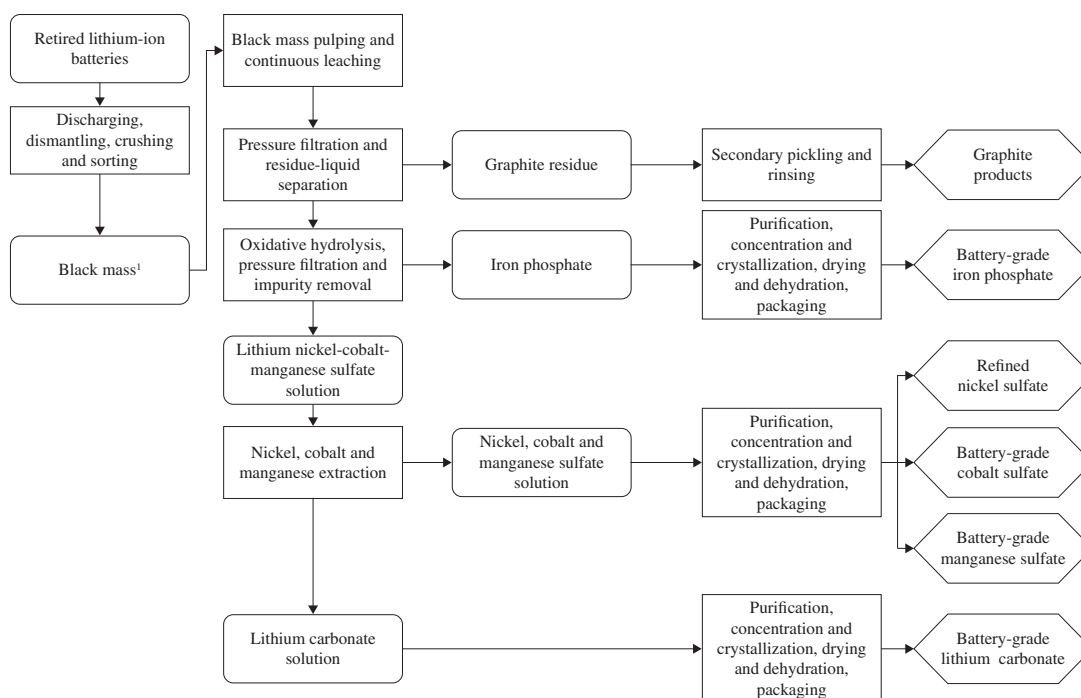
We outsourced the refinery process of some of our battery-grade lithium carbonate to third-party manufacturers, who were all Independent Third Parties, in 2023 and 2024 to mainly to meet urgent delivery schedules of certain customers. All required raw materials, such as crude lithium carbonate and lithium sulfate, 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, 2024 and 2025, the production of approximately 644.7 tons, 1,885.2 tons and nil of battery-grade lithium carbonate were outsourced, respectively, incurring processing fees of approximately RMB8.8 million, RMB18.4 million and nil for the same years/periods, 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, 2024 and 2025, we had produced 924.5 tons, 4,901.3 tons, and 2,799.9 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 2026, which we expect will further diversify our product matrix, enhance our profit margin and enrich the application scenarios of our products.

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



Note:

1. We primarily sourced black mass from external suppliers during the Track Record Period, as we are still in an early stage of developing our own black mass production capabilities.

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	76,056.82
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	105,107.94

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Facility Name	Location	Primary products produced	GFA (sq.m.)
Ganzhou Base (贛州基地) . . .	Ganzhou City Jiangxi Province	Black mass	113,658.59

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, 2024, the overall production capacity utilization rate for our primary products reached 78.2%, which increased to 80.5% for the year ended December 31, 2025.

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,								
	2023			2024			2025		
	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)		%
Lithium carbonate .	9,374	8,549	91.2	10,783	8,474	78.6	10,161	8,653	85.2
Nickel Sulfate . . .	42,480	32,484	76.5	46,410	38,478	82.9	37,733	30,911	81.9
Cobalt sulfate . . .	16,788	11,795	70.3	19,381	12,926	66.7	15,746	11,652	74.0
Overall	68,641	52,827	77.0	76,575	59,878	78.2	63,639	51,216	80.5

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. The utilization rate is calculated based on the normal production capacity of our main production equipment. The production capacity for 2025 has been adjusted to exclude the capacity attributable to production lines under technical improvement in 2025. The partial shutdown of production facilities during the technical improvement process was ended in July 2025 and had not caused any material interruptions to the orders secured by the Group.

In 2023, 2024 and 2025, our production capacity related to black mass production was 20,000 tons, 69,733 tons and 7,933 tons, with the utilisation rate of 1.9%, 7.1% and 12.3%, respectively. The production capacity for 2025 has been adjusted to exclude the capacity attributable to production lines related to black mass production under technical improvement in 2025. Despite the relatively low utilization rate of our black mass production facilities, we did not produce more black mass internally during the Track Record Period for the following reasons:

- (i) *Capacity expansion phasing:* Despite the significant expansion of our production capacity for black mass from 20,000 tons in 2023 to 69,733 tons in 2024, our in-house black mass production technologies were in a phase of continuous improvement. For example, technical improvements aimed at further shortening the discharge and dismantling cycles of retired batteries would help us reduce black mass production

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cycle, enhance production efficiency, and limit our exposure to price volatility. As a result, we did not produce black mass on a large scale while the related technologies were being refined during the Track Record Period.

- (ii) *Early-stage production capacity*: We built our black mass production capacity in anticipation of future growth in retired battery supply, enabling us to enhance raw material stability through the direct procurement and in-house processing of retired batteries. As our black mass production is still at an early stage, we determine whether to process retired batteries into black mass or purchase higher-purity black mass directly based on downstream customer requirements and delivery lead times. Accordingly, certain black mass production lines are currently operating at relatively low utilization rates.
- (iii) *Concurrent cost competitiveness*: The external procurement cost of black mass declined sharply to RMB44,463 per ton in 2024, reaching near-parity with the Group’s in-house production cost of RMB44,189 per ton, temporarily reducing the cost incentive to increase in-house production. As the cost advantage widened again in 2025 with the in-house production cost of RMB41,938 per ton and external procurement cost of RMB45,546 per ton, the Group expects to progressively increase in-house production.

We expect the production volume related to black mass production to remain stable in 2026 with increasing utilisation rate based on the expected increase in total amount of retired lithium-ion batteries in Chinese mainland and the ongoing improvements in our in-house black mass production technologies. We will adjust the production volume of black mass production in accordance with actual operational conditions, taking into account market demand, feedstock availability and overall production efficiency.

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 Chinese mainland. 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. Our subsidiary, Jiangxi Ruida, has been recognized as a provincial benchmark enterprise for intelligent manufacturing. 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

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Critical machinery and equipment	Function
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 7,714.0 thousand tons and 4,471.5 thousand tons respectively by 2031, representing CAGRs of 45.6% and 46.6% from 2024 to 2031. 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, our Ganzhou Base has an approved processing capacity for black mass of approximately 69.7 thousand tons. In 2025, our treatment volume for black mass were temporarily limited to 7.9 thousand tons, primarily due to the internal technical improvement process on the relevant production lines in the same year which reduced the treatment volume and production capacity. 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. We currently expect to require only working capital investments, with no additional planned capital expenditure for facility construction for this project.

