
BUSINESS

OUR MISSION AND VISION

Our mission

We are committed to developing energy-efficient and environmentally friendly products, rooted in the new materials, new energy, and mechatronics industries.

Our vision

To become the most influential global leader in the rare earth permanent magnet industry.

OVERVIEW

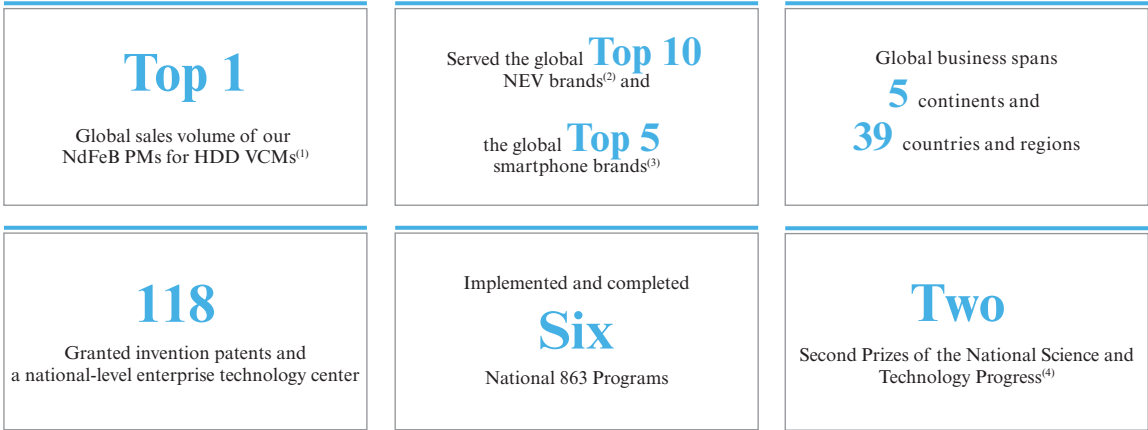
Who we are

We are a global leading supplier of NdFeB PMs. We first entered the rare earth permanent magnet industry in 1996. Through profound technological accumulation and continuous independent innovation, we have developed NdFeB PMs with superior properties. We continue to focus deeply on three major downstream business sectors: NEVs, consumer electronics, and industrial motors and others. At the same time, we are actively exploring high-growth emerging markets such as embodied intelligence robots and low-altitude aircraft. We are one of the few enterprises in China that possess a complete set of preparation technologies for NdFeB PMs, covering a broad range of downstream applications, according to CIC. Through independent R&D and continuous improvement of full-process equipment and advanced preparation technologies, we have significantly enhanced the quality and production capacity of our magnetic materials. As of the Latest Practicable Date, we had achieved an annual production capacity of 26,000 tons of NdFeB PM blanks, making us one of the largest rare earth permanent magnet manufacturers globally, according to CIC.

By intensifying technological innovation and continuously improving the production processes and equipment for rare earth permanent magnets, the performance and quality of our main products have reached international advanced levels. As of the Latest Practicable Date, through independent R&D, we had obtained 118 invention patents and three utility model patents in China and overseas jurisdictions, and had successively completed six national high-tech R&D programs of China (“**National 863 Program**”). We have a national-level enterprise technology center, which was awarded to us by the National Development and Reform Commission in 2016. Our R&D projects have been awarded two “Second Prizes of the National Science and Technology Progress”. Our high-performance rare earth permanent magnet material industrialization project has been recognized as a national major scientific and technological achievement transformation project. Our YUNSHENG brand NdFeB PMs applied in hard disk drive (“**HDD**”) voice coil motors (“**VCMs**”) were recognized as “Champion Product in Manufacturing Industry” by Ministry of Industry and Information Technology of the PRC in 2020.

BUSINESS

Through relentless efforts, we have earned widespread recognition from global customers and high acclaim in the market, achieving remarkable results.



Source: CIC Report

Notes:

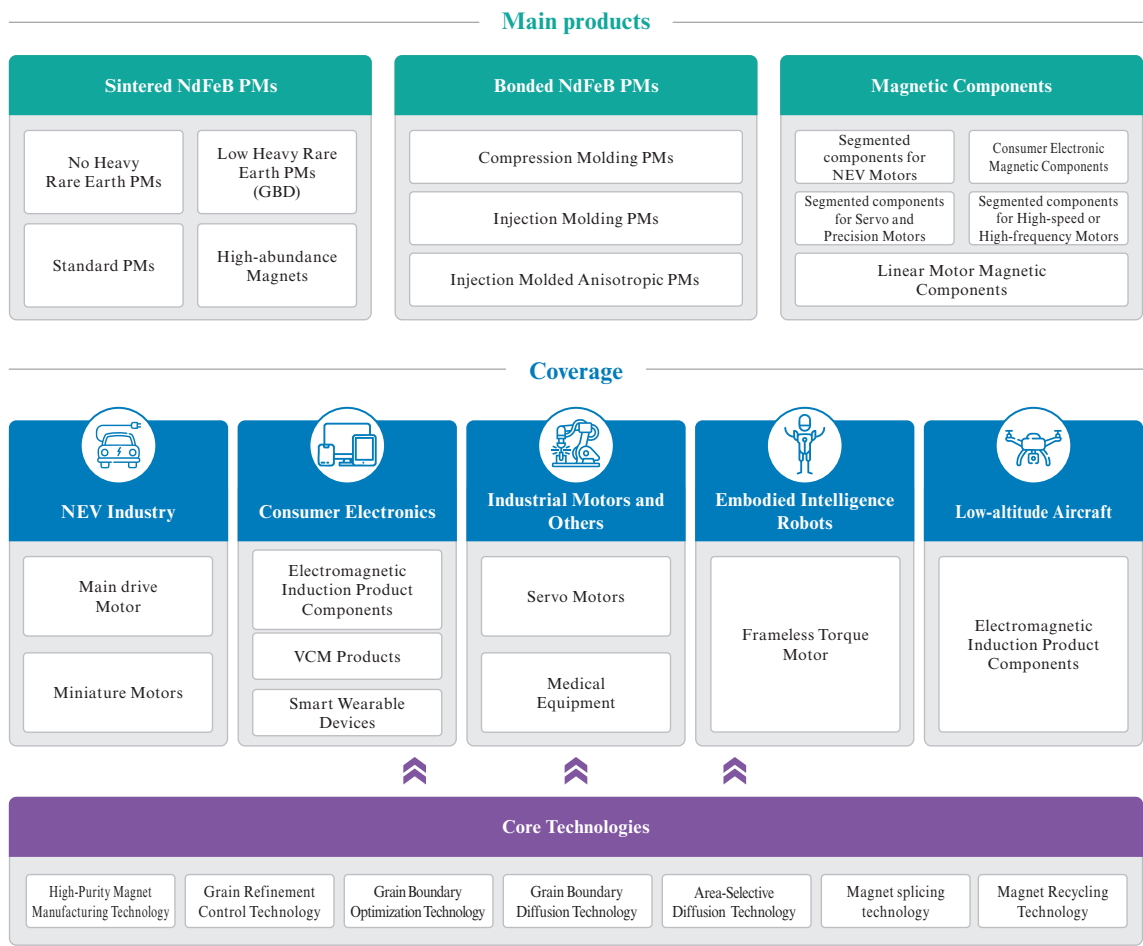
- (1) In terms of sales volume for our NdFeB PMs used in HDD VCMs in the global NdFeB PM market in 2025
- (2) In terms of global NEV sales volume in 2025
- (3) In terms of global smartphone shipments in 2025
- (4) We were twice awarded the “Second Prizes of the National Science and Technology Progress” by The State Council of the People’s Republic of China: the first time in 2008 for our project of Key Technologies for High-Performance Rare Earth Permanent Magnet Materials, Preparation Processes and Industrialization, and the second time in 2014 for the project of Technology Upgrade and Integrated Innovation of Rare Earth Permanent Magnet Industry.

Our business layout

We continuously emphasize R&D investment and deepen our technological capabilities through core technologies such as high-purity magnet manufacturing technology, grain refinement control technology, grain boundary optimization technology, grain boundary diffusion technology, area-selective diffusion technology, magnet splicing technology and magnet recycling technology. These efforts enable us to produce rare earth permanent magnets with superior performance characteristics. Our sintered NdFeB PMs, bonded NdFeB PMs, and magnetic components have successfully penetrated high-end manufacturing industries, including the NEV sector, consumer electronics sector, and industrial motors and others sector. At the same time, we have entered fast-growing and high-potential emerging industries such as embodied intelligence robots and low-altitude aircraft. Our products have achieved outstanding market performance and have been successfully adopted by leading enterprises across various industries.

BUSINESS

The following chart illustrates our business layout:



Our products

Our products primarily include sintered NdFeB PMs, bonded NdFeB PMs and magnetic components.

For sintered NdFeB PMs, we possess industry-leading technologies including grain refinement technology and grain boundary optimization technology to produce low or no heavy rare earth products. By utilizing heavy rare earth alloy hydrides as auxiliary alloys, we effectively control the distribution of heavy rare earth elements at the grain boundaries. These technologies enable us to maintain excellent overall magnetic performance of high-grade magnets while reducing heavy rare earth consumption and costs, and improving product consistency. Our sintered NdFeB PMs meet the requirements for miniaturization and lightweighting in applications such as NEV main drive motors, computer HDDs, servo motors, and semiconductors.

For bonded NdFeB PMs, we operate one of the world’s major production bases for bonded magnets. Our bonded NdFeB PMs are renowned for their precise dimensions and stable performance. They are widely used in various micro-motors in the automotive sector, including oil pump motors, seat motors, fan motors, wiper motors, and sensors, as well as in electronic communications, computers, household appliances, and office automation equipment. Our annual production capacity for bonded NdFeB PMs reached 1,000 tons as of December 31, 2025.

BUSINESS

For magnetic components, we have successfully extended our upstream rare earth permanent magnet technological advantages to downstream magnetic components. By offering full-process services from magnet design to finished magnetic component assembly, we significantly enhance product added value and market competitiveness. Leveraging core technologies such as Halbach Array, we are able to substantially improve magnet performance while optimizing cost structure, thereby providing a solid foundation for the reliability of our magnetic components in high-temperature and other complex application scenarios.

Primary downstream applications of our products

Our sintered NdFeB PMs, bonded NdFeB PMs, and magnetic components are widely applied across multiple high-end and emerging sectors, including the NEV sector, consumer electronics sector, and industrial motors and others sector.

NEVs

In the NEV sector, our products play a critical role in main drive motors, where sintered NdFeB PMs with high coercivity and temperature stability enable high power density, torque, and energy efficiency for electric traction systems. We also supply micro-motors for various auxiliary functions, such as oil pumps, seats, fans, wipers, and sensors, utilizing both sintered and bonded NdFeB PMs to achieve compact design and precise control. Additionally, our magnetic components are customized for integrated assemblies in NEV powertrains and subsystems, enhancing overall system reliability and performance. Our strong presence in this sector is evidenced by supplying our products to the world’s leading NEV manufacturers and globally representative automobile producers.

Consumer electronics

In the consumer electronics sector, our NdFeB PMs are essential for electromagnetic induction product components and, in particular, HDD VCMs and smartphone VCM modules. Our sales volume of NdFeB PMs used in HDD VCMs ranked first globally, with a global market share of 37.8% in 2025 according to CIC. This achievement underscores our competitive presence in a high-precision application field. In terms of our VCM product application on smartphones, our products enable rapid autofocus, optical image stabilization, and high-precision lens movement, meeting the stringent demands for compact size, stable performance, and supplied to the world’s leading smartphone manufacturers.

Industrial motors and others

For industrial motors and related electromechanical equipment, our NdFeB PMs are the primary solution for modern high-performance industrial drives, servo motors and motors. Our sintered NdFeB PMs are widely used in magnetic resonance imaging (“MRI”) equipment magnets, where high remanence and uniformity ensure precise and stable magnetic fields critical for imaging accuracy. We also provide compressor motor magnets for efficient, energy-saving operation in heating, ventilation, and air conditioning and refrigeration systems. These applications benefit from our ability to deliver customized, high-consistency magnets tailored to demanding industrial requirements. The emerging industries we are strategically focusing on are embodied intelligence robots and low-altitude aircraft, as set out below.

Embodied intelligence robots

In the embodied intelligence robot field, our products focus on micro drive motors and precision actuators. Leveraging compact, high-efficiency NdFeB PMs, we enable agile joint movements, servo control, and responsive actuation required for lifelike motion. We maintain a deep understanding of the technical demands of leading embodied intelligence robot enterprises and actively participate in customer-specific R&D to support this high-growth sector, serving leading global players across downstream applications.

BUSINESS

Low-Altitude Aircraft

In the fast-growing low-altitude aircraft sector, including electric vertical takeoff and landing (“eVTOL”) and unmanned aerial vehicle (“UAV”) platforms, our NdFeB PMs are deployed in propulsion motors and actuators. These magnets support lightweight, high-torque, and efficient electric drive systems essential for takeoff, hovering, and maneuvering in urban air mobility applications. We actively develop this emerging market by delivering reliable solutions optimized for weight-sensitive and high-reliability environments.