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 increased production capacity from 9,374 tons per year with utilization rate of 91.2% in 2023 to 10,783 tons per year in 2024 with utilization rate of 78.6%, which further increased to 85.2% in 2025. Our nickel sulfate production capacity has grown from 42,480 tons per year in 2023 to 46,410 tons per year in 2024, with utilization rates reaching 82.9% in 2024, which decreased to 81.9% in 2025. Similarly, we expanded our cobalt sulfate production capacity from 16,788 tons per year in 2023 to 19,381 tons per year in 2024, achieving a utilization rate of 66.7% in 2024, which increased to 74.0% in 2025. Both our nickel sulfate and cobalt sulfate utilization rates exceed the industry average of approximately 60% in 2025 for such metals according to the F&S Report. According to the F&S Report, the production volume of ternary battery material in Chinese mainland is expected to grow from 842.1 thousand tons in 2025 to 1,599.3 thousand tons in 2031, with a CAGR of 11.3%. According to the same source, the production volume of power batteries in Chinese mainland is expected to increase from 1,254 GWh

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in 2025 to 4,332 GWh in 2031, with a CAGR of 23.0%. 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. Since 2022, the industry was shifting from 523 ternary batteries (50% nickel, 20% cobalt, 30% manganese) toward high-nickel 811 ternary batteries (80% nickel, 10% cobalt, 10% manganese). Compared to 523 ternary batteries, 811 ternary batteries offer higher energy density. As a result, the sales volume of cobalt sulfate decreased, since the 811 battery chemistry requires lower cobalt content per battery. Despite this technological transition, sales volume of the Group’s cobalt sulfate increased from 12,407 tons in 2023 to 12,908 tons in 2024. Our sales volume of nickel sulfate and cobalt sulfate decreased since 2024 primarily due to (i) our strategic product portfolio optimization in 2025 to reallocate capacity to the production and sale of lithium carbonate (benefiting from price recovery due to improved supply-demand balance) and (ii) the Group’s partial shutdown of production facilities for technical improvement in 2025, which temporarily reduced the Group’s nickel sulfate and cobalt sulfate production output and consequently the available-for-sale volume.

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 2027.

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The table below sets forth certain details of our current production expansion plans.

Products	Production Capacity as of December 31, 2025	Actual Production as of December 31, 2025	Planned Additional Capacity ⁽¹⁾	Estimated Timeline	Estimated Capital Expenditure	Source of Funding	Estimated Breakeven Period ⁽²⁾	Estimated Investment Payback Period ⁽³⁾
		<i>ton</i>			<i>RMB '000</i>			
Zhaoqing Base – Phase I	2,525	328	5,024	Gradually	136,836	Equity financing	2027	2.2
60,000 tons Ternary	12,750	1,576	1,200	commence		and internal		
Hydrometallurgy	5,473	532	4,000	production from		resources		
Recycling Project				June 2025				
Yichun Base	N/A	N/A	10,245	Gradually	71,573	Internal resources	2029	5.7
				commence				
				production from				
				the beginning				
				of 2027				
Ganzhou Base – 180,000	N/A	N/A	21,971	Gradually	1,200,000	Project loan and	2029	3.6
tons Ternary Project. . .	N/A	N/A	32,194	commence		internal resources		
	N/A	N/A	7,083	production from				
	N/A	N/A	23,442	the fourth				
				quarter of 2026				
	N/A	N/A	14,990					
	N/A	N/A	5,002					

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Products	Production Capacity as of December 31, 2025	Actual Production as of December 31, 2025	Planned Additional Capacity ⁽¹⁾	Estimated Timeline	Estimated Capital Expenditure	Source of Funding	Estimated Breakeven Period ⁽²⁾	Estimated Investment Payback Period ⁽³⁾
		ton			RMB'000			
Ganzhou Base – 100,000 tons LFP cathode material project	N/A N/A	N/A N/A	24,000 25,235	Expected to begin operations in 2028	1,200,000	[REDACTED] (or [REDACTED]) will be the [REDACTED] from the [REDACTED], and the remainder will be funded by other sources, including our internal resources, bank borrowings or other potential external financing options	2030	3.1

Notes:

- (1) represents the maximum production capacity once construction is fully complete and operations have ramped up to full capacity.
- (2) breakeven is achieved when the revenue is equal to the cost and expenses for that accounting period on accrual basis. The time required to achieve breakeven depends on various factors, including but not limited to general economic and market conditions, market competition, utilization rate and price of raw materials. The Directors estimate that breakeven will be achieved for the above plans approximately two years after commencement of production.
- (3) investment payback period is the time required for the accumulated operating cash flow since the commencement of business operation is able to cover the total investment amount. The time required to achieve investment payback varies depending on various factors, including (i) the capital investment such as costs of machinery and equipment; and (ii) level of profitability achieved.
- (4) The significant shortfall in actual production compared to the production capacity as of December 31, 2025 was primarily due to the internal technical improvement process on the relevant production lines conducted in 2025 which limited the production volume in the same period.

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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

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 leads our 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 production 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 December 31, 2025, we had a total of 105 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 RMB100.0 million, RMB77.1 million and RMB95.5 million of research and development expenses in 2023, 2024 and 2025, respectively, accounting for approximately 3.5%, 3.6% and 4.3% 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 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. The unit manufacturing costs of our nickel recycled products and cobalt recycled products were approximately RMB1,832 and RMB1,714 in 2025, respectively, with recovery rates for nickel and cobalt metal being approximately 98.5% during the Track Record Period, surpassing the industry average of approximately 95%, according to the F&S Report. 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

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registered 193 patents in Chinese mainland (including 124 utility model patents, 64 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. Based on our internal experiments, it is estimated that this technology can achieve improvements including an approximately 20% reduction in production costs, approximately 15-20% decrease in impurities, and an approximately 8% improvement in lithium recovery rates.
- *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. Based on our internal experiments, it is estimated that through process optimization, it can achieve approximately 15-20% reduction in production costs compared to the technology we used before.
- *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. Based on our internal experiments, it is estimated that it can increase nickel metal utilization and conversion rates by approximately 50% compared to the technology we used before, while simultaneously reducing extraction and separation costs by approximately 40%.
- *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. Based on our internal experiment, it is estimated that the technology can achieve multiple efficiency improvements including an approximately 60% reduction in impurity residue, an approximately 30% decrease in wastewater generation, and an approximately 0.5% increase in the comprehensive recovery rate of key metals (nickel, cobalt, manganese, and lithium) compared to the technology we used before. Additionally, it is estimated that this technology can enable approximately 50% of fluorine to be regenerated and recycled, while reducing impurity removal costs by approximately 10% compared to the technology we used before.

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. Based on our internal experiment, is estimated that this approach reduces acid usage by approximately 29% and soda ash consumption by approximately 72% of LFP powder processed, resulting in an approximately 15% reduction in overall recycling costs compared to the technology we used before.

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- *New Hydroxyl Oxide and Phosphate Composite Adsorbent Technology (新型羟基型氧化物与磷盐复合吸附剂技术)*: This technology utilized our innovative hydroxyl oxide and phosphate composite adsorbent to remove aluminum impurities under specific pH conditions. Through this technology, based on our internal experiment, it is estimated that we can achieve aluminum content of less than 0.01% in anhydrous iron phosphate, with an aluminum impurity removal rate exceeding 99%, while reducing impurity residue by approximately 33% compared to the technology we used before.
- *High Enthalpy Crystal Phase Transition Control Technology (高焓熔晶型转变控制技术)*: 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. Based on our internal experiment, it is estimated that this technology will achieve lithium content of less than 0.01% in the final iron phosphate product, with lithium recovery rates exceeding 90% — surpassing the previous technology we used before by approximately 6%.
- *Intermediate Phase Iron Phosphate Composite Synthesis Technology (中间相磷铁复合物合成技术)*: Through our innovative synthesis process, we produce soluble intermediate phase iron phosphate complexes with fixed iron-to-phosphorus ratios. While previous mining-sourced battery iron phosphate production using direct addition or parallel reaction methods often faces significant fluctuations in iron-to-phosphorus ratios due to measurement errors, our new positive co-precipitation approach ensures excess precipitating elements in the solution, achieving optimal particle size distribution while reducing impurity precipitation and adsorption. This allows us to produce iron phosphate with precise iron-to-phosphorus ratio control (fluctuation within ± 0.005). We can adjust this ratio according to the requirements of customers while ensuring consistent product quality across batches.

The above statistics as to recovery rate and cost analysis are based on the experiments conducted by us and such statistics are estimated based on the experimental conditions and may vary due to changes in methodology, or environmental or external factors.

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.

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Major terms	Content
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 sourced all our raw materials from the Chinese mainland. 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 battery manufacturing scraps has reached 3.1% in 2025. Looking ahead, we expect that retired lithium-ion batteries will gradually become an important source of our raw materials.

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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 2024. Under such outsourcing arrangements, we generally provide the third-party manufacturers with retired batteries and scrap material which they would “mass shred” into black mass in exchange for a processing fee. 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 2024 and 2025, approximately 2,149 tons, 453 tons and nil of “mass shredding” were subcontracted, respectively, incurring processing fees of approximately RMB4.1 million, RMB0.8 million and nil for the same years, 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 2023, 2024 and 2025, our procurement of black mass contributed to 84.4%, 68.8% and 32.8% of our total purchase for the respective years/periods, respectively. In 2023, 2024 and 2025, the Group’s procurement of lithium-ion batteries and battery manufacturing scraps contributed to 9.8%, 17.1% and 3.1% of our total purchase for the respective years, respectively.

In 2023, 2024 and 2025, costs of raw materials that constitute the cost of sales amounted to RMB2,690.1 million, RMB1,985.4 million and RMB1,894.1 million, respectively, accounting for 88.2%, 88.4% and 92.6% of our cost of sales for the same periods.

The table below sets forth the breakdown of the cost of raw materials for the periods indicated.

	Year ended December 31,		
	2023	2024	2025
	<i>RMB thousands</i>		
Battery materials ⁽¹⁾	2,533,755	1,420,268	643,764
Battery packs	36,402	319,291	56,349
Semi-finished products ⁽²⁾	–	128,413	1,121,909
Others ⁽³⁾	119,916	117,468	72,068
Total	2,690,073	1,985,440	1,894,090

Notes:

1. Primarily represents cost of black mass and metal-containing raw materials
2. Primarily represents the costs of semi-finished product procured by us for further refinement and processing. For example, we procure non-battery-grade lithium carbonate and perform refinement procedures, such as moisture removal, pulverization, impurities removal and re-packaging, to achieve battery-grade standards that meet technical specifications and quality certification requirements of Guangzhou Futures Exchange
3. Represents auxiliary materials costs

From 2023 to the first half of 2024, the black mass we procured was mainly from external suppliers. Starting from the second half of 2024, our internal production of black mass increased, which led to a higher proportion of retired lithium battery packs being procured in 2024. Our procurement of battery materials and battery packs decreased in 2025 primarily because of the partial shutdown of production facilities during the technical improvement process in 2025. Our procurement of semi-finished products increased in 2024 and 2025 primarily because we had strategically targeted to increase the sales to futures traders as part of our mitigation measures against market price fluctuations of battery materials, enabling us to secure profit margins in the

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transactions. We were able to process the procured lithium carbonate into battery-grade lithium carbonate that met futures trading standards. By leveraging our proprietary processing technology and more cost-effective raw material sourcing, we enhanced our ability to participate more actively in sales to futures traders.

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.”

With our industry-leading position and recognition as a “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 Yuechuang 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) technical and academic research on recycling, resource recovery, and reuse for retired EV power batteries, and (iii) 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 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 Chinese mainland’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.

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Our Suppliers

Our suppliers are primarily raw material providers in Chinese mainland. 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 2023, 2024 and 2025, purchases from our largest supplier for the respective period amounted to RMB353.2 million, RMB270.6 million and RMB727.7 million, respectively, representing 11.6%, 11.7% and 35.8% of our total amount of purchase during the respective period, while purchases from our five largest suppliers for each period during the Track Record Period amounted to RMB1,217.0 million, RMB883.4 million and RMB1,315.8 million, respectively, representing 39.8%, 38.3% and 64.7% 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. Save for Supplier B disclosed below, to the best knowledge of our Directors, having made all reasonable enquiries, our major suppliers or their respective associates, do not have any past or present employment, financing, family, trust or other relationships with us, our Directors, Shareholders, or senior management, or any of their respective associates, except for being suppliers or customers of our Group.

The tables below set forth the details for each our five largest suppliers for each year during the Track Record Period.

For the Year Ended December 31, 2023

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount (RMB’000)	Percentage of total purchase (%)
Supplier A . . .	Black mass, LFP powder and crude graphite powder	2020	353,242	11.6
Supplier B ⁽¹⁾ . .	Black mass	2022	258,940	8.5
Supplier C ⁽²⁾ . .	Black mass, nickel materials and cobalt materials	2021	254,255	8.3
Supplier D ⁽³⁾ . .	Black mass, lithium-ion battery production remnants and excess materials and retired lithium-ion batteries	2023	183,989	6.0
Supplier E ⁽⁴⁾ . .	Black mass and nickel materials	2022	166,543	5.4
			<u>1,216,969</u>	<u>39.8</u>

Notes:

- (1) Jiangxi Liyuan New Material Co., Ltd. (“**Jiangxi Liyuan**”) is a recycling and materials production company in Chinese mainland, engaged in the recovery of retired batteries, production and sale of cathode and anode powders. Incorporated in 2022; RMB60.0 million registered capital. As of the Latest Practicable Date, we hold 10% equity interest in Jiangxi Liyuan and therefore Jiangxi Liyuan is a related party of our Group. See Note 37 to the Accountants’ Report as set out in Appendix I. The Directors confirm that transactions with Jiangxi Liyuan were conducted in the ordinary course of business under normal commercial terms. The terms of our agreements with Jiangxi Liyuan are substantially the same as those with our other suppliers. The Group’s transactions with Jiangxi Liyuan adopted pricing terms comparable to those offered by independent suppliers for similar products. Under the relevant pricing mechanism applicable to transactions with Jiangxi Liyuan and other independent suppliers, prices were generally linked to prevailing market prices of the relevant metals, with final settlement prices determined by reference to the quality and composition of the black mass and the content of the relevant metals. During the Track Record Period, there had been no material discrepancies in unit prices of black mass of similar quality and composition procured from Jiangxi Liyuan and those from independent suppliers. In 2023, the majority of our procurement from Jiangxi Liyuan took place in March, during which the average unit prices of black mass procured from Jiangxi Liyuan were typically within approximately 2.8% of those procured from independent suppliers.
- (2) A group of companies engaged in recycling, and production of renewable energy materials and technologies in Chinese mainland 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)

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- (3) 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)
- (4) 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 Year Ended December 31, 2024

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount (RMB'000)	Percentage of total purchase (%)
Supplier A	Black mass and retired lithium-ion batteries	2020	270,575	11.7
Supplier F ⁽¹⁾	Black mass, lithium-ion battery production remnants and excess materials, retired lithium-ion batteries and nickel carbonate	2024	214,413	9.3
Supplier G	Black mass, lithium-ion battery production remnants and excess materials and nickel materials and cobalt materials	2022	179,337	7.8
Supplier E	Black mass and nickel materials	2022	111,000	4.8
Supplier H ⁽²⁾	Battery-grade lithium carbonate	2024	108,077	4.7
			<u>883,402</u>	<u>38.3</u>

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) Company mainly engaged in the sales of specialty chemicals; Incorporated in 2021; RMB10.0 million registered capital (Sources: commercial database)

For the year ended December 31, 2025

Supplier	Supply type	Year of commencement of business relationship with us	Purchase amount (RMB'000)	Percentage of total purchase (%)
Supplier I ⁽¹⁾	Lithium carbonate	2024	727,744	35.8
Supplier F	Retired batteries, battery cells, electrodes, battery materials, nickel carbonate	2024	348,394	17.1
Supplier J ⁽²⁾	Battery materials	2024	94,173	4.6
Supplier A	Battery materials	2020	83,331	4.1
Supplier K ⁽³⁾	Battery materials	2023	62,201	3.1
			<u>1,315,843</u>	<u>64.7</u>