The following sets forth some of our representative cases of downstream applications of our sintered NdFeB PMs.



Axial Flux Motor Magnet

Supply of core magnets to a global leading enterprise in the NEV sector



HDD VCM Magnet

Supply of core magnets to globally renowned HDD and data storage solution providers



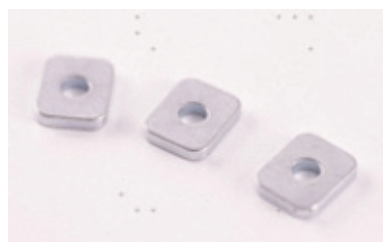
Smartphone VCM Module

Supply of core magnets to a global leading enterprise in the smartphone sector



Head Linear Motor Module

Supply of core magnets to a global leading enterprise in the smartphone sector



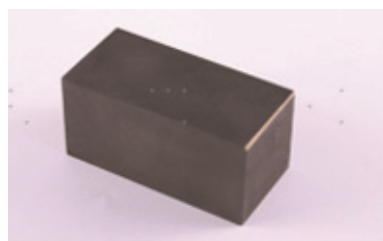
Acoustic Module

Supply of core magnets to a global leading technology enterprise in the consumer electronics sector



Wireless Charging Component

Supply of core magnets to a global leading enterprise in the smartphone sector



MRI Equipment Magnet

Supply of core magnets to a global leading enterprise in the medical MRI equipment sector



**Robotic joints/
Frameless torque motors**

Supply of core magnets to global leading companies in embodied intelligence robot sector



eVTOL Aircraft Magnet

Supply of core magnets to globally renowned low-altitude aircraft enterprises

BUSINESS

Our global presence

As one of the most experienced enterprises in the global rare earth permanent magnet industry, we have leveraged our profound industry expertise and advanced R&D capabilities to sell our products to 39 countries and regions across the EU, North America, Asia, and other regions during the Track Record Period. We supply NdFeB PMs and magnetic components to a number of globally leading enterprises in the NEV sector, smartphone sector, industrial motor sector, medical equipment sector, and low-altitude aircraft sector showing our overall competitiveness in the global market.

We have established a network covering the world’s major markets, with business operations spanning the EU, North America, and Asia. To deepen our global operations, we have set up overseas subsidiaries and expanded sales channels in key regions. In Germany and North America, we have established subsidiaries responsible for local sales activities as well as after-sales technical support. These subsidiaries enable us to stay close to local customers, respond swiftly to their needs, and strengthen market penetration. In the EU, we focus on market development in the NEV and industrial motors sectors. Our local sales teams handle customer development, technical consultation, order processing, and ongoing customer relationship management. Our NdFeB products are also widely sold to South Korea, and multiple countries and regions in Southeast Asia, earning consistent high recognition and acclaim in international markets.

Our brand

As one of the earliest listed privately-owned enterprises in China’s NdFeB PM industry, according to CIC, we are recognized as a national high-tech enterprise and one of the “Top 100 National Electronic Information Enterprises”, and have also been honored as “National Technology Innovation Demonstration Enterprise” in recognition of our outstanding innovation capabilities. Our NdFeB PMs have been awarded the prestigious title of “National Manufacturing Single Item Champion Product”, along with multiple top national honors, including the “National Science and Technology Progress Award”.

We believe that an outstanding brand is the concentrated embodiment of a company’s long-term operating philosophy and value proposition, and serves as a strong representation of a technology-driven enterprise’s R&D capabilities and market position. Over many years, we believe our YUNSHENG brand has built a significant brand moat globally through accumulated technological expertise, continuous product iteration, and in-depth customer service, making it the preferred choice for customers worldwide. Our brand enjoys high competitiveness and influence in the international market, supported by outstanding scientific and technological innovation capabilities, internationally standardized production levels, strong market sales performance and customer recognition, as well as robust global operating capabilities.

Our ESG initiatives

We have fully integrated ESG principles into our corporate development strategy, establishing a systematic and institutionalized sustainable development management framework.

In terms of environmental protection, we actively fulfill the green mission of a manufacturing enterprise. All our production projects strictly undergo environmental impact assessments and are equipped with efficient environmental protection. We have also proactively responded to the global low-carbon transition trend. Back as early as 2005, we invested in and installed dedicated production wastewater treatment facilities. In 2025, we purchased 12,200 green certificates, corresponding to approximately 12.2 million kWh of green electricity consumption, which is expected to reduce carbon dioxide emissions by approximately 6,473.3 tons. Against the backdrop of increasingly stringent environmental requirements in international markets, this initiative has enhanced the competitiveness of the YUNSHENG brand and demonstrated our commitment to sustainable development.

BUSINESS

In terms of social responsibility, we actively fulfill our social responsibility, through comprehensive management policies to standardize and ensure the effectiveness and continuity of the company’s social responsibility fulfillment and public welfare initiatives. Since 2012, through our “Yunsheng Named Poverty Alleviation Fund,” we have continuously provided donations to charitable and public welfare projects, including assistance to particularly disadvantaged groups in society and east-west poverty alleviation collaboration efforts. Our “Yunsheng Named Poverty Alleviation Fund” upgrades living standards and educational conditions in remote and underdeveloped areas receiving paired support. Managed by a local charity federation, the fund has provided ongoing study grants to local students to bolster regional education development. In addition, we have made a designated donation to the charity federation for emergency medical equipments.

At the governance level, we have established the Strategy and Sustainability Committee of the Board, directly led by the Chairman. This Committee ensures that ESG matters receive attention and guidance from the highest decision-making body, forming a complete closed-loop from strategic planning to execution and supervision, marking the transition of our ESG management from spontaneous to proactive.

Through strategic top-level design, concrete environmental management, people-oriented social responsibility, and continuously optimized corporate governance, we have established a solid foundation for ESG practices. This demonstrates our firm commitment to embedding sustainable development into our core business, laying a strong foundation for addressing global energy transition.

Our financial performance

We recorded revenues of RMB5,326.3 million, RMB4,998.2 million and RMB5,417.0 million for the years ended December 31, 2023, 2024 and 2025, respectively. Our gross profit was RMB247.3 million, RMB560.6 million and RMB886.2 million for the years ended December 31, 2023, 2024 and 2025, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiate us from other competitors.

Industry leader in rare earth permanent magnets driven by independent R&D and innovation

As a leading player in the rare earth permanent magnet industry, we regard technological innovation as the core driving force behind our long-term development. Since our establishment, we have adhered to independent R&D as our foundation, continuously achieving technological breakthroughs and driving industrial upgrades. In 2025, our NdFeB PMs sales volume reached 14,197 tons, ranking third in the global NdFeB PM market with a 5.6% market share according to CIC.

At the fundamental research level, we have conducted in-depth studies on the characteristics of material structures, systematically exploring underlying technologies such as composition and phase control in microstructures. Through these efforts, we have progressively mastered the design and development capabilities for a series of NdFeB PMs, including grades such as 58SH, 55UH, 52EH, and 48AH, enabling our products to consistently maintain industry-leading performance.

BUSINESS

In terms of industrialization technologies, we have accumulated years of expertise to establish a comprehensive technical system encompassing precise composition control, high-purity grain refinement, efficient grain boundary diffusion, high material utilization processing, and full-category surface protection. We have achieved high-quality and high-efficiency mass production of low or no heavy rare earth magnets and long-service-life magnets with superior performance characteristics, further consolidating our core competitiveness in the market. On industry applications, we actively develop tailored technical solutions for key sectors including NEVs, consumer electronics, and industrial motors and others. Our high-remanence, high-coercivity magnets have long held a high market share in the domestic market for NEV main drive motors and such products have received strong recognition from customers in emerging fields such as embodied intelligence robots and low-altitude aircraft. Our high-energy-density magnets have long been the preferred solution for leading consumer electronics enterprises. In addition, our high-abundance magnets provide diverse, high-performance product support for various industrial motors.

We had successively undertaken six National 863 Programs under the Ministry of Science and Technology as of the Latest Practicable Date. Through our participation in the National 863 Programs on the “Industrialization of High-Performance Rare Earth Permanent Magnet Materials”, we successfully overcame core technologies for high-grade sintered NdFeB PMs. The project “Technological Upgrading and Integrated Innovation of the Rare Earth Permanent Magnet Industry”, in which we participated, was awarded the “Second Prize of the National Science and Technology Progress Award”, contributing significantly to the advancement of industry technologies.

Through sustained technological breakthroughs, we have established robust competitive barriers, providing strong support for our market expansion across various application fields and continuously reinforcing our leading position in the global permanent magnet materials industry.

Rich product matrix with multi-dimensional scenario coverage

The NEV sector currently serves as our most important industry growth engine. Revenue from products applied in the NEV sector reached RMB2,546.9 million for the year ended December 31, 2025, with consecutive yearly growth during the Track Record Period. In 2025, our sales volume of NdFeB PMs used in main drive motors of NEVs reached 6.4 thousand tons, ranking second globally, with a market share of 12.0%, according to CIC. We have successfully entered the supply chains of most of the leading NEV original equipment manufacturers (“OEM”) with high market share.

The consumer electronics sector remains our stable business foundation. In 2025, our sales volume of NdFeB PMs used in HDD VCMs ranked first globally, with a market share of 37.8%, according to CIC. We maintain competitive advantages in key sub-segments such as smartphones and mechanical HDDs. Revenue from products applied in the consumer electronics sector amounted to RMB1,304.4 million for the year ended December 31, 2025.

Industrial motors and others represent a key business segment for us. Our NdFeB PMs serve as critical materials enabling the coreless, high magnetic load design of axial flux motors, delivering robust and stable axial magnetic fields through their high maximum energy product, low loss, and excellent thermal stability. Our revenue from NdFeB products applied in the industrial motors and others sector amounted to RMB971.1 million for the year ended December 31, 2025.

At the same time, we have proactively built up forward-looking technology reserves in emerging fields with significant future growth potential, particularly embodied intelligence robots. We have entered into long-term agreements with leading embodied intelligence robot enterprises, completed sample delivery and supply, and successfully penetrated the core supply chain of embodied intelligence robots. We now provide key NdFeB PMs for popular models, laying a solid foundation for future growth momentum. We have also established cooperation with leading enterprises in the low-altitude aircraft sector, further broadening our overall business reach and completing our forward-looking strategic layout across the full industry value chain.

BUSINESS

Through deep participation in core industries and continuous multi-dimensional scenario expansion, we continue to enrich our product mix, strengthen our diversified revenue structure, and secure long-term sustainable growth drivers in both established and high-potential markets.

Global top-tier customer network and brand influence

In the NEV sector, our primary application area, we have established ourselves as a first-tier supplier. We maintain close strategic cooperation relationships with mainstream NEV OEMs, as well as core electric drive manufacturers, continuously providing them with customized R&D and tailored NdFeB PMs and magnetic components. According to CIC, we served the global top 10 NEV brands in terms of global NEV sales volume in 2025. Our products enjoy an excellent international reputation and have become a benchmark in the automotive industry.

In the consumer electronics sector, our products are adopted by the world’s leading smartphone manufacturer, where we have established deep cooperation in core smartphone components such as vibration motors and smartphone camera modules. According to CIC, we served the global top five smartphone brands in terms of global smartphone shipments in 2025.

In the industrial motors and other applications, our customer base includes industry leaders in various sectors including industrial automation, MRI smart home appliances, and elevators. According to CIC, we served four of the global top five industrial servo motor companies in terms of global industrial servo motor sales volume in 2025.

In the embodied intelligence robots and low-altitude aircraft sector, through our own product development, we have deeply participated in the R&D processes of leading industry players. According to CIC, we served the largest full-size bipedal embodied intelligence robot company in the world in terms of global shipments in 2025 and the largest eVTOL company in the world in terms of orders in hand as of the end of 2025. Leveraging our mature processes and outstanding technical capabilities, we work closely with customers to jointly overcome technical challenges and deliver high-performance solutions tailored to their requirements.

By deepening cooperation with leading enterprises across these diverse fields, we ensure the stability and healthy development of our business. At the same time, we have established sales subsidiaries in the EU and North America, actively expanding overseas markets while strengthening our after-sales service capabilities. These efforts have laid a solid foundation for our international business operations and enhanced our ability to respond swiftly and effectively to global customer needs.

Intelligent manufacturing and reliable product delivery capabilities

We have advanced the construction and commissioning of the “Baotou Yunsheng Technology Development Co., Ltd. Annual Production 15,000 Tons Rare Earth Permanent Magnet Materials Intelligent Manufacturing Project”. By deeply integrating intelligent manufacturing technologies with precise market positioning, we have fully deployed an intelligent IoT system and automated guided vehicles, achieving automated production from smelting and powder preparation to forming and magnetization. The yield rate of our new production line has increased compared to the traditional production line, with unit energy consumption reduced, and per capita output efficiency improved, which has significantly enhanced our production efficiency and product competitiveness.

BUSINESS

In terms of production layout, our two major production bases in Ningbo and Baotou exhibit a high degree of synergy. The Baotou production base leverages its geographical advantage in proximity to raw materials and focuses on large-scale production of NdFeB blanks. Our Ningbo production base is complemented by full-process production lines for production of NdFeB PM blanks and final products. We have established a stable and sustainable raw material supply chain system, entering into long-term framework agreements with major suppliers to secure the supply of key rare earth raw materials, which provides a solid guarantee for the continuous and stable production. At the same time, we have built a flexible production system that enables efficient multi-product, variable-batch co-line production. Regardless of customized production, or small-batch trial production, we maintain stable on-time delivery and precision levels, thereby resolving the conflict between mass production and customized demand. This approach ensures reliable, timely, and high-quality product delivery to meet the growing demands of our global customers.

Experienced management team and outstanding talent system

Since taking root in the rare earth permanent magnet field in 1996, the core members of our production, operations, and management teams each possessing more than 15 years of industry experience have successfully navigated multiple cycles of market expansion and contraction, as well as major technological transformations, in both the Chinese and global magnetic materials industries. This extensive experience enables us to navigate short-term market uncertainties, accurately anticipate medium- to long-term technological pathways, and precisely forecast evolving market demand. Our management team possesses sharp market development capabilities and a strong, holistic awareness of supply chain security and focusing on establishing solid supply chain partnerships with leading enterprises across various downstream application sectors. This reflects our unwavering commitment to product quality, consistency, and reliability.

We have brought together talents who share our core corporate values. Through a robust talent incentive mechanism and comprehensive development system oriented toward value creation, we have established a community of shared interests between talent and us. This approach continuously stimulates innovation and creativity, while optimizing the structure of our workforce. To strengthen talent cultivation, we have built an internal training platform to systematically enhance the professional capabilities of our R&D personnel and have invested substantial resources to provide them with an excellent research environment. We place high importance on talent development, with clear internal promotion channels enabling employees to receive comprehensive internal cultivation and ample opportunities to be promoted to various management levels.

We have implemented a diversified incentive mechanism, including equity incentives, project-specific rewards, and profit-sharing plans, enabling R&D personnel to directly share in the fruits of technological innovation. We have established a well-structured dual-career development pathway, allowing technical professionals to either deepen their expertise in specialized fields to become industry experts or transition into management roles for broader career advancement and provide top-tier talent with a competitive remuneration. As a result, we have built a high-caliber talent team that provides strong support for our strategic development and long-term competitiveness.

BUSINESS

OUR STRATEGIES

We have formulated a comprehensive and mutually reinforcing strategic framework. Guided by clear top-level design, we drive sustained leadership and long-term sustainable development in the global rare earth permanent magnet industry through continuous technological innovation, active expansion into emerging sectors, and advancement of intelligent manufacturing. Our ultimate objective is to become the most influential global leader in the rare earth permanent magnet industry and achieve the transformation from Chinese innovation to global recognition.

Continuously increase R&D and innovation efforts to consolidate our industry-leading technological position

We are committed to further strengthening our technological leadership by continuously increasing investment in R&D. We plan to undertake R&D initiatives. Specifically, we intend to focus on developing advanced NdFeB PMs tailored for embodied intelligence robots and for low-altitude aircraft, next-generation advanced magnetic components; and magnetic materials that minimize or eliminate reliance on heavy rare earth elements.

These targeted R&D efforts will enable us to maintain and expand our competitive advantages in high-performance grades and low or no heavy rare earth products. By accelerating the development of innovative products with superior performance characteristics (such as higher remanence, higher coercivity, better temperature stability, and improved cost efficiency), we aim to meet the evolving technical requirements of existing downstream sectors (NEVs, consumer electronics, and industrial motors and others) as well as fast-growing emerging applications (embodied intelligence robots and low-altitude aircraft). This strategy will further solidify our position as one of the few enterprises in China with complete mastery of the full preparation technologies for rare earth permanent magnets.

Continuously strengthen existing business and precisely capture emerging growth drivers

We continue to consolidate our technological and scale advantages in the rare earth permanent magnet industry, steadily enhancing our core competitiveness in NEVs, consumer electronics, and industrial motors and others.

At the same time, we actively expand into emerging sectors such as embodied intelligence robots and low-altitude aircraft, seizing high-growth sectors. We continuously broaden our sales channel networks, deepen strategic cooperations with leading customers in emerging industries, and capture the differentiated needs of customers, precisely meeting various customization requirements with our rapid-response service capabilities.

Meanwhile, we are driving product form upgrades, extending from individual products to complete solutions, offering customers diversified product options. We have precisely identified emerging growth drivers within the current industry landscape, continuously breaking through technical bottlenecks, and actively advancing the industrial technological development.

Advance intelligent manufacturing and AI to ensure steady improvement in production and delivery quality

We are committed to accelerating the upgrade of our production capabilities through the deep integration of intelligent manufacturing technologies. We plan to undertake capacity expansion initiatives, including upgrading production capacity for raw materials, enhancing production processes, and constructing intelligent manufacturing facilities.

BUSINESS

Building on the successful implementation of projects such as the Baotou intelligent manufacturing expansion, we will continue to introduce industrial robots, AI vision inspection systems, digital twin technology, and other advanced automation solutions in our production bases. This will further improve yield rates, reduce unit energy consumption, increase per capita output efficiency, and achieve greater production flexibility to support rapid switching between different product specifications. Through these efforts, we aim to realize a strategic shift from scale expansion to quality enhancement, ensuring reliable, high-quality, and timely delivery to meet the growing demand from our global customer base.

Pursue vertical integration of high-quality industry resources and build a business ecosystem through strategic mergers and acquisitions

We plan to explore vertical integration initiatives in the downstream segments of the rare earth permanent magnet industry. This includes proactively identifying and pursuing potential domestic and overseas acquisition targets that possess complementary resources, technologies, or market channels. By enhancing technological synergies, and expanding our presence across the value chain, we aim to improve cost competitiveness, secure supply chain stability, reduce external dependency, and create a more resilient and integrated business ecosystem. Specifically, we intend to acquire production or processing capacity and qualifications for some of our downstream sectors in order to achieve the comprehensive utilization of NdFeB scrap materials. See “Future Plans and Use of [REDACTED]” for further details.

Adhere to sustainable development principles to achieve long-term sustainability goals

We remain fully committed to embedding ESG principles into our core business strategy and daily operations. We will continue to advance green manufacturing practices, further reduce environmental impact, optimize energy consumption, and actively respond to global low-carbon transition trends. At the same time, we will strengthen employee development, uphold high standards of corporate governance, and contribute to the sustainable development of the industry and society. These efforts will not only enhance our long-term competitiveness and resilience against global green trade barriers and energy transition challenges, but also create new value growth drivers and support our aspiration to become the most influential global leader in the rare earth permanent magnet industry.

Through the systematic implementation of the above strategies, we aim to maintain our technological and market leadership, achieve high-quality and sustainable growth, and ultimately realize our vision of becoming the most influential enterprise in the global rare earth permanent magnet sector.

OUR BUSINESS MODEL

We are primarily engaged in the R&D, manufacture and sales of NdFeB PMs and magnetic components. We operate one production base in Ningbo, Zhejiang Province, China, and one production base in Baotou, Inner Mongolia Autonomous Region, China. We design NdFeB products and develop procurement and production plans based on customer requirements. We mainly purchase rare earth from, and have maintained long-term and firm strategic cooperation with, major rare earth suppliers in China. Leveraging our facilities and technologies, we carry out mass production of customized NdFeB PMs and magnetic components and mainly store such products at our warehouses or third-party warehouses designated by certain customers for delivery to our customers. Our products have a wide array of applications in NEVs, consumer electronics, industrial motors and others. We are also actively engaged in certain emerging markets such as embodied intelligence robots and low-altitude aircraft, and we have generated income from these sectors. Our customers are primarily leading manufacturers across various industries, including NEVs and automotive parts, smartphone components, HDD components, industrial automation, MRI equipment, smart home appliances, and elevators. We primarily adopt a cost-plus pricing mechanism for our NdFeB PMs and magnetic components.

BUSINESS

OUR PRODUCTS

Our NdFeB products primarily include NdFeB PMs and magnetic components. NdFeB PMs are mainly made from an alloy of neodymium, iron and boron. We produce customized NdFeB PMs with various parameters based on customer requirements, such as composition, shape, size, coating, remanence, coercive force, maximum energy product, temperature coefficient and magnetizing method. Our NdFeB PMs can be further divided into sintered NdFeB PMs and bonded NdFeB PMs according to different production processes. Leveraging our grain boundary diffusion technology, we are able to conduct mass production of sintered NdFeB PMs that achieve various performance indicators with reduced amounts of medium and heavy rare earth ingredients. We also produce and sell customized magnetic components to customers. Our magnetic components are functional magnetic system units assembled with other components (such as magnetic conductors, structural components and coils) with sintered or bonded NdFeB PMs. In addition to the sales of NdFeB PMs and magnetic components, we also derived revenue from sales of materials and others, which primarily consist of scrap materials generated during the manufacturing process, and rare earth oxides. The following table sets forth a breakdown of our revenue by (i) product category and (ii) downstream application in absolute amounts and as percentages of our total revenue for the periods indicated:

By product category:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sintered NdFeB PMs	4,301,801	80.8	4,026,425	80.6	4,019,668	74.2
Bonded NdFeB PMs	98,863	1.9	76,879	1.5	98,898	1.8
Magnetic components	263,112	4.9	440,563	8.8	703,911	13.0
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

By product downstream application and materials and others:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
NEVs	2,114,900	39.7	2,299,840	46.0	2,546,945	47.0
Consumer electronics	1,132,376	21.3	1,313,613	26.3	1,304,422	24.1
Industrial motors and others	1,416,500	26.6	930,414	18.6	971,110	17.9
Subtotal of NdFeB products	4,663,776	87.6	4,543,867	90.9	4,822,477	89.0
Materials and others	662,489	12.4	454,346	9.1	594,567	11.0
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details.

Our products are widely used in downstream sectors including NEVs, consumer electronics, and industrial motors and others. Set forth below are additional details of our representative products for different downstream applications.

BUSINESS

NEVs

In the NEV sector, our sintered NdFeB PMs are primarily used in main drive motors to deliver high power density, high torque, high energy efficiency, high rotational speed, and long service life, while our bonded NdFeB PMs are applied in auxiliary micro-motors for oil pumps, seats, fans, wipers, and sensors, enabling compact size and precise control. Customized magnetic assemblies further improve powertrain and subsystem reliability. Set forth below is one of our representative application scenarios of NdFeB products in the NEV sector.

- **Main drive motors.**

Sintered NdFeB PMs are the key functional material enabling efficient energy conversion and stable power output in the main drive motors of NEVs. Leveraging technical advantages such as ultra-high maximum energy product, excellent intrinsic coercive force, and low temperature coefficient of attenuation, our products precisely meet the stringent operating requirements of NEV main drive motors — high power density, high rotational speed, high efficiency, and long service life. We break through the technical bottlenecks of motor lightweighting and high efficiency, providing core material support for the upgrading of NEV electric drive systems.

Relying on advanced technologies including high-efficiency grain boundary diffusion, high-efficiency splicing, magnetic field orientation molding, and precision machining, we achieve dual breakthroughs in high magnetic performance and high stability. Our products can withstand the complex operating environment of main drive motors (high temperatures and high-frequency vibrations), significantly improving motor energy conversion efficiency and facilitating the dual enhancement of NEV driving range and power performance.

Centered on low or no heavy rare earth formula design, and grain boundary structure regulation technology, we effectively reduce material costs and resource dependence while ensuring ultra-high coercive force. This adapts to the technological iteration trend of NEV main drive motors toward higher efficiency, lower carbon, and lower cost.

Consumer electronics

In smartphones, NdFeB PMs enable extreme miniaturization and high performance in tiny spaces. They deliver powerful yet ultra-compact linear motors for crisp haptic feedback, high-fidelity micro-speakers and microphones for superior audio, fast and precise optical image stabilization and autofocus VCM in camera modules, and strong magnetic precision locator for wireless charging and accessories.

In HDDs, NdFeB PMs provide the intense magnetic field strength required for the VCM, enabling ultra-fast and precise head positioning and stable high-RPM rotation in extremely compact 2.5 inches or 3.5 inches form factor. Their superior energy density and resistance to demagnetization ensure reliable long-term operation and support the highest areal storage densities achievable in cost-effective mass storage devices. Set forth below are our representative application scenarios of NdFeB products in the consumer electronics sector.

- **Linear motors.** Applied in mobile phone vibration motors, they leverage ultra-high magnetic performance, complex shapes, and magnetic circuit design to achieve ultra-miniaturization and slimness. These motors deliver excellent performance in confined spaces, providing more powerful vibration feedback. Used in tablet stylus vibration motors, they match the haptic engine under the screen. With high maximum energy product and lightweight characteristics, they meet the demand for precise haptic feedback, simulating the tactile experience of real writing or drawing.