Notes:

- (1) Company mainly engaged in providing supply chain management services and sales of metal materials, located in Shanghai; Incorporated in 2019; RMB10.0 million registered capital. (Source: commercial database) There was a significant increase in purchase from Supplier I in 2025 primarily because we were capable of processing the lithium carbonate procured from Supplier I into battery-grade lithium carbonate that complied with the standards of Guangzhou Futures Exchange. Leveraging our proprietary technical capabilities, we procure lithium carbonate that does not meet the Guangzhou Futures Exchange delivery standards and perform refinement procedures, such as moisture removal, pulverization, impurities removal and re-packaging, to achieve battery-grade standards that meet technical specifications and quality certification requirements of Guangzhou Futures Exchange. We are actively expanding our pool of capable raw material suppliers. The upward trend is not expected to continue and we do not anticipate becoming reliant on Supplier I. As of December 31, 2025, we had commenced business relationship with two suppliers of similar quality standards. We intend to continue expanding our supplier pool through a rigorous supplier qualification process, comprising financial and reputational due diligence, assessment of manufacturing capabilities and quality systems, on-site audits and trial orders, to mitigate concentration.
- (2) Company mainly engaged in recycling and processing of lithium batteries, located in Zhaoqing, Guangdong; Incorporated in 2023; HKD10.0 million registered capital. (Source: commercial database)
- (3) Company mainly engaged in overseas logistics and trading of black mass raw materials from retired lithium batteries, located in Hong Kong; Incorporated in 2012; HKD80.0 million registered capital. (Source: commercial database)

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SALES, MARKETING AND CUSTOMERS

Sales and Marketing

We have dedicated sales and marketing teams for our products. As of December 31, 2025, we had a sales and marketing team of 13 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 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.

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 spot price index on Guangzhou Futures Exchange or Shanghai Metals Market), 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, which typically specify, among others, the type and specification of products, sales volume, selling price, delivery date and settlement date. The principal terms of the purchase orders issued under our framework sales agreements are generally consistent with those of our single-order agreements, including the following key terms: (a) product specifications and quality requirements — both types specify the product type (e.g. battery-grade lithium carbonate, nickel sulfate, cobalt sulfate), purity grade and applicable quality standards; (b) pricing mechanism — both types adopt pricing with reference to prevailing market prices at the time of delivery or settlement, rather than fixed pricing; (c) delivery terms — both types specify delivery schedules, logistics arrangements, and risk transfer upon delivery; and (d) payment terms — both types specify payment terms depending on our business relationship with the customers. The key difference is that framework sales agreements set out the general terms governing the overall commercial relationship and the quarterly/annually expected volume range, whereas single-order agreements are standalone contracts for a specific quantity and delivery date. Our quarterly/annually renewable framework sales agreements with customers provide us with a relatively stable order volume. 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.

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Price	We specify the price of each product and service provided to customers in the sales agreement, including unit price and total price. During the Track Record Period, we did not provide any discount to our customers.
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 2023, 2024 and 2025, our trade and bills receivables turnover days were 49 days, 61 days and 59 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 Chinese mainland. According to the F&S Report, during the Track Record Period, our customer base includes nine of the top ten battery material manufacturers in Chinese mainland in terms of sales volume of ternary precursors in 2025; and we have entered into the supply chain of four of the top five lithium-ion battery manufacturers in Chinese mainland in terms of shipment volume in 2025. 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. Such industry leaders’ decisions to procure recycled materials from us are driven by several strategic factors. The global EV transition has created unprecedented demand for battery materials while emerging regulatory frameworks worldwide mandate specific recycling targets and minimum recycled content in new batteries. Through our track record, we have established ourselves as a reliable supplier with strong product quality. While many customers have invested in upstream production capacity focused on primary mining sources,

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our recycled materials serve as a strategic complement to their existing supply chains by helping meet regulatory requirements for recycled content, providing supply chain diversification and supporting their sustainability objectives.

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. These futures traders primarily comprise state-owned enterprises or their subsidiaries that specialize in commodities trading and supply chain management. All futures traders we cooperate with take physical delivery of our products. These traders are sophisticated market participants who engage in both physical trading and futures market operations. To the best of our knowledge, they may either trade our products in the spot market with downstream customers (including leading enterprises across the lithium and new energy value chain, such as battery material manufacturers, lithium processing companies, new energy vehicle manufacturers and ESS battery manufacturers) or utilize them for futures market delivery obligations. These futures trader customers take delivery of our products into exchange-designated delivery warehouses, which is distinguished from other recycled product traders who take delivery of our products to private or non-exchange storage facilities. To the best of our knowledge, all of our futures trader customers during the Track Record Period and up to the Latest Practicable Date did not require any license or authorization from regulatory authorities in Chinese mainland to engage in futures market operations primarily because they were trading as principals (end-users) for their own account, not as intermediaries providing futures trading services or advice to others. Consequently, their activities were not subject to the licensing requirements under the relevant regulations. To the best of our knowledge, they are required to comply with the investor suitability requirements prescribed by the relevant futures exchanges, which typically include minimum net worth thresholds, successful completion of knowledge assessments, and demonstration of prior trading or hedging experience. To the best of our knowledge, no specific licenses are required for these entities to procure products from us or enter into price locking arrangements. The time interval between signing sales contracts and product delivery typically ranges from 15 to 18 days, depending on our production cycle. By locking in selling prices at the time of contract signing, we are able to effectively mitigate price fluctuation risks during the period from raw material procurement to final product delivery. We recognised revenue 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.

The table below sets forth a breakdown of our sales volume and revenues by customer type for the periods indicated:

	For the Year Ended December 31,								
	2023			2024			2025		
	Sales volume	(RMB'000)	%	Sales volume	(RMB'000)	%	Sales volume	(RMB'000)	%
	(ton)			(ton)			(ton)		
Battery material manufacturers	44,059	2,067,828	71.5	43,490	1,073,750	49.8	27,850	475,188	21.6
Recycled product traders	62,932	647,709	22.4	63,988	433,577	20.1	45,947	742,229	33.7
Futures traders	321	28,589	1.0	7,590	569,245	26.4	13,969	921,059	41.8
Others	7,210	147,419	5.1	8,796	80,666	3.7	9,710	63,538	2.9
Total	114,522	2,891,545	100.0	123,864	2,157,238	100.0	97,476	2,202,014	100.0

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We enter into framework agreements with futures traders, pursuant to which the futures traders purchase lithium recycled products from us. Our purchase and sales framework agreements with futures traders typically have terms of one to two years. The agreements typically specify the type, grading, volume and delivery period of the products to be purchased. The unit selling prices of our products are determined based on a discount to the current market prices when the futures traders place orders. We are primarily responsible for delivering the products to the locations designated by the future traders.

Futures traders engage in commodities trading and allow us to lock our selling prices and mitigate the risk against market price declines, along with offering supply chain financing through prepaid payments. Recycled product traders buy our products and sell downstream, bearing price fluctuation risks and seeking profits based on market conditions. Pricing with futures traders is typically tied to raw material costs and discounts to the market prices quoted on futures exchange, while recycled product traders typically price on a case-by-case basis according to market conditions. Futures traders maintain relatively stable trading volumes, whereas recycled product traders engage in sporadic transactions with us.

There had been an overall increasing trend in the revenue contribution from futures traders and a decreasing trend in the revenue contribution from battery material manufacturers during the Track Record Period primarily due to our venture into transactions with futures traders since 2023 and the increasing sales volume to futures traders.