BUSINESS

- **VCM modules.** NdFeB PMs for VCM in smart phone cameras are specially optimized for micro optical drive systems. They deliver stable and robust magnetic fields continuously in extremely limited spaces, serving as the key core material for high-performance autofocus and optical image stabilization (“OIS”). Boasting high remanence, high maximum energy product, and excellent demagnetization resistance, the product maintains consistent magnetic performance under high-frequency start-stop and long-term energized operating conditions, ensuring fast lens movement, precise positioning, and sensitive response. Meanwhile, through precision orientation design and strict control over magnetic performance consistency, it effectively reduces batch differences and enhances the repeatability of imaging focus and OIS stability. With a miniaturized structure and highly reliable plating system, our NdFeB PMs meet both the requirements of ultra-thin module design and long-term corrosion resistance, adapting to mainstream multi-camera modules and high-pixel sensor solutions. Leveraging comprehensive advantages in magnetic performance stability, dimensional accuracy control, and mass production reliability, our NdFeB PMs help mobile phone cameras achieve fast autofocus, high imaging clarity, and consistent performance across devices.
- **Wireless charging.** The ring-shaped positioning magnets for wireless charging systems on the back of smartphones adopt an ultra-thin tile-shaped NdFeB PM structure, specifically designed for the limited space around wireless charging coils. With an ultra-thin thickness of only 0.3 mm, the magnets provide stable and uniform magnetic adsorption force without increasing the module thickness, enabling precise alignment and reliable positioning between the charging coil and external accessories. Through strict control of magnetic performance consistency and dimensional tolerance management, our product ensures balanced magnetic force distribution around the ring, enhancing the adsorption feel between the phone and charger as well as the stability of charging efficiency. The magnet surface features an ultra-thin and highly reliable plating system with a total thickness of only 7 μm . This composite plating achieves excellent bonding strength, corrosion resistance, and damp-heat resistance even at an extremely thin thickness. Additionally, the magnet material exhibits good demagnetization resistance, maintaining stable magnetic performance under repeated adsorption, disassembly, and temperature rise during charging and discharging. It meets the rigorous requirements for reliability, slimness, and consistency in the wireless charging ecosystem of high-end smartphones.
- **Acoustic modules.** Our NdFeB PMs are applied in the electromagnetic modules of mobile phone micro-receivers. They create a strong magnetic field that serves as a medium for efficiently converting electrical energy into mechanical energy to drive the diaphragm. Leveraging ultra-high magnetic performance and complex shape design, they enable device miniaturization, high-quality stereo sound, and clear human voice reproduction.

Industrial motors and others

The use of NdFeB PMs delivers the highest energy density available, enabling industrial motors to achieve exceptional power density, and significantly smaller, lighter designs while producing higher torque, faster response, and precise control. With superior resistance to demagnetization and high-temperature grades up to 180 °C, they ensure reliable performance under heavy loads and harsh conditions, reduce energy consumption and heat, lower operating and maintenance costs, and achieve Grade 1 energy efficiency under GB 30253–2024 and GB/T 32877–2022, the standards referenced by the Implementation Rules for Energy Efficiency Labeling of Permanent Magnet Synchronous Motors — making them the primary solution for manufacturers across industrial automation, MRI equipment, smart home appliances, and elevators. Set forth below are our representative application scenarios of NdFeB products in the industrial motors and other sectors.

BUSINESS

- **Axial flux motor.** Axial flux motors represent a significant advancement in motor technology. By integrating material science with electronic manufacturing, they address key limitations of traditional motors in power density, efficiency, thermal management, and system integration, making them a preferred choice for high-end applications requiring high performance, compact design, and intelligent control. Our NdFeB PMs, as critical materials enabling the coreless, high magnetic load design of axial flux motors, deliver robust and stable axial magnetic fields through their high maximum energy product, low loss, and excellent thermal stability. This directly supports the motors’ goals of lightweight, high efficiency, and reliable operation. In practical applications, they enhance energy efficiency and power density in energy-saving industrial motors and generator systems; meanwhile, wheel hub drive solutions leveraging this technology provide compact, powerful propulsion for electric transportation and high-performance in-wheel drive scenarios.
- **Compressor.** In compressors, NdFeB PMs are primarily used as core components in permanent magnet synchronous motors, serving as permanent magnets that generate constant magnetic fields. They interact with the motor’s electric drive windings to drive rotor rotation for gas or fluid compression. The key advantages of NdFeB PMs — high remanence and high coercive force — enhance motor efficiency across a wide speed range in VFAC, reducing energy consumption and noise. This efficiency supports precise control and energy-saving goals in compressors, while the magnets’ stability is crucial for ensuring long-term reliability. Compared to traditional motors, they offer notable benefits in energy efficiency, control performance, operational stability, space utilization, and environmental adaptability.
- **MRI.** NdFeB PMs play a vital role in MRI equipment, primarily as core components generating strong, stable static magnetic fields. Their high maximum energy product and remanence enable the creation of uniform, high-intensity static magnetic fields — essential for MRI functionality. Additionally, NdFeB PMs’ stable performance and good temperature characteristics help maintain long-term magnetic field consistency, ensuring imaging resolution and accuracy. Their application advantages include improved imaging quality and more compact equipment design.

Industrial motors and others — Embodied intelligence robots

We provide core magnetic circuit solutions for embodied intelligence robotics. Our mass-produced sintered NdFeB PMs, boasting top-tier maximum energy product and high coercive force, are highly compatible with the design requirements of key components such as compact joint actuators and dexterous robotic arms. Their optimized torque-to-weight ratio and power density enable human-like power output in lightweight limb structures, ensuring agile motion response and micron-level positioning accuracy — equipping embodied intelligent robots with core capabilities of precise operation and flexible work.

Meanwhile, they enhance motor energy conversion efficiency and reduce energy loss, extending the battery life of mobile embodied intelligent robots to meet the demands of long-term continuous operation scenarios. In terms of environmental adaptability and reliability, our products not only feature excellent demagnetization resistance to withstand magnetic field interference under dynamic working conditions but also support a high temperature resistance up to 150°C, addressing the challenge of internal heat accumulation from continuous dynamic loads while maintaining stable magnetic performance.

BUSINESS

This characteristic ensures smooth and sensitive motion feedback of embodied intelligent robots during high-intensity operations, effectively avoiding overheating failure risks. It not only guarantees long-term stable operation of equipment but also builds a safety barrier for close human-machine interaction, perfectly meeting the rigorous application requirements of embodied agents in industrial collaboration, service companionship, medical assistance and other scenarios.

Industrial motors and others — Low-altitude aircraft

As a core functional material for the main drive motors of low-altitude aerial vehicles (including UAVs, eVTOLs. etc.), sintered NdFeB PMs boast excellent comprehensive magnetic properties. Their performance directly determines the load capacity limit, flight range, flight stability, and extreme environment adaptability of low-altitude aerial vehicles, playing a key supporting role in the core performance of downstream equipment.

In main drive motor applications, the core function of this material is to serve as an efficient and stable magnetic field source. Relying on its ultra-high maximum energy product, it constructs a stable and strongly coupled magnetic circuit, which collaborates with stator windings to achieve instantaneous, efficient, and precise conversion of electrical energy into mechanical energy, providing continuous and reliable driving force for aircraft propellers. Under complex operating conditions such as hovering, wind resistance, and vertical takeoff and landing, it can accurately output dynamic torque, and cooperate with vector control technology to achieve millisecond-level precise adjustment of flight attitude, ensuring flight safety under extreme conditions. Its excellent energy conversion efficiency reduces motor power consumption, significantly extending the aircraft’s flight range. Meanwhile, the application of this material can effectively simplify the overall structural design of the drive motor, reduce system operation complexity and noise levels, decrease the frequency of later equipment maintenance and operation costs, and improve the comprehensive operational efficiency of downstream equipment.

RESEARCH AND DEVELOPMENT

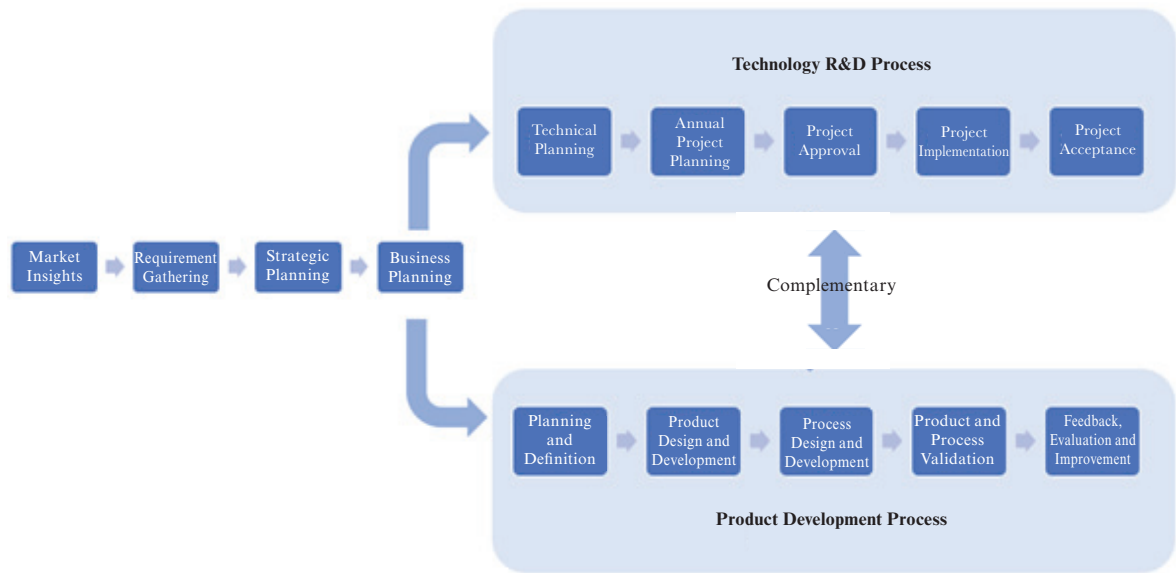
We emphasize R&D and have cultivated strong R&D capabilities. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses amounted to RMB313.7 million, RMB205.6 million and RMB275.9 million, respectively, representing 5.9%, 4.1% and 5.1% of our total revenue, respectively, in the same periods. See “Financial Information — Description of major components in our consolidated statements of profit or loss — R&D expenses” for further details.

As of the Latest Practicable Date, we had an R&D team of 518 dedicated R&D personnel of whom 94 members held a master’s or doctor’s degree, along with 23 technical staff members supporting the team. We have entered into legally binding confidentiality and non-compete agreements with our key employees and employees involved in our research and development activities, pursuant to which any intellectual property conceived and developed during their employment belongs to us.

Our R&D team was led by 16 key senior research officers with an average of 18 years of industry experience years and over 10 years of service in our company, six of whom joined us upon graduation and are internally trained. Their expertise spans materials, machining, surface protection, and equipment as of the Latest Practicable Date, and they are responsible for product development management, formulating market-oriented product planning and project management, and coordinating resources throughout the entire process. Our R&D team members undertake R&D projects and development requirements according to their respective areas of expertise, fulfilling project tasks with advanced planning and rapid response, balancing both strategic R&D planning and urgent market development needs. Our engineers collaborate with sales team to develop markets, complete product solution planning, project implementation, information collection and consolidation, and product lifecycle management.

BUSINESS

We adopt a market demand-oriented R&D model, covering the entire R&D process from the project initiation, product design, product realization and verification, product confirmation and design transfer, to product launch and after-sales support. Certain key steps of our R&D process are set forth below:



We master a comprehensive range of advanced technologies that work synergistically to optimize the comprehensive performance and cost-effectiveness of our NdFeB products, particularly in the domains of raw material purity control, microstructural optimization, grain boundary diffusion processing, surface protection, precision manufacturing and sustainable manufacturing. Our expertise and integration across these technical disciplines have enabled us to establish competitive and sustainable product capabilities. During the Track Record Period, we mainly focused on consistently improving and upgrading certain key technologies deployed in NdFeB product manufacturing:

- **High-purity magnet manufacturing technology.** We adopt advanced vacuum smelting technologies with full-process low-oxygen protection measures. Combined with efficient high-vacuum degassing processes, we can remove the additive efficiently and control harmful impurity content in the magnet matrix to significantly low levels, minimize micro-defects and optimize grain uniformity.
- **Grain refinement control technology.** We optimize the columnar grain size alloy solidification processes, control over powder particle size, and the addition of appropriate refractory metal elements work to suppress grain growth during sintering. Thus a fine, uniform grain structure of the magnet can be obtained. Such technology delivers significant enhancements to the magnet’s resistance to magnetic loss.
- **Grain boundary optimization technology.** We adjust magnet compositions by incorporating suitable alloying elements and adopt advanced multi-level heat treatment processes. These measures facilitate the formation of a continuous, uniform and magnetic isolation layer in grain boundaries, thereby reducing magnetic coupling between adjacent grains. Our technology effectively improves the comprehensive magnetic properties, including enhanced intrinsic coercivity and anti-demagnetization ability without heavy rare earth.

BUSINESS

- **Grain boundary diffusion technology.** We master specialized surface coating and high-temperature heat treatment processes, paired with appropriate rare earth-based diffusion materials. This process allows heavy rare earth elements to penetrate from the magnet’s surface into its interior along grain boundaries and form a core shell structure on the grain epitaxial layer, significantly enhancing intrinsic coercivity and anti-demagnetization capability. Compared to traditional methods, our technology delivers improvements in key magnetic properties and achieves high-quality utilization of scarce rare earth resources while lowering costs.
- **Area-selective diffusion technology.** Based on the actual operational needs of magnets in different types of motors , we implement targeted area diffusion processes on the magnets. We focus on enhancing performance in critical areas through intensified heavy rare earth coating, while optimizing heavy rare earth usage in non-critical regions. Our technology balances magnetic performance and cost control, effectively meeting the unique requirements of various application scenarios.
- **Magnet splicing technology.** We combine precision multi-wire cutting, accurate dispensing control, automated assembly, and environmentally friendly surface protection technologies to splice magnet components into larger, application-tailored products. Our technology reduces eddy current loss during device operation, and improves operational reliability and reduce the cost of motors.
- **Magnet recycling technology.** We have developed high-yield recycling processes for rare earth permanent magnet scrap. These processes include scrap cleaning, impurity removal, powder preparation through crushing or hydrogen decrepitation process, and performance adjustment by blending with appropriate new magnetic materials. Combined with strict scrap management and quality control systems, our technology produces recycled magnet products that meet relevant application requirements, supporting resource recycling and green production practices.

We maintain cooperation with external research institutions to develop certain technologies with respect to the production of NdFeB products. For instance, we entrust a renowned research institution for an R&D project of preparation technologies for sintered NdFeB PMs. We entered into a cooperation agreement with the research institution, which specified a fixed service fee we shall pay to this research institution, and that relevant intellectual properties are co-owned by both parties. Each party may use the jointly-owned intellectual property for its own production, manufacturing and product sales, free of charge. Neither party shall license any third party to exploit the jointly-owned intellectual property unless prior written consent is obtained from the other party. Any licensing income derived from third-party licensing shall be shared equally, or as otherwise mutually agreed.

From 2022 to 2025, we acted as the lead organization for one national key R&D program and participated in another national key R&D program, and in 2025, we participated in a national science and technology major project expected to be completed in 2028, all of which leverage our self-developed technologies and R&D capabilities.

BUSINESS

PRODUCTION

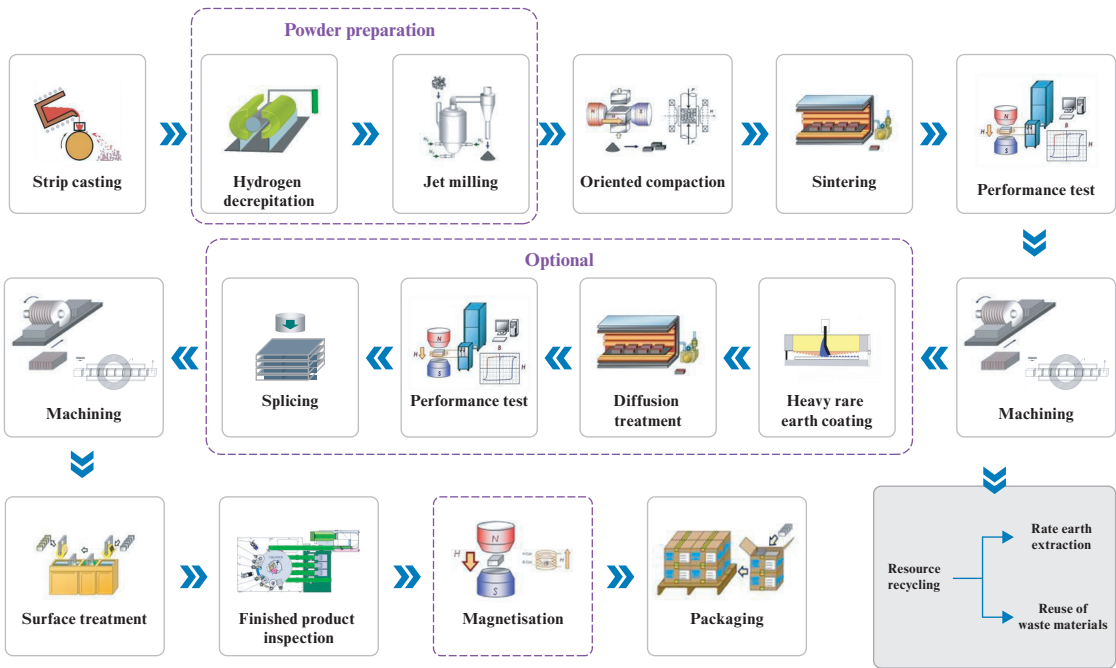
We manufacture customized NdFeB products of different specifications and customizations based on the applications and the needs and requirements of customers. We have two production bases in Ningbo and Baotou, respectively, in China. Our production team consisted of 2,692 members as of the Latest Practicable Date.

We typically make production plans based on sales orders (including our anticipated sales orders) and purchase plans provided by our customers. To effectively control our risk exposure to excess production and inventory, our production, procurement, sales and inventory control teams report to our management regularly to facilitate their review of our production plans and adjusting our production volume, production schedules and procurement where necessary.

Production flow

Sintered NdFeB PMs

Sintered NdFeB PMs are rare earth permanent magnets with neodymium, iron, and boron as core components, supplemented by elements such as dysprosium and terbium, achieving densification through high-temperature sintering. The key steps of its production process roughly include strip casting, powder preparation, magnetic field-oriented compaction, vacuum high-temperature sintering for densification, and machining process, diffusion, plating and magnetizing to become finished products. For illustrative purpose, the chart below sets out our major workflow to produce sintered NdFeB PMs:



- **Strip casting:** Raw materials are issued and batched according to formulation requirements to complete the combination of various raw materials. The batched materials are added to the smelting furnace. Under vacuum conditions, the materials undergo heating, alloy melting and alloy rapid quenching to obtain NdFeB strips.

BUSINESS

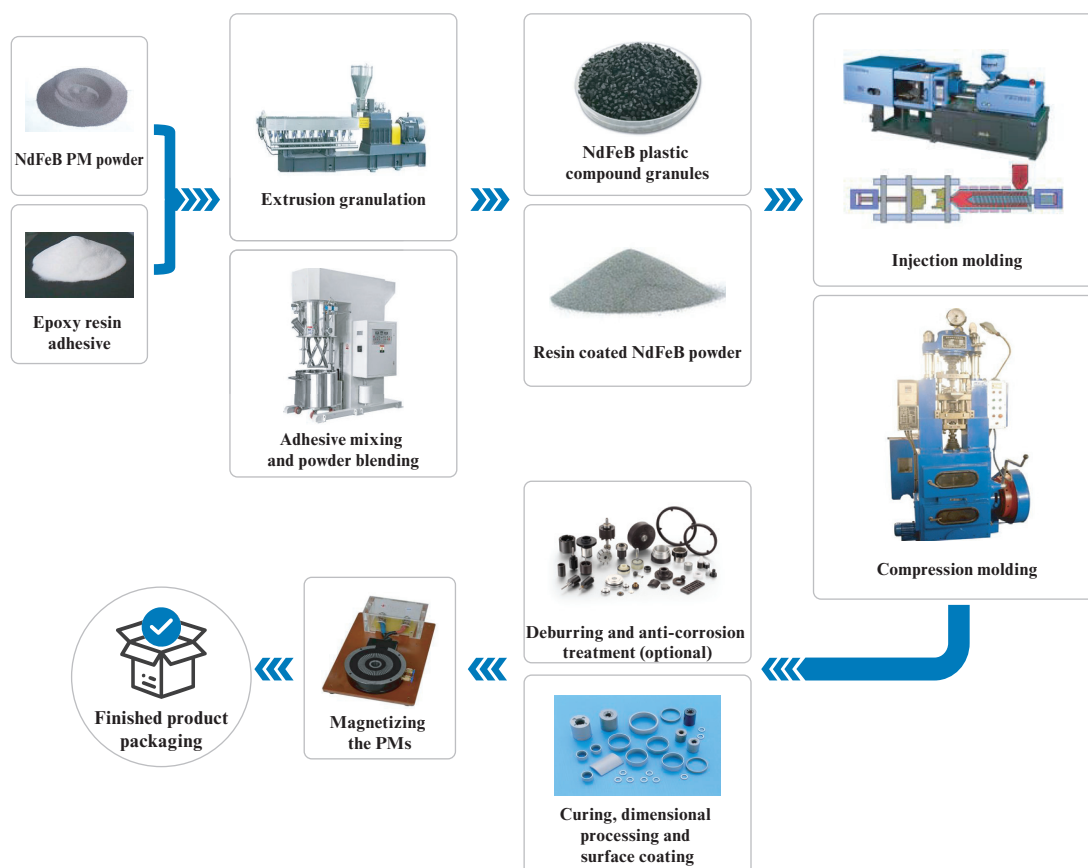
- **Powder preparation:** NdFeB strips are added to the hydrogen decrepitation furnace and undergo hydrogen absorption and dehydrogenation to obtain coarse powder. Jet mill equipment is then used to crush the coarse powder into finer powder, which is collected in sealed container. The entire process avoids contact with air, eliminating oxidation risk.
- **Magnetic field-oriented compaction:** The powder undergoes oriented compaction in a molding press under nitrogen atmosphere to obtain green compacts.
- **Sintering:** The green compacts undergo vacuum high-temperature sintering for densification and aging treatment in a sintering furnace to obtain blanks.
- **Machining:** The blanks are processed through cutting, grinding, chamfering and other mechanical equipment into various shapes such as small blocks, cylinders, rings, disks and other customized shapes.
- **Heavy rare earth coating and diffusion treatment:** Also known as grain boundary diffusion process, a film layer containing heavy rare earth is coated on the magnet products. After diffusion heat treatment, diffusion magnet products are obtained. These steps are optional, depending on the specifications of the finished product.
- **Surface treatment:** Our surface treatment is divided into two categories: electroplating and coating. Electroplating typically involves plating metals such as nickel, copper and zinc. Coating typically involves epoxy and phosphating. Surface treatment enhances the corrosion resistance of products under various environmental conditions. We have more than multiple production lines for different plating types, with diverse surface treatment capabilities to meet the needs of different customers.
- **Finished product inspection and packaging:** The magnets are magnetized according to customer requirements using magnetizing equipment. Appearance inspection is conducted from multiple angles through visual inspection or CCD equipment to ensure quality requirements. In addition, magnet splicing and assembly work can be completed according to customer requirements to provide additional services to customers. Finally, packaging and warehousing are completed.

Bonded NdFeB PMs

Bonded NdFeB PMs are rare earth permanent magnets made by mixing NdFeB magnetic powder as the core base material with binders such as resin and engineering plastics, followed by molding and curing. It does not require high-temperature sintering; instead, it relies on binders to bond the magnetic powder. Although its magnetic performance is slightly lower, it has better formability and corrosion resistance, making it suitable for demands of precise and complex shapes.

BUSINESS

The key steps of its production process include batching and mixing, molding (including injection molding or pressing), post-processing, and magnetization. For illustrative purpose, the chart below sets out our major workflow for the production of bonded NdFeB PM:



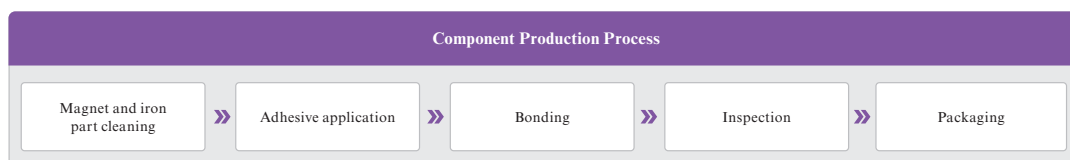
- Batching and mixing:** NdFeB PM powder is accurately weighed together with binders at a certain ratio and necessary additives, and then placed into mixing equipment. Through thorough and uniform stirring or mixing, the binder completely coats each magnetic powder particle to form evenly mixed granules. The uniformity at this stage directly determines the magnetic properties and mechanical properties of the final product.
- Molding:** This is the process of forming the mixed granules into the required shape. There are two main technologies: (i) compression: the mixed powder is added into a mold and compression molded. The resulting compacts have high density and magnetic powder content with better magnetic properties, but the shape complexity is relatively limited, and (ii) injection: the granules are heated to a molten state and then injected into the mold cavity under high pressure for cooling and shaping. This is suitable for manufacturing parts with complex shapes, precise dimensions and inserts.
- Post-processing:** After molding, the magnets need to undergo a series of treatments before becoming usable products, mainly including: (i) curing: for compression molded magnets, cross-linking reaction of epoxy resin needs to occur at a specific temperature to achieve final strength, (ii) dimensional processing: according to requirements, the cured magnets are precision processed to achieve precise dimensional requirements, and (iii) surface coating: since NdFeB is susceptible to oxidation and corrosion, compression molded magnets usually require surface coating treatment, such as electrophoresis, epoxy resin spraying or phosphating treatment, to enhance their corrosion resistance.