In each of 2023, 2024 and 2025, sales to our largest customer for the respective period amounted to RMB532.7 million, RMB573.6 million and RMB828.9 million, respectively, representing 18.4%, 26.6% and 37.6% of our revenue during the respective period, while our five largest customers for each period during the Track Record Period amounted to RMB1,194.8 million, RMB1,164.1 million and RMB1,235.9 million respectively, representing 41.3%, 53.9% and 56.1% 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. To the best knowledge of our Directors, having made all reasonable enquiries, our major customers or their respective associates, do not have any past or present employment, financing, family, trust or other relationships with us, our Directors, Shareholders, or senior management, or any of their respective associates, except for being customers or suppliers of our Group.

The tables below set forth the details for each our five largest customers for each period during the Track Record Period.

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 B . . .	Lithium recycled products	2022	268,036	9.3
Customer C . . .	Nickel recycled products	2020	162,042	5.6
Customer D ⁽¹⁾ . .	Lithium recycled products	2023	127,536	4.4
Customer E ⁽²⁾ . .	Lithium recycled products	2023	104,496	3.6
			<u>1,194,840</u>	<u>41.3</u>

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)

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For the Year Ended December 31, 2024

Customer	Procurement type	Year of commencement of business relationship with us	Revenue (RMB'000)	Percentage of total revenue (%)
Customer F ⁽¹⁾	Cobalt recycled products, lithium recycled products	2022	573,568	26.6
Customer C	Nickel recycled products	2020	293,549	13.6
Customer G ⁽²⁾	Cobalt recycled products	2020	121,676	5.6
Customer H ⁽³⁾	Nickel recycled products	2018	97,973	4.5
Customer I ⁽⁴⁾	Nickel recycled products, cobalt recycled products	2021	77,326	3.6
			<u>1,164,092</u>	<u>53.9</u>

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) 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)
- (3) 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)
- (4) A group of companies mainly engaged in the sales of battery materials under the common control of a company, including (i) a company located in Ningxia; Incorporated in 2016; RMB400.0 million registered capital; and (ii) a company located in Ningxiang, Hunan province; Incorporated in 2014; RMB250 million registered capital. (Sources: official website and commercial database)

For the year ended December 31, 2025

Customer	Procurement type	Year of commencement of business relationship with us	Revenue (RMB'000)	Percentage of total revenue (%)
Customer F ⁽¹⁾	Lithium recycled products	2022	828,931	37.6 ⁽³⁾
Customer C	Nickel recycled products	2020	115,225	5.2
Customer J ⁽²⁾	Cobalt recycled products	2024	111,833	5.1
Customer K ⁽³⁾	Nickel recycled products	2024	90,589	4.1
Customer L ⁽⁴⁾	Nickel recycled products	2023	89,360	4.1
			<u>1,235,938</u>	<u>56.1</u>

Notes:

- (1) For the year ended December 31, 2025, we increased the sales to Customer F for commodities trading, which led to the increase in its revenue contribution in the same period. Being one of the most reputable lithium carbonate futures traders in Chinese mainland, Customer F had large products demand, fast payment cycles and strong credit, leading to increased cooperation between us and Customer F in 2025. We are actively exploring and has commenced collaborations with other capable and reputable futures traders in the market to reduce reliance on any futures trader.

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- (2) Company mainly engaged in the sale of non-ferrous metals and alloy materials, forgings and powder metallurgy products, located in Chengdu, Sichuan province; Incorporated in 2022; RMB20.0 million registered capital. (Sources: official website and commercial database)
- (3) Company mainly engaged in the sale of metal ores, metal materials and non-ferrous metal alloys, located in Guangzhou, Guangdong province; Incorporated in 2023; RMB5.0 million registered capital. (Sources: official website and commercial database)
- (4) Company mainly engaged in the sales of metal ores, metal materials, and non-ferrous metal alloys, located in Zhanjiang, Guangdong province; Incorporated in 2022; RMB50.0 million registered capital. (Sources: official website and commercial database)

The composition of our five largest customers was evolving throughout the Track Record Period primarily due to our strategic adjustments to optimize business operations and respond to evolving market dynamics. Since 2023, we have proactively increased sales to futures traders for better price certainty and mitigate price fluctuations before delivery. Specifically, revenue contribution of Customer F, a futures trader reached 26.6% in 2024 and further increased to 37.6% in 2025. In addition, we strategically increased focus on large-scale customers with strong positions, substantial business scale and production capacity, and established reputations to enhance sales stability and prioritize relationships that benefit long-term business development. For instance, revenue contribution from Customer C, a leading market player in the lithium-ion battery industry, increased from 5.6% in 2023 to 13.6% in 2024. All four new top five customers in 2024 had established business relationships with the Group since 2022 or earlier. While the scale of customer purchases in any given period is generally driven by their own specific business needs, we strive to maintain stable and substantial cooperation with all of our major customers. For instance, although Customer A was not a top five customer in 2024, revenue attributable to Customer A remained at the tens of millions level in 2024.

We will implement a wide range of strategies to broaden our customer base. Regarding sales of our key products, namely lithium recycled products, nickel recycled products and cobalt recycled products, to battery material manufacturers, we will continue signing framework supply agreements with established customers to ensure stable sales volume. We will promote carbon footprint-certified products to attract and facilitate downstream customers in fulfilling regulatory requirement in the EU and demonstrating environmental responsibility, thereby enhancing our products' competitiveness. Regarding sales of our key products to recycled product traders, we will enhance brand credibility through active participation in industry conferences and obtaining industry ratings and awards. Regarding sales of our key products to futures traders, we will collaborate with futures traders to develop their hedging and supply chain finance tools to manage price risks effectively. We will also promote standardization of warehouse receipts for our products to facilitate futures market delivery and financing.

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.

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Name	Year	Products We Sold	Products We Purchased	Revenue	Percentage of Our Total Revenue in the Year	Purchase Amount	Percentage of Our Total Purchase in the Year
				RMB'000		RMB'000	
Supplier A . .	2023	Nickel and cobalt	Black mass, LFP	7,446	0.3%	353,242	11.6%
	2024	recycled products	powder and nickel materials	13,971	0.6%	270,575	11.7%
	2025	Black mass, recycled products	Lithium nickel cobalt manganese oxide	57,948	2.6%	83,331	4.1%
Customer D . .	2023	Lithium recycled products	Black mass	127,536	4.4%	102,690	3.4%
	2024			307	*	96,893	4.2%
	2025	Lithium, nickel and cobalt recycled products	Black mass	17	*	27,736	1.4%
Supplier G . .	2024	Lithium recycled products	Black mass, nickel materials and cobalt materials	56,891	2.6%	179,337	7.8%
	2025	Battery-grade lithium carbonate	Battery materials	31,139	1.4%	27,160	1.3%
Supplier E . .	2024	Processing service	Black mass and nickel materials	18	*	111,000	4.8%
Supplier F . .	2025	Others	Retired batteries, battery cells, electrodes, battery materials, nickel carbonate	1,468	*	348,394	17.1%
Supplier J . .	2025	Others	Battery materials	5,847	0.3%	94,173	4.6%
Customer K . .	2025	Nickel recycled products	Battery materials	90,589	4.1%	1,675	0.1%

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. The transactions of the overlapping customers and suppliers were recognised on gross basis. 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.

FACTORS AFFECTING THE MARKET PRICE OF OUR RAW MATERIALS AND SELLING PRICE OF OUR RECYCLED PRODUCTS

The raw materials for our recycled products primarily include: (i) black mass, and (ii) lithium-ion battery production remnants and excess materials and retired lithium-ion batteries. Our purchase prices for such raw materials typically take into account the composition of the key metallic compounds in the raw materials and are influenced by their relevant market prices such as the spot price index of lithium carbonate, nickel sulfate, and cobalt sulfate on Guangzhou Futures Exchange or Shanghai Metals Market at the time of procurement.

Among our wide range of lithium, nickel and cobalt recycled products, our key products primarily include lithium carbonate, nickel sulfate and cobalt sulfate. In particular, the selling prices of our recycled products are typically determined by the market prices, such as the spot price index

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of lithium carbonate, nickel sulfate, and cobalt sulfate on Guangzhou Futures Exchange or Shanghai Metals Market, at the time of sale. In addition, we price our products based on various other factors including raw material costs, production overheads, order volumes, delivery requirements, warranty offered, competitors’ pricings, payment methods and specification of products requested by customers.