BUSINESS

- **Magnetization:** The processed magnets are placed in a magnetizing fixture and subjected to an extremely strong instantaneous pulse magnetic field (far higher than its own coercive force). The magnetic domain directions within the magnet are uniformly aligned under the action of this magnetic field, thereby obtaining stable permanent magnetic properties. The magnetization direction and magnetic field strength can be designed and controlled according to the final application requirements.

Magnetic components

Magnetic components are functional magnetic system units assembled with sintered or bonded NdFeB PMs we manufactured as the core, combined with auxiliary components such as magnetic conductors, structural parts, and coils. They integrate magnetic circuit design, precision assembly, and performance optimization to achieve specific functions such as magnetic adsorption, power transmission, and electromagnetic conversion. Compared with standalone magnets, magnetic components offer higher magnetic field utilization efficiency, better structural stability and broader application adaptability. The following chart sets forth our major production workflow for our magnetic components products, taking component as example:



The component production process starts by cleaning NdFeB magnets and iron parts to remove surface impurities, evenly applying adhesive on their bonding surfaces, and precisely aligning the parts, then pressurizing, heating and curing them. After testing the adhesive bonding strength, dimensional accuracy and appearance, the finished product is packaged with protective materials for storage and transportation.

We have established a comprehensive quality control system. First, we conduct sampling inspections on the performance and appearance of incoming materials including magnetic steel. During production, we implement initial and final inspection as well as patrol inspection regimes and exercise strict control over key equipment parameters. Our quality control team carries out final outgoing inspections of products in strict accordance with the standardized quality control checklist. See “— Quality control” in this section for further details.

Production outsourcing

We outsource a portion of our operations, specifically the machining and surface treatment involved in processing sintered materials into finished products because considering our small-batch orders for customized products, production facility space limitations, we did not have sufficient in-house processing capability during the Track Record Period. We intend to continue to reduce the scale of such outsourcing and increased the proportion of the machining and surface treatment in our own production bases as we strive to optimize our order mix and secure more large-volume and long-term customized product orders.

We select qualified suppliers primarily engaged in machining and surface treatment. Prospective suppliers are subject to an initial trial period, during which their performance is evaluated. They are officially engaged as our approved suppliers upon successful completion of this assessment. We set standards for production procedures and engage eligible suppliers to complete outsourcing processing services. We generally enter into outsourced production agreements with relevant suppliers on an as-needed basis. The agreements typically specify the service scope and payment terms. The principal terms are stipulated in the relevant contracts. Based on our actual business needs, we place purchase orders specifying the product categories, specifications, quantities and delivery schedules. During the Track Record Period, three of the suppliers of outsourcing

BUSINESS

processing services were our associates. To the best of our knowledge, save as disclosed above in this document, during the Track Record Period, all other outsourced processing service providers for machining and surface treatment were Independent Third Parties. For the years ended December 31, 2023, 2024 and 2025, we incurred outsourcing costs of RMB360.2 million, RMB443.3 million and RMB377.7 million, respectively, accounting for 8.5%, 11.1% and 7.6%, respectively, of our total purchases for the same periods.

Production facilities

We have two production bases in Ningbo and Baotou, respectively, in China. As of December 31, 2025, our Ningbo production base had a total site area of 254,975 sq.m. and a total GFA of 259,958 sq.m and our Baotou production base had a total site area of 223,141 sq.m. and a total GFA of 163,329 sq.m. Our Ningbo production base is complemented by full-process production lines for production of NdFeB PM blanks and final products while Baotou production base is for production of NdFeB PM blanks.

The following table sets forth the production capacity, production volume and utilization rate of our production bases in respect of the production of NdFeB PM blanks for the periods indicated:

	Year ended December 31,								
	2023			2024			2025		
	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %	Production capacity ⁽¹⁾ tons	Production volume tons	Utilization rate ⁽²⁾ %
Ningbo production base	6,000	5,009	83.5	6,000	5,608	93.5	6,000	4,530	75.5
Baotou production base	15,000	8,493	56.6	15,000	12,253	81.7	17,500	14,580	83.3
Total	21,000	13,502	64.3	21,000	17,861	85.1	23,500	19,110	81.3

Notes:

- (1) Calculated as the maximum possible production volume for the relevant year, based on the following factors: the number of production machines in operation; the machine time required for standardized products (which depends on the characteristics of the relevant production lines, assuming that the sintering process lines operate on a three-shift basis of eight hours per day for 30 days per month, with reasonable changeover time between batches, while other production lines are assigned shift schedules according to their specific characteristics, with employees performing relevant work during the applicable working days); and an estimated overall equipment effectiveness rate that is generally applicable to our production activities based on our historical records of relevant equipment.
- (2) Calculated as production volume for the year divided by the production capacity for the same year.

Our production capacity remained stable at 21,000 tons for the years ended December 31, 2023 and 2024. In June 2025, we completed the construction of additional production lines at our Baotou production base, increasing our production capacity to 23,500 tons for the year ended December 31, 2025. Our production volume increased from 13,502 tons in 2023 to 17,861 tons in 2024 and further increased to 19,205 tons in 2025, mainly driven by the growth in customer orders.

Production equipment

We endeavor to equip our manufacturing facilities with state-of-the-art equipment. For blank manufacturing, our main production equipment includes melting furnaces, jet mills, molding presses, sintering furnaces, and testing equipment. For machining manufacturing, the key equipment covers high-speed wire saws, laser cutting machines, six-sided grinding machines, and degluing & cleaning equipment. In addition, we are equipped with CCD inspection equipment, magnetizing equipment, and multiple automatic assembly lines, enabling us to meet the diverse needs of different types of customers. Our major suppliers for production and testing equipment are established industrial equipment suppliers in the PRC. We make certain customizations to some of our equipment in order to enhance our production and testing processes. Through our equipment customization and integration, such as modular equipment design, intelligent system integration and application of process innovations, we have built a flexible intelligent manufacturing system, enabling rapid

BUSINESS

switching and stable production of NdFeB PMs of different specifications. It not only improves production efficiency and product quality, but also significantly reduces energy consumption and material costs.

Much of our equipment requires minimal human operation, allowing us to reduce labor costs and focus our manufacturing facility staffing on maintenance and supervisory personnel. We carry out assessments on the energy consumption and production efficiency of our equipment and upgrade them from time to time as we deem necessary. We believe that our equipment and our customization and development capabilities have enabled us to better control our production costs and increase our production efficiency to ensure our competitiveness.

During the Track Record Period, we procured additional equipment from time to time. We calculate depreciation on our machinery equipment using the straight-line method over their estimated useful lives, which are five to 10 years. We conduct regular maintenance and repair work and review their useful lives on an annual basis.

We have formulated and implemented our enterprise standards and procedures on equipment management, according to which we carry out regular maintenance of our equipment. Our equipment management department is primarily responsible for the overall management of our equipment from procurement, installation and commissioning to daily use, maintenance and repair. We also designate equipment operators to conduct daily inspections and routine maintenance in accordance with equipment operating procedures and to promptly report equipment malfunctions. Our equipment maintenance system includes preventive maintenance (comprising daily maintenance, level-one maintenance and level-two maintenance based on equipment classification) and predictive maintenance (based on process data analysis), and we maintain detailed maintenance records for all equipment maintenance activities.

We compile comprehensive maintenance rules and procedures for specific equipment in operation. While our equipment should in general undergo one comprehensive maintenance every year, the more important types of equipment is subject to additional cleaning, inspection, adjustment and verification. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material unexpected disruption of operations as a result of any material failure of production machinery and equipment. Our maintenance and repair expenses in relation to our production equipment amounted to RMB6.8 million, RMB6.1 million and RMB6.6 million for the years ended December 31, 2023, 2024, and 2025, respectively.

Production expansion plan

In order to meet the continuously growing market demand for NdFeB PMs, we plan to further expand our production capacity of our Baotou production base. We plan to procure production equipment (such as jet mill, magnetic field-oriented molding press, and sintering furnace) to increase our annual production capacity for NdFeB PM blanks from 26,000 tons to 36,000 tons which is expected to be completed by end of 2028. We plan to utilize proceeds from the previous equity issuance for this production capacity expansion.

In addition, we are in the process of expanding our existing production facilities by constructing “Phase III of Mechanical Processing in Consumer Electronics Business.” Such project is expected to be completed by the end of 2026. We plan to utilize our internally generated funds to support this project.

For further details about our future plans regarding production capacity expansion and equipment upgrades, see “Future Plans and Use of [REDACTED]”.

We believe that our expansion projects will further strengthen our production capacity, maintain our market position and realize our market potential.

BUSINESS

QUALITY CONTROL

We place great emphasis on, and endeavor to constantly ensure, the high quality of our products. We have established our own quality control system aligned with ISO9001:2015 and IATF 16949:2016, creating a comprehensive quality management framework that spans the entire lifecycle of our products. This lifecycle begins with R&D initiation and encompasses product design, raw material procurement, manufacturing, warehousing and logistics, marketing and sales, and extends to after-sales services. Within this framework, we have implemented a multiple-tier standardized document system: the Quality Manual, which defines our quality policy and objectives, and overall management framework; Procedure Files, including Advanced Product Quality Planning (APQP), supplier management, equipment control, product monitoring and measurement, non-conforming product control, continuous improvement and poor quality cost control; Standard Operating Procedures (SOPs) that details specific operational steps for production, inspection, maintenance, and other on-site activities; and Quality Records, which document data from every stage, forming a traceable and verifiable closed-loop management mechanism. Additionally, we have established specific management measures for quality abnormalities and quality accidents through the Quality Abnormality Management Measures and Quality Accident Management Measures to promptly address deviations and incidents with clear classification of defect severity into critical, major, minor and trivial categories and accident levels such as major, Class I to III and special, along with defined reporting, investigation, accountability and escalation mechanisms.

To ensure the effective operation of this quality control system, we have established an independent quality department. This department oversees annual internal audits and management reviews, ensuring the system remains compliant with regulatory requirements. Through regular reviews and meetings, we continuously optimize and enhance our quality control processes, maintaining high standards of product safety, reliability and performance.

As of the Latest Practicable Date, our quality control team consisted of 540 employees dedicated to the quality management of our products. The leader of our quality control team has more than 16 years of team and project management experience in rare earth PMs industry. He holds professional qualifications and certifications including Six Sigma Black Belt Certificate, PSB & PSCR Certificate, IATF 16949 Internal Auditor Certificate, and VDA 6.3 Internal Auditor Certificate. With deep expertise in project management and relevant regulatory requirements and standards, he ensures our quality system complies with both domestic and international regulations. His leadership enables seamless coordination among the quality system, quality control and quality assurance, maintaining high quality standards across all operations. All quality control team members have been trained in advance and have the necessary qualifications to perform their duties. Our quality control team performs comprehensive functions, including design and development review, supplier quality management, quality inspection, process control, finished product release inspection, document and record management, and quality system maintenance. This establishes a complete quality control chain, from source management to end-of-line oversight.

We regularly review and evaluate our quality control system according to the latest industry standards and submit reports to our management. Our management is responsible for making plans and implementing measures to improve our quality control system. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints against us or about our products from our customers.

BUSINESS

SALES AND MARKETING

As of the Latest Practicable Date, we had a sales and marketing team of 109 employees, focusing on business development, sales and customer service. Our sales and marketing team analyzes the dynamics of key downstream markets to discover business opportunities. They regularly contact our existing and potential customers about our product offerings and development plans. They also gather feedback from customers on our products thereby facilitating our understanding of customer needs and responding to demands for our products. We provide sales and marketing personnel with comprehensive training, which includes content on our corporate culture, market trend and competition landscape, collaboration resources, sales procedures, and price system. Our sales and marketing team is also divided into various functions, covering different geographic regions and different channels. As of the Latest Practicable Date, we had one subsidiary in the EU and one in North America to cover our sales and marketing activities in overseas markets.

The following table sets forth a breakdown of our sales volumes and average selling price of NdFeB products by product category and downstream application for the periods indicated:

By product category:

	2023		Year ended December 31, 2024		2025	
	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)
Sintered NdFeB PMs	10,229	421	11,489	350	11,705	343
Bonded NdFeB PMs	288	343	338	227	453	218
Magnetic components ⁽¹⁾	271	971	1,046	421	2,039	345
Total/Overall	10,788	432	12,873	353	14,197	340

Note:

- (1) Our magnetic components' composition includes not only the magnets we produce but also other materials we procure from third parties and the production of magnetic components involves specific production processes in addition to the said materials. The exact product composition and production process to be utilized will depend on the customers' product requirements.

As a result of the above factors, we do not calculate or record the exact weight of our magnetic components and the sales volume of magnetic components in the above table refers to the weight of the magnets we produced and recorded in our business operation and is for illustration purpose only. See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details.

By downstream application:

	2023		Year ended December 31, 2024		2025	
	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)	Sales volume (ton)	ASP (RMB'000/ ton)
NEVs	4,890	432	7,039	327	8,011	318
Consumer electronics	2,082	544	2,862	459	2,800	466
Industrial motors and others	3,816	371	2,972	313	3,386	287
Total/Overall	10,788	432	12,873	353	14,197	340

See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details.

BUSINESS

We sell our products in both Chinese mainland and overseas markets. The following table sets out a breakdown of our revenue by geographical region for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Chinese mainland	4,097,631	76.9	3,562,541	71.3	3,976,941	73.4
Overseas ⁽¹⁾	1,228,634	23.1	1,435,672	28.7	1,440,103	26.6
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Note:

- (1) Refers to our international markets, with the majority of revenue derived from customers located in Asia (excluding Chinese mainland), the EU and North America.

We adopt targeted sales and marketing strategies in overseas markets. We identify a target customer list, and our local teams leverage regional market characteristics and resource advantages to engage potential clients and drive project implementation. Meanwhile, our core channels for acquiring overseas customers include participation in industry exhibitions, and face-to-face visits to target clients, ensuring effective market penetration and business expansion. We conduct overseas marketing activities and provide customer services to overseas customers through our subsidiaries in the EU and North America. For the years ended December 31, 2023, 2024 and 2025, revenue generated from overseas customers accounted for 23.1%, 28.7% and 26.6% of our total revenue for the same period, respectively. See “Financial Information — Description of major components in our consolidated statements of profit or loss — Revenue” for further details. During the Track Record Period and up to the Latest Practicable Date, we had been in compliance with the relevant regulations on the export control of rare earth products. See “Regulatory Overview — Laws and regulations in relation to the import and export of goods” for more details of the relevant regulations. See “Risk Factors — Risks relating to our business and industry — We face risks associated with our international sales and operations” for further details.

We do not accept product return or exchange except for products with quality defects caused by us. We determine the warranty period with customers on a case-by-case basis. The warranty periods of our products usually vary by different surface treatment processes. The final warranty term shall be determined based on the customer’s actual usage methods, application scenarios, and mutually agreed between both parties. We may provide product repair or exchange if requested by our customers during the warranty period. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any product quality defects and did not experience any material customer complaint or product return.

Distributors

We consider customers who purchase our products to resell, or are reasonably expected to resell, and not for their own use (including the Contracted Distributors (as hereunder defined) and the traders), as distributors for purpose of this document. During the Track Record Period, distributors form a part of our sales network, primarily focusing on expanding market coverage in emerging regions (such as Eastern Asia) and specialized application segments including industrial motors and others and consumer electronics accessories. We may enter into distribution agreements with our distributors (such distributors, “**Contracted Distributors**”), under which we supply NdFeB products upon receipt of their orders, or cooperate with traders, with whom we do not enter into distribution agreements and which place orders with us on an as-needed basis. This strategic layout enables us to penetrate markets with complex local distribution channels and meet diverse customer demand efficiently. According to CIC, it is common for NdFeB PM manufacturers to sell products through distributors.

BUSINESS

The following table sets forth a breakdown of our revenue generated from sales of our products by sales channel for the periods indicated:

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Direct sales	4,661,546	87.5	4,551,128	91.1	4,895,359	90.4
Sales to traders	402,298	7.6	256,918	5.1	314,797	5.8
Sales to Contracted Distributor	262,421	4.9	190,167	3.8	206,888	3.8
Total	5,326,265	100.0	4,998,213	100.0	5,417,044	100.0

Contracted distributors

During the Track Record Period, we had only one Contracted Distributor.

We adopt a rigorous screening and selection process for Contracted Distributor to ensure alignment with our brand positioning and strategic objectives. Key evaluation criteria include: (i) possession of valid business licenses, import/export permits (for overseas distributors), and compliance with local regulatory requirements for magnetic materials sales; (ii) proven experience in the target market segments, including established customer networks with industrial manufacturers, electronic component suppliers, or automotive part producers; (iii) robust market development capabilities, financial stability, and a good credit track record; which is critical for complex applications of our NdFeB products.

We maintain proactive Contracted Distributor management through regular performance reviews, financial condition assessments, and collaborative business planning. However, we did not set a target purchase amount nor impose mandatory procurement obligations. The Contracted Distributor may only sell our products within the designated region specified in the relevant distribution agreement and they are not allowed to appoint sub-distributors without our prior written approval. During the Track Record Period, we did not add or terminate any Contracted Distributor.

During the Track Record Period, revenue generated from Contracted Distributor accounted for 4.9%, 3.8% and 3.8% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively, representing a stable contribution to our overall sales. We generally do not allow the Contracted Distributor to return their stock to us except for products with quality defects caused by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns from the Contracted Distributor.

We enter into a distribution agreement with a Contracted Distributor. The following table summarizes the salient terms of the existing distribution agreement we entered with the Contracted Distributor:

Term	Ten years, renewable upon mutual agreement one month before expiry.
Specification	The agreements set out the quality specifications and product scope that the distributor is authorized to sell, which must comply with our product standards and relevant industry regulations.
Pricing	The unit price is determined based on a comprehensive assessment of production costs, market conditions and other relevant factors. In the case of sales through the distributor, products are sold at the agreed agent price. Where we sign contracts directly with end customers with the distributor's support, a commission may be paid to the distributor.

BUSINESS

Designated geographical regions	The distributor is authorized to sell our products in South Korea. The distributor is prohibited from selling outside the designated region without our prior written approval.
Payment	The distributor is required to make payment in accordance with the terms of the separate sales contracts.
Product warranty	We warrant that our products are in compliance with applicable laws, regulations, and agreed quality standards.
Regulatory compliance	We require the distributor to comply with all relevant laws and regulations in the territories where they operate.
Undertakings	We undertake to supply qualified products, arrange shipment in a timely manner after receiving payment, provide necessary pre-sales and after-sales technical support and market development materials. The distributor undertakes to operate legally, protect our commercial secrets, and actively promote our products in the designated region.

Traders

During the Track Record Period, we also sold our products to traders who did not enter into distribution agreements with us. These traders are treated as ordinary buy-out customers. We typically accept purchase orders from them. We have no ownership or management control over any of traders. Our sales to traders are final and we generally do not allow traders to return their stock to us except for products with quality defects caused by us. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns from traders. We treat our traders substantially the same as our end customers and offer no preferential arrangements in product pricing. For the years ended December 31, 2023, 2024 and 2025, we had 88, 89, 71 traders who placed orders with us to purchase our products, respectively.

Revenue generated from sales to traders accounted for 7.6%, 5.1% and 5.8% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively.

According to CIC, it is a common industry practice in China’s NdFeB PM industry for manufacturers to sell to traders without entering into any long-term framework agreements and instead based on individual agreements tailored to the commercial terms of each sale, because we generally do not impose strict performance obligations on traders and traders generally do not demand exclusive arrangements.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, all of our Contracted Distributor and traders were Independent Third Parties and none of the Contracted Distributor and traders had any other past or present relationship (business or otherwise) with us, our Directors, Shareholders, senior management or any of their respective associates.

BUSINESS

PRICING

We mainly adopt a cost-plus pricing mechanism for our products. Rare earths as raw materials accounted for 65.5%, 56.5% and 54.0% of our total cost of sales for the years ended December 31, 2023, 2024, and 2025, respectively. Fluctuations in rare earth prices therefore may lead to fluctuations in the prices of our products. We typically enter into sales agreements with, or accept purchase orders from, our customers. We place strong emphasis on establishing long-term and solid business relationships with our customers. In order to establish a close cooperation relationship and enhance mutual benefit between our customers and us, we establish a multi-cycle flexible price adjustment system with our customers through mutual negotiation, under which we are able to adjust the unit price of our products on annual, semi-annual, quarterly or monthly basis in accordance with the respective terms as agreed with our customers. In the price calculation process, the raw material price benchmark strictly follows the agreed annual, semi-annual, quarterly or monthly cycle standards with our customers. The unit price of products under the above settlement cycles serves as the pricing benchmark, and price updates are completed in combination with market changes and agreement terms. Our price adjustment mechanisms for the three major downstream applications mainly fall into two categories: (i) periodic price adjustment model based on agreement terms; and (ii) case-by-case negotiation model based on real-time market conditions. These two mechanisms operate in parallel to balance the stability of cooperation and market flexibility.

CUSTOMERS

During the Track Record Period, our customers were primarily companies in the sectors such as NEVs, consumer electronics, and industrial motors, as well as distributors. We enter into sales agreements and/or framework agreements with, or accept purchase orders from our customers. Pursuant to the agreement, we provide products upon receiving orders placed by our customers, which specify the type, specifications, quantity of the products, as well as the timing of delivery. We grant credit terms to certain customers on a case-by-case basis based on our assessment.

We have established long-term and stable business relationships with our major customers. We had maintained business relationships ranging from seven to 14 years with our five largest customers for each year during the Track Record Period. For the years ended December 31, 2023, 2024, and 2025, the revenue generated from our five largest customers for each year during the Track Record Period represented 40.6%, 45.0% and 39.2% of our total revenue, respectively. Sales to our largest customer for each year during the Track Record Period represented 13.9%, 15.0% and 10.0% of our total revenue for the same periods, respectively. According to CIC, it is an industry norm for NdFeB PM manufacturers to have a high customer concentration. Based on public information available and regular assessment conducted by us, our Directors are of the view that as of the Latest Practicable Date, all of our five largest customers for each year during the Track Record Period were financially sound and in good operating condition.

BUSINESS

To the best knowledge of our Directors, none of our Directors and/or their respective close associates, or any of our existing Shareholders who owned more than 5% of the issued share capital of our Company, had any interest in any of our five largest customers for each year during the Track Record Period. The following table sets forth details of our five largest customers for each year during the Track Record Period:

Customer	Background	Products sold	Credit term (days)	Year of commencement of business relationship	Revenue (RMB'000)	% of total Revenue in the same period
Year ended December 31, 2023						
Customer A ⁽¹⁾	A leading Chinese NEV OEM	Rare earth permanent magnet	30	2019	739,450	13.9
Customer/Supplier B ⁽²⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Scrap Materials	Payment after delivery	2013	535,260	10.0
Customer C ⁽³⁾	A Chinese advanced materials and electromechanical enterprise	Rare earth permanent magnet	90	2015	364,333	6.8
Customer D	A Korean enterprise specializing in the sales of neodymium magnets	Rare earth permanent magnet	Varies among projects, such as 90 days	2012	265,890	5.0
Customer E	A foreign-invested Chinese company primarily engaged in manufacturing automobile components	Rare earth permanent magnet	90 or 120	2012	260,801	4.9
Total					2,165,734	40.6
Customer	Background	Products sold	Credit term (days)	Year of commencement of business relationship	Revenue (RMB'000)	% of total Revenue in the same period
Year ended December 31, 2024						
Customer A ⁽¹⁾	A leading Chinese NEV OEM	Rare earth permanent magnet	30	2019	748,856	15.0
Customer F ⁽⁴⁾	A Chinese enterprise primarily engaged in manufacturing core components of NEV power systems	Rare earth permanent magnet	90	2018	490,721	9.8
Customer/Supplier B ⁽²⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Scrap materials	Payment after delivery	2013	408,753	8.2
Customer C ⁽³⁾	A Chinese advanced materials and electromechanical enterprise	Rare earth permanent magnet	90	2015	336,424	6.7
Customer G	A Malaysian automation equipment and components enterprise	Rare earth permanent magnet	75	2017	266,909	5.3
Total					2,251,663	45.0

BUSINESS

Customer	Background	Products sold	Credit term (days)	Year of commencement of business relationship	Revenue (RMB'000)	% of total Revenue in the same period
<i>Year ended December 31, 2025</i>						
Customer F ⁽⁴⁾	A Chinese enterprise primarily engaged in manufacturing core components of NEV power systems	Rare earth permanent magnet	90	2018	542,509	10.0
Customer/Supplier B ⁽²⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Scrap materials	Payment after delivery	2013	512,883	9.5
Customer A ⁽¹⁾	A leading Chinese NEV OEM	Rare earth permanent magnet	30	2019	485,540	9.0
Customer C ⁽³⁾	A Chinese advanced materials and electromechanical enterprise	Rare earth permanent magnet	90	2015	293,718	5.4
Customer H ⁽⁵⁾	A global automotive and industrial supplier based in Germany	Rare earth permanent magnet	90	2012	284,946	5.3
Total					2,119,596	39.2

Notes:

- (1) Includes transactions with its subsidiaries.
- (2) Customer/Supplier B is also our supplier during the Track Record Period. See “— Overlapping customers and suppliers” in this section for further details.
- (3) Includes transactions with Customer C and its subsidiaries. Customer C is also our supplier during the Track Record Period. See “— Overlapping customers and suppliers” in this section for further details.
- (4) Includes transactions with Customer F and its subsidiaries.
- (5) Includes transactions with Customer H and its subsidiaries (including Customer E).

We enter into sales agreements with, or accept purchase orders from, our customers. Such sales agreements or purchase orders set out quality specifications, quantity and price. Under such sales agreements or purchase orders, we are generally required to arrange transportation of our products to destinations specified by our customers at our own cost and risk. We generally grant a credit term ranging from 30 to 90 days to our customers. In some cases, we agree to provide sales rebates advanced to customers in relation to product sales.