The table below sets forth the average market prices in Chinese mainland and average selling prices of our major recycled products for the periods indicated.

	For the Year Ended December 31,					
	2023		2024		2025	
	Average Market Price per ton	Our Average Selling Price per ton	Average Market Price per ton	Our Average Selling Price per ton	Average Market Price per ton	Our Average Selling Price per ton
	RMB	RMB	RMB	RMB	RMB	RMB
Lithium carbonate	230,000	196,443	81,000	72,594	68,000	64,511
Nickel sulfate	29,800	28,227	25,500	24,009	24,700	23,248
Cobalt sulfate	34,500	32,273	26,900	25,158	49,700	45,517

During the Track Record Period, there was an unprecedented steep and significant market downturn in the market prices of lithium carbonate in Chinese mainland. The average market prices of lithium carbonate decreased significantly from RMB230,000 per ton in 2023 to RMB81,000 per ton in 2024 and RMB68,000 per ton in 2025. According to the F&S Report, the decrease in market prices of lithium carbonate from 2023 to the first half of 2025 was mainly attributable to the oversupply of lithium carbonate resulting from a surge of substantial capital investments in mining and processing capacity. After plunging to a low of RMB53,500 per ton in the first half of 2025, the market prices of lithium carbonate began to recover in the second half of 2025, primarily driven by improved supply-demand dynamics: on the supply side, (i) the Mineral Resources Law in the PRC (《礦產資源法》), effective from July 2025, significantly increased lithium mining costs and approval timelines, particularly affecting Yichun lepidolite projects, and (ii) export restrictions/nationalization in African and South American lithium-producing nations limited global supply of lithium carbonate; and, on the demand side, continuous growth in EV and ESS penetration drove downstream demand for lithium carbonate. During the Track Record Period, the average market price of lithium-ion power battery cell in Chinese mainland was RMB600, RMB430 and RMB370 per kWh in 2023, 2024 and 2025, respectively, whilst the average market price of lithium-ion energy storage battery cell in Chinese mainland was RMB520, RMB360 and RMB330 per kWh in 2023, 2024 and 2025, respectively. In the first quarter of 2026, in Chinese mainland, the average market price of lithium-ion power battery cell and lithium-ion energy storage battery cell was RMB400 per kWh and RMB360 per kWh, respectively.

The average market price of nickel sulfate declined from approximately RMB29,800 per ton in 2023 to RMB25,500 per ton in 2024 and RMB24,700 per ton in 2025. According to the F&S Report, since 2023, there had been an oversupply of nickel sulfate in the market as Indonesia (accounting for over 60% of global nickel ore production) continuously expanded output, keeping prices at low levels.

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The unprecedented steep and significant decline in market prices of lithium carbonate, together with the decline in market prices of nickel sulfate, directly impacts both our procurement costs of key raw materials (black mass, retired batteries, and battery manufacturing scraps) and the selling prices of our recycled products:

- The average selling price of our lithium carbonate products decreased from RMB196,443 per ton in 2023 to RMB72,594 per ton in 2024 and further to RMB64,511 per ton in 2025, representing a 63.0% decrease from 2023 to 2024 and a 11.1% decrease from 2024 to 2025.
- The average selling price of our nickel sulfate products decreased from RMB28,227 per ton in 2023 to RMB24,009 per ton in 2024 and further to RMB23,248 per ton in 2025, representing a 14.9% decrease from 2023 to 2024 and a 3.2% decrease from 2024 to 2025.

In contrast, the average market price of cobalt sulfate, after declining from approximately RMB34,500 per ton in 2023 to RMB26,900 per ton in 2024, recovered to approximately RMB49,700 per ton in 2025. According to the F&S Report, from 2023 to 2024, despite rapid growth in new energy vehicle and energy storage system markets, safety and cost concerns constrained the market share of nickel-manganese-cobalt batteries (which trended towards higher nickel, lower cobalt, or even cobalt-free formulations), while LFP batteries (not requiring cobalt sulfate) gained dominance, resulting in oversupply and sustained price declines. The surge in market prices of cobalt sulfate in 2025 was primarily driven by the decrease in global supply following the Democratic Republic of the Congo’s (which accounted for approximately 70% of global cobalt mine output) export ban on raw and semi-processed cobalt in February 2025, and the introduction of quota system in October 2025 with an annual export cap of approximately 96,600 tons (representing approximately 50% of 2024 export levels), creating structural supply tightness in the global cobalt market.

The changes in our average selling price of cobalt sulfate products were in line with the changes in average market price of cobalt sulfate. The average selling price of our cobalt sulfate products, after declining from RMB32,273 per ton in 2023 to RMB25,158 per ton in 2024, recovered significantly to RMB45,517 per ton in 2025 in line with the recovery of average market price of cobalt sulfate in the same year, representing a 22.0% decrease from 2023 to 2024 and a 80.9% increase from 2024 to 2025.

The supply and demand dynamics in the battery recycling and reutilization provider market are shaped by diverse factors. On the demand side, according to the F&S Report, lithium batteries typically have a wide range of applications including EVs, energy storage and 3C electronics. According to the F&S Report, while EVs and energy storage segments are experiencing rapid growth, demand in the 3C electronics sector remains steadily growing at a relatively low rate. On the supply side, key materials such as lithium carbonate, nickel sulfate and cobalt sulfate are derived from either mined ores or recycled materials. With mined ores dominating the overall supply, recycled materials account for approximately 10% in the total supply of lithium carbonate, nickel sulfate and cobalt sulfate in Chinese mainland in 2025. Consequently, the prices of these materials are primarily influenced by the supply and availability of mined ores, making ore market dynamics critical to pricing and supply chain stability in the battery recycling industry.

Our Directors are of the view that the decline in average selling price of our products is primarily driven by such supply and demand dynamics in the battery recycling and reutilization provider market and was in line with the market trend. In 2025, (i) our average selling prices of cobalt sulfate products increased, (ii) our average selling prices of nickel sulfate remained relatively stable and (iii) our lithium carbonate products recorded a narrower decline in average selling prices compared to the decrease from 2023 to 2024. We expect the market price recovery in the second half of 2025 to positively impact our future average selling prices for lithium carbonate products.

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Looking forward, our Directors are of the view that: (a) the market prices of lithium carbonate are expected to stabilize in the near term, supported by stabilization in upstream mining capacity and a continuous growth in downstream demand as EV and ESS penetration continues to increase; and (b) the Group’s price-locking arrangements with back-to-back customers, including both recycled product traders and futures traders (collectively accounting for approximately 75.5% of the Group’s revenue in 2025, of which futures traders represented 41.8% and recycled product traders represented 33.7%) and dynamic pricing mechanisms provide a degree of insulation against short-term price volatility, enabling more predictable gross margins. We returned to gross profitability in 2025 with gross profit of RMB155.5 million (gross profit margin of 7.1%), compared to gross loss of RMB87.7 million (gross loss margin of 4.1%) in 2024.

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.

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QUALITY CONTROL

Our commitment to product quality has earned us strong reputation among our customers. As of December 31, 2025, we had a quality control team comprising of 67 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. The quality of our recycled products has also been widely recognized — including battery-grade nickel sulfate being designated as a Guangdong Province High-Tech Product, while recycled lithium carbonate and recycled nickel sulfate have received various provincial quality recognitions including Jiangxi Province Outstanding New Product and Jiangxi Famous Brand Product.

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. 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.

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 Chinese mainland, (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. 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.

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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 December 31, 2025, we had 787 employees, all of whom were based in Chinese mainland. The following table sets forth the number of our employees by function as of December 31, 2025.

Function	Number of employees	Percentage of Total (%)
Production	505	64.2
Research and development.	105	13.2
Procurement	37	4.7
Sales	13	1.7
Management and general administration	127	16.2
Total	787	100.0

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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 Chinese mainland including regulations in relation to social insurance and housing provident fund contributions for our employees. Our PRC Legal Adviser is of the view that we were in compliance with labor laws and regulations in Chinese mainland 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 193 patents in Chinese mainland (including 124 utility patents, 64 invention patents and five design patents), 22 trademarks, nine copyrights and two domain names. For details of our intellectual property portfolio, see “Appendix VI — 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.

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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: 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. 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. 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

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 RMB12.1 million, RMB9.1 million and RMB11.3 million in 2023, 2024 and 2025, 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 Chinese mainland, we are committed to innovation-driven development, increasing R&D investment, and advancing green production to contribute to the China’s “dual carbon” goals. 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. 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. Partnering with battery and battery material manufacturers and EV manufacturers, we have established a recycling network. This secures supply for our lithium-ion battery recycling and reutilization business.

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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.

We have set 2024 as the baseline year and commit to achieving a 10% reduction in Scope 1 and Scope 2 greenhouse gas emission intensity by 2027. This target will be systematically advanced by incorporating emission reduction key performance indicators (KPIs) into our core management framework to drive down emission density. We will strictly adhere to the Carbon Mitigation Hierarchy principle, establishing a five-dimensional action system of “Avoid-Reduce-Substitute-Neutralize-Offset.” Through regular measures and periodic performance reviews, we aim to achieve climate impact management across the entire value chain, all processes, and full life cycles. Specific actions include:

Production Transformation Measures: (i) **Capacity optimization:** Promote flexible production technology upgrades, replace high-energy-consumption equipment, and drive digital transformation; (ii) **Technological innovation:** Prioritize procurement of production equipment that meets energy efficiency standards and establish a green technology adoption evaluation mechanism; (iii) **Energy governance:** Implement an energy management accountability system, with dedicated teams conducting abnormal energy consumption diagnostics, supported by performance evaluation systems; (iv) **Intelligent monitoring:** Establish an Energy Management System (EMS) to track real-time energy consumption across all units, utilizing data analytics to drive energy-saving decisions.

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Operational Initiatives: (i) **Green mobility:** Implement a shared official vehicle system, prioritize the deployment of new energy vehicle fleets; (ii) **Lighting upgrades:** Phase in intelligent LED lighting solutions for production bases and office spaces based on illumination simulation analysis; (iii) **Capacity building:** Launch a company-wide climate literacy training program and incorporate energy-saving behaviors into employee sustainability performance metrics.

We anticipate potential additional costs in procuring green energy and upgrading low-carbon equipment, for which we have established dedicated funding mechanisms. All emission reduction investment decisions will undergo full Life Cycle Cost Analysis (LCCA) to ensure a balance between environmental benefits and economic feasibility. We have implemented a dynamic target management mechanism, conducting annual rolling reviews and adjustments of emission reduction KPIs based on historical emission data, technological trends, and business expansion plans. In the target-setting process, we will scientifically balance production capacity expansion with emission reduction requirements, track progress against SBTi standards, and regularly engage third-party verification of emission reduction achievements to ensure alignment between climate action and corporate development.

Greenhouse gas emission management

The table below sets forth our greenhouse gas emissions for the periods indicated.

Climate Indicators	Unit	Year ended December 31		
		2023	2024	2025
Scope 1 direct greenhouse gas emissions ⁽¹⁾	tCO ₂ e	4,375.24 ⁽⁴⁾	3,165.61	1,331.77
Scope 2 indirect greenhouse gas emissions ⁽²⁾	tCO ₂ e	49,213.17	46,640.93	33,037.02
Scope 3 greenhouse gas emissions ⁽³⁾	tCO ₂ e	18.26	292.69	227.64
Greenhouse gas emissions intensity (Scope 1 & Scope 2)	tCO ₂ e/ Thousand Revenue	0.0185	0.0231	0.0156

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) Scope 1 direct greenhouse gas emissions have significantly increased since in 2023, primarily due to the increase in number of business trips in the same year. As a result, the use of vehicles increased, driving an increase in gasoline consumption.

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Pollution management

We are subject to 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. Our production process does not generate toxic gases. Exhaust gases are collected and treated before they are discharged. Additionally, accredited third-party monitoring agencies are commissioned to conduct emissions monitoring to ensure discharge compliance with relevant regulations throughout the production process.
- *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. Our nickel sulfate and cobalt sulfate products are classified as hazardous chemicals. These products are stored in dedicated finished goods warehouses and transported by qualified carriers licensed for hazardous chemical transportation. During the production process, hazardous chemicals are delivered directly by suppliers using vehicles with the appropriate certifications. Within our production bases, specialized storage warehouses are equipped with safety measures including alarms and video surveillance.

The table below presents the volume of our emissions of exhaust gas, solid waste and hazardous waste in tons for the periods indicated.

Indicators	Unit	Year ended December 31		
		2023	2024	2025
Exhaust gas	Ton	1.11	0.75	0.91
Solid waste	Ton	7,993.17	5,442.92	4,691.23
Hazardous waste	Ton	48.61	47.64	35.26

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

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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		
		2023	2024	2025
Total energy consumption	TCE	21,125.44 ⁽¹⁾	20,153.31	15,711.24 ⁽²⁾
Consumption of purchased electricity	kWh	86,293,481	86,919,360	62,263,518
Electricity consumption intensity	kWh/ Thousand revenue	29.84	40.29	28.28
Consumption of gasoline	Ton	183.96	19.93	14.33
Consumption of diesel	Ton	88.18	84.95	57.06
Consumption of natural gas . . .	Normal Cubic Meter (Nm ³)	1,786,242	1,432,655	581,742
Consumption of steam	Ton	83,832	79,893	76,417
Consumption of biomass fuel . .	Ton	/	/	/

Note:

- (1) Our total energy consumption had significantly increased since 2023 primarily due to the construction of new production facilities and plant areas to meet the demand driven by business growth, which led to an increase in energy consumption.
- (2) Our total energy consumption decreased in 2025 primarily due to (i) a portion of lithium carbonate was processed from semi-finished products into battery-grade lithium carbonate, involving a much shorter production process and significantly lower energy consumption compared with processing from black mass; and (ii) the partial shutdown of production facilities during the technical improvement process in 2025.

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.

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- **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		
		2023	2024	2025
Consumption intensity of water resource	Cubic meter (m ³)/ Thousand revenue	0.20	0.21	0.18

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 Chinese mainland 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.

In 2023, there was a one-off fire accident during the testing phase of our production facilities during the installation of equipment. The total loss was approximately RMB33.2 million. No injury or death was suffered in the accident. After the incident, we investigated into the causes of the accidents and concluded the causes to be accidental contact between welding activities and nearby flammable materials by an external supplier, with no involvement of non-compliance with applicable laws and regulations. We strictly adhered to applicable laws and regulations, conducted rigorous reviews of the qualifications of outsourced contractors, and strengthened construction process management. In addition, we emphasized the importance of safety procedures and continuous improvement in safety management to ensure safe operational practices in future projects. Our Directors believe that the likelihood of a recurrence of similar incident is minimal primarily because (a) the fire was caused by an external supplier during the testing phase of a newly built production facility, and we had since terminated our cooperation with that supplier in relation to the construction of new production facilities; (b) we enhanced our fire safety measures after the incident, including tighter management of external suppliers, strengthened fire safety training, and update and maintenance of fire protection facilities; and (c) no similar incident had occurred since the fire accident in 2023 up to the Latest Practicable Date.

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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 Chinese mainland. 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, R&D capabilities, high-quality product portfolio and reliable partnerships with suppliers and customers. See “Industry Overview.”

While traditional mining operations generally produce similar products as battery recycling companies, we operate in a distinct market segment. Our recycled products meet the same industry standards and technical specifications as products from traditional mining operations, as demonstrated through our established supply relationships with leading battery material manufacturers, who maintain strict supplier qualification processes. The two markets are differentiated primarily based on: (i) fundamentally different manufacturing process and material sourcing, where recycling companies focus on processing black mass, retired battery packs and battery manufacturing scraps, creating a separate value chain from traditional mineral extraction; (ii) the imminent surge in retired EV batteries, which creates both environmental benefits and business opportunities for the battery recycling sector; and (iii) emerging regulatory frameworks that mandate recycled content. For example, the European Parliament has endorsed minimum lithium recovery levels of 50% by 2027 and 80% by 2031, while the European Commission mandates that by 2035, new power and industrial batteries must contain at least 20% recycled cobalt and 12% recycled nickel. Similar regulations are developing in China and other regions. In response, many major automotive and battery manufacturers have established specific procurement targets for recycled materials.

PROPERTIES

We occupy certain properties in Chinese mainland 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. According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2)

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of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group’s interests in land or buildings, for the reason that, as of December 31, 2025, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Land and Buildings

As of the Latest Practicable Date, we owned 72 buildings in Chinese mainland with an aggregated GFA of 294,822.35 sq.m. The land use rights for these buildings covered 620,992.59 sq.m. We also owned the land use rights of seven additional parcels of land with a total site area of 211,030.91 sq.m. in Chinese mainland. 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 Chinese mainland.

Leased Properties

As of the Latest Practicable Date, we leased 20 properties in Chinese mainland with an aggregated GFA of 47,072.15 sq.m., including 15 land parcels with an aggregated GFA of 16,405.4 sq.m. and five buildings with an aggregated GFA of 30,666.38 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, two of our lease agreements with landlords were not registered with the relevant government authorities in Chinese mainland. 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 Chinese mainland 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 RMB20,000 as of the Latest Practicable Date. As of the Latest Practicable Date, we had not been ordered to register the lease agreements or fined by the relevant authorities in Chinese mainland with respect to such lease agreements. In view of the foregoing, our Directors are of the view that non-registration of such lease agreements 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 GFA of approximately 26,794.64 sq.m, representing approximately 87.4% of our total leased GFA, the lessors of such leased properties had not provided us with valid title certificates or authorization for leasing. Such leased properties are used as production sites, staff dormitory and warehouse primarily storing our auxiliary production materials such as soda ash, defluorinating agent, sodium fluoride and ton bags. As advised by our PRC Legal Advisor, without ownership certificates or proof of authorizations from the property owners, our use of the 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, in respect of the approximately 26,794.64 sq.m of the property leased, the lease agreement shall not be invalidated by the lessor’s failure to provide valid title certificates,

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given that the lessor has obtained the construction project planning permit and the construction permit approved by the competent authority. Additionally, the lessor has issued a certificate to confirm that the Group has leased the relevant property and that the title certificate is currently being processed. 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 the 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) 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. In addition, our Directors confirm that there are no material safety issues pertaining to such leased property.

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 Chinese mainland. During the Track Record Period and as of the Latest Practicable Date, the Company and some of our subsidiaries in Chinese mainland 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 2023, 2024 and 2025 amounted to approximately RMB10.5 million, RMB11.8 million and RMB8.4 million, respectively, and the shortfall of housing provident fund contributions in 2023, 2024 and 2025 amounted to approximately RMB2.3 million, RMB2.6 million and RMB1.9 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 Adviser, 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

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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 Adviser, 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 Chinese mainland 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.

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Going forward, we will ensure we are in compliance with the social insurance and housing provident fund contributions requirements under the relevant laws and regulations. We undertake if the relevant authorities order us to fully contribute the social insurance and/or housing provident funds, we would make full contributions and rectification measures as soon as possible within the specified period. In addition, we will proactively communicate with relevant local authorities to keep up to date with the applicable laws and regulations concerning social insurance and housing provident funds. We will also communicate such updates with our employees to allow them to better understand the relevant laws and regulations, increasing their understanding of the regulatory requirements so as to enhance our compliance with the applicable laws and regulations. Considering that the Group’s compliance with the relevant laws and regulations is also in part subject to cooperation from its employees, the Group expects to gradually rectify the non-compliance going forward. Our Controlling Shareholders have undertaken to indemnify us against all of outstanding shortfalls, penalties or damages in the event that we are required to pay any of outstanding contributions, or any overdue charges or penalties imposed by the relevant regulatory authorities.

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. During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, our business was not subject to any foreign investment and/or ownership restrictions under the relevant PRC Law. 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	The Company	Chemical Registration Center of the Ministry of Emergency Management, Guangdong Province Hazardous Chemicals Registration Office	October 16, 2027
2. . .	Safety Production License	The Company	Zhaoqing Emergency Management Bureau	May 14, 2028
3. . .	High-tech Enterprise	The Company	Department of Science and Technology of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Taxation Bureau of the State Administration of Taxation	December 27, 2026

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No.	Licenses/Permits	Holder	Issuing Authority	Expiry Date
4. . .	Registration Certificate of Hazardous Chemicals	Jiangxi Ruida	Chemical Registration Center of the Ministry of Emergency Management, Department of Emergency Management of Jiangxi Province	March 28, 2027
5. . .	Safety Production License	Jiangxi Ruida	Department of Emergency Management of Jiangxi Province	July 1, 2027
6. . .	Hazardous Chemicals Business License	Jiangxi Ruida	Wanzai County Emergency Management Bureau	April 25, 2029
7. . .	High-tech Enterprise	Jiangxi Ruida	Department of Science and Technology of Jiangxi Province, Department of Finance of Jiangxi Province, State Administration of Taxation Jiangxi Provincial Tax Bureau	December 1, 2027

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, covering 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: (i) 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.”; (ii) 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.”; (iii) 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; (iv) 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; (v) engage accounting firms to provide professional advice and consultations with respect to our risk management; and (vi) 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.

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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
Guangdong Provincial Manufacturing Single Champion Enterprise	The Industry and Information Technology Department of Guangdong Province	2026
China Non-ferrous Metal Industry Science and Technology Award	China Non-ferrous Metal Industry Association	2025
Provincial-level Enterprise Technical Center	The Industry and Information Technology Department of Guangdong Province	2025
National Specialized and New “Little Giant” Enterprise	The Ministry of Industry and Information Technology	2023
National Green Factory	The Ministry of Industry and Information Technology	2023
National Intellectual Property Advantage Enterprise	National Intellectual Property Administration	2022
5G + Industrial Internet Demonstrative Enterprise	The Industry and Information Technology Department of Jiangxi Province	2023
Jiangxi Province Industrial Design Center	The Industry and Information Technology Department of Jiangxi Province	2024
Jiangxi Green Supply Chain Enterprise	The Industry and Information Technology Department of Jiangxi Province	2023
Jiangxi Provincial Enterprise Technology Center .	The Industry and Information Technology Department of Jiangxi Province	2022
Jiangxi Province Lithium-ion Battery Recycling Comprehensive Utilization Technology Innovation Center	The Department of Science and Technology of Jiangxi Province	2022
2023 “Top 100 Sci-Tech Innovations” Company . .	China Sci-Tech Investment Summit	2023
2022 Emerging Unicorn Enterprise	Forbes	2023
Hurun Global Unicorns	Hurun Research Institute	2024
2024 Quality Benchmarking Typical Experience .	China Association for Quality	2024
Jiangxi Famous Brand Product (Battery Grade Lithium Carbonate, Lithium Sulfate)	Jiangxi Brand Building Promotion Association	2023
Postdoctoral Innovation Practice Base in Jiangxi Province	The Human Resources and Social Security Department of Jiangxi Province	2023
WK Cup-OFweek 2023 Excellent Enterprise Award for Battery Recycling and Utilization” . .	OFweek Lithium Grid	2024
2022 Upstream and Recycling Enterprise of the Year	GaoGong Lithium	2022