We also enter into framework agreements with certain customers, which generally do not specify the quantity or price of our products but cover certain procedural, logistical and administrative matters between us and our customers. Set out below are the key terms of framework agreements we entered into with customers:

Duration Generally one to three years.

Quantity Typically there is no minimum purchase commitment in the framework agreements. The actual purchase volume is subject to specific purchase orders or contracts.

BUSINESS

Price and pricing policy	No fixed unit price is set out in the framework agreement. The price will be subject to specific sales agreements or purchase orders. Certain framework agreements stipulate that the unit prices of our products may be adjusted accordingly subject to mutual agreement if the increase or decrease in our production costs exceeds certain agreed threshold. For certain major customer, we offer a sales rebate subject to the satisfaction of an agreed sales target.
Delivery	We are generally required to deliver our products to destinations specified by our customers at our own cost and risk.
Settlement	The payment is made through bank acceptance bills or wire transfer.
Warranty	Certain framework agreements provide that a small percentage of the purchase price may be withheld by our customers as warranty deposit and released after an agreed period of time.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any breaches of any sales agreements or framework agreements that had resulted in a material and adverse impact on our results of operations and financial position.

Third party payment arrangements

During the Track Record Period, there were two customers (“**Relevant Customers**”) that settled payments with us through third-party payers (“**Third-Party Payers**”) in the absence of clear contractual arrangements authorizing such third-party payments (“**Third-Party Payment Arrangements**”). The Third-Party Payment Arrangements primarily involved settlements by the entities within the same group of the Relevant Customers, or between parties with related party relationships. For the years ended December 31, 2024 and 2025, there was one Relevant Customer in each year, with the aggregate Third-Party Payment Arrangements being RMB48,384 and RMB950, respectively, representing less than 0.001% of our total revenue in each year.

The primary reasons for these Third-Party Payment Arrangements include the transfer of contractual obligations or request by the customer for its affiliate to make payment on its behalf. We did not initiate any Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date, accepting them solely at the request of the Relevant Customers. Furthermore, we have not provided any discounts, commissions, rebates, or other benefits to the Relevant Customers or Third-Party Payers to encourage these arrangements. As advised by our PRC Legal Advisors, our acceptance of such payments does not contravene any prohibitive provisions under PRC laws and regulations.

As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, (i) we have not encountered any unresolved disputes or received refund requests from any Relevant Customers or Third-Party Payers, and (ii) we have not been subject to any disputes or administrative penalties from relevant government authorities regarding these arrangements.

BUSINESS

To safeguard our interests, we have adopted strict internal control measures regarding Third-Party Payment Arrangements. As of the Latest Practicable Date, we had ceased all Third-Party Payment Arrangements. New customer orders are now settled only by direct payments from the relevant customers or pursuant to contractually authorized third-party payment arrangements. We have issued an internal notice to relevant staff to enforce these restrictions. As the revenue from these Third-Party Payment Arrangements as a percentage of our total revenue was immaterial during the Track Record Period, our Directors confirm that the cessation of the Third-Party Payment Arrangements does not have any material adverse impact on our business, financial condition or results of operations.

SUPPLIERS

Our major suppliers

During the Track Record Period, our suppliers were mainly (i) rare earth raw materials providers for the production of NdFeB PMs; (ii) outsourced processing service providers for machining and surface treatment and (iii) equipment suppliers. We have established stable and long-term business relationships with our major suppliers. We had maintained business relationships ranging from three to 22 years with our five largest suppliers for each year during the Track Record Period. In selecting suppliers, we conduct reviews on different aspects such as the basic background of the supplier, its supply capacity and ability to assure product quality, past dealings, delivery time and its service and quality assurance system. Our procurement team places purchase orders with selected suppliers based on our production plan, inventory, cash management needs and existing procurement plan. We did not experience any shortage or delay in the supply of key raw materials and consumables during the Track Record Period.

For the years ended December 31, 2023, 2024 and 2025, purchases from our five largest suppliers for each year during the Track Record Period accounted for 61.0%, 51.0% and 55.1% of our total purchases for the same periods, respectively. Purchases from our largest supplier for each year during the Track Record Period represented 23.5%, 29.3% and 31.6% of our total purchases for the same periods, respectively. To mitigate our supplier concentration, we had established business relationships with more than 20 rare earth suppliers as of the Latest Practicable Date.

As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, had any interest in our five largest suppliers for each year during the Track Record Period. Based on public information available and regular assessment conducted by us, our Directors are of the view that as of the Latest Practicable Date, all of our five largest suppliers for each year during the Track Record Period were financially sound and in good operating condition. The following table sets forth details of our five largest suppliers for each year during the Track Record Period:

Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
<i>Year ended December 31, 2023</i>						
Customer/Supplier B ⁽¹⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Rare earth raw materials	30	2013	1,006,750	23.5
Supplier A ⁽²⁾	A state-owned enterprise based in Inner Mongolia mainly engaged in the mining, smelting, separation, and production of rare earth	Rare earth raw materials	Payment in advance or 30	2004	901,549	21.0

BUSINESS

Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
Supplier C ⁽³⁾	A company based in Sichuan mainly engaged in rare earth smelting, separation and deep processing	Rare earth raw materials	30	2004	300,405	7.0
Supplier D	A state-owned enterprise mainly engaged in the import, export trade, and supply chain management of rare earth and related products	Rare earth raw materials	60	2023	206,935	4.8
Supplier E	A state-owned enterprise based in Ganzhou, Jiangxi mainly engaged in the rare earth smelting, separation, manufacturing, and sales of rare earth metals and alloys	Rare earth raw materials	30	2004	199,901	4.7
Total					2,615,540	61.0

Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
<i>Year ended December 31, 2024</i>						
Supplier A ⁽¹⁾	A state-owned enterprise based in Inner Mongolia mainly engaged in the mining, smelting, separation, and production of rare earth	Rare earth raw materials	Payment in advance or 30	2004	1,183,689	29.3
Supplier C ⁽³⁾	A company based in Sichuan mainly engaged in rare earth smelting, separation and deep processing	Rare earth raw materials	30	2004	266,296	6.6
Supplier F	A Chinese enterprise based in Ningbo mainly engaged in the sales and distribution of advanced metal materials, functional magnetic materials, and non-ferrous metal alloys	Rare earth raw materials	30	2024	221,312	5.5
Supplier G ⁽⁴⁾	A Chinese enterprise based in Beijing mainly engaged in the R&D, production, and sales of high-purity rare earth metal	Rare earth raw materials	30	2006	198,388	4.9
Supplier E	A state-owned enterprise based in Ganzhou, Jiangxi mainly engaged in the rare earth smelting, separation, manufacturing, and sales of rare earth metals and alloys	Rare earth raw materials	30	2004	189,479	4.7
Total					2,059,164	51.0

BUSINESS

Supplier	Background	Products purchased	Credit term (days)	Year of commencement of business relationship	Purchase amount (RMB'000)	% of total purchases in the same period
<i>Year ended December 31, 2025</i>						
Supplier A ⁽¹⁾	A state-owned enterprise based in Inner Mongolia mainly engaged in the mining, smelting, separation, and production of rare earth	Rare earth raw materials	Payment in advance or 30	2004	1,599,248	31.6
Supplier C ⁽³⁾	A company based in Sichuan mainly engaged in rare earth smelting, separation and deep processing	Rare earth raw materials	30	2004	457,270	9.0
Customer/Supplier B ⁽³⁾	A group of companies under the same control of a natural person and primarily engaged in rare earth raw material business	Rare earth raw materials	30	2013	332,058	6.6
Supplier E	A state-owned enterprise based in Ganzhou, Jiangxi mainly engaged in the rare earth smelting, separation, manufacturing, and sales of rare earth metals and alloys	Rare earth raw materials	30	2004	227,578	4.5
Supplier H	A Chinese enterprise based in Ningbo mainly engaged in the sales of rare earth materials, magnetic materials, metal products, and related raw materials	Rare earth raw materials	30	2011	173,177	3.4
Total					2,789,331	55.1

Notes:

- (1) Includes transactions with a company ultimately controlled by Customer/Supplier B.
- (2) Includes transactions with Supplier A and its subsidiaries.
- (3) Includes transactions with Supplier C and its subsidiaries.
- (4) Includes transactions with its subsidiaries.

We typically enter into standard procurement agreements with our raw materials suppliers. The salient terms of standard procurement agreements are set out below:

Term	The agreements typically do not have a fixed term. We place orders with our suppliers as needed.
Specification	The contracts or orders set out the type of raw materials, quality specifications, and quantity of the rare earth to be supplied.
Pricing	A fixed unit price is set out in the agreement and determined based on a comprehensive assessment of the production costs of suppliers, delivery costs and taxes.
Payment	Certain suppliers may require us to make full prepayments. Otherwise, we generally make payments to our suppliers after the delivery of rare earth to our designated location. The payment is made through bank acceptance bills or wire transfer.

BUSINESS

Delivery	Suppliers are responsible for delivering the rare earth to our designated place within a specified period.
Inspection and acceptance	We are entitled to conduct inspections of the delivered goods before acceptance. Any quality issues shall be raised by us within a specified period.
 We have also entered into framework agreements with certain major rare earth suppliers in order to ensure a stable supply of rare earth. Set out below are key terms of such framework agreements:	
Duration	Generally one year.
Quantity	Typically there is no minimum purchase commitment in the framework agreements. Our actual purchase volume is subject to specific purchase orders or contracts. Purchase volume can be adjusted upon one month’s notice, within agreed limits.
Price and pricing policy	The price will be subject to specific purchase orders or contracts and will be determined through negotiation with reference to rare earth prices set out on third-party bulk commodity information websites.
Payment	We generally make payments to our suppliers after the delivery of rare earth to our designated location and receipt of invoice.
Specification	The framework agreements set out the quality specifications of the rare earth to be purchased by us.
Delivery	Our suppliers are typically required to deliver the rare earth to our production bases.
Inspection and acceptance	We are entitled to conduct inspections of the delivered goods before acceptance. Any quality issues shall be raised by us within a specified period.

Raw materials and procurement

For the years ended December 31, 2023, 2024 and 2025, our cost of raw materials and consumables was RMB4,108.0 million, RMB3,209.3 million and RMB3,222.4 million, respectively, representing 80.9%, 72.3% and 71.1% of our total cost of sales for the same periods, respectively. During the Track Record Period, we did not experience any material difficulty in the timely procurement of raw materials at prices acceptable to us.

The key raw materials for our NdFeB PMs are rare earths, including light rare earths such as Pr-Nd and medium and heavy rare earths such as Dy-Fe and Tb. During the Track Record Period, we sourced all our rare earths from domestic suppliers mainly based in Inner Mongolia Autonomous Region and Jiangxi Province.

The rare earths are subject to production volume management in China. According to CIC, the PRC government imposed light rare earth mining quota of 235,850 tons and 250,850 tons in 2023 and 2024, respectively, and medium and heavy rare earth mining quota of 19,150 tons and 19,150 tons in 2023 and 2024, respectively. Starting from 2025, the Ministry of Industry and Information Technology has allocated quota indicators directly to rare earth production enterprises without setting a procedure for public disclosure of specific quota amounts. In 2025, the growth rate of light rare earth quotas was less than 5%, while the quotas for medium-to-heavy rare earths have remained subject to strict control. Given that the supply restrictions implemented by the PRC government in the form of mining quotas could limit the amount of raw materials available to rare earth downstream sectors, we have entered into rare earth supply agreements with certain of our major

BUSINESS

suppliers to ensure a stable supply of rare earths. See “— Our major suppliers” in this section for further details. See “Risk Factors — Risks relating to our business and industry — We rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations” for further details.

During the Track Record Period, prices of rare earth experienced fluctuations. The unit price of rare earth we purchase is generally based on negotiations with our suppliers by reference to prices published on third-party bulk commodity information websites. We do not hedge our risk exposures in connection with rare earth prices using derivative instruments, given that so far as we are aware there is no such derivative market of rare earth appropriate for such hedging purpose. We also maintain and manage a safety inventory of rare earth based on our anticipation of the movements in the rare earth market. See “Risk Factors — Risks relating to our business and industry — We rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations” and “Financial Information — Key factors affecting our results of operations” for further details.

In addition to rare earth, we also purchase other metal and chemicals, and production equipment and machinery from suppliers. Most of such raw materials and equipment can be readily purchased on public markets at transparent prices. We typically enter into procurement agreements with suppliers, in which we specify, among others, the name, specifications, quality requirements of the goods to be purchased, as well as the delivery time, price and payment terms.

Delivery and logistics

We are generally responsible for arranging the delivery of our products to locations designated by our customers. We generally purchase insurance for each batch of products to be delivered to our customers. Our products sold to overseas customers are generally transported on a delivered-at-place basis.

During the Track Record Period, we engaged external logistics companies to deliver our products. Pursuant to the agreements entered into between us and the logistics companies, the logistics companies are responsible for any direct losses caused by them during the shipment of our products. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disruption or damage in relation to the delivery of our products.

OVERLAPPING CUSTOMERS AND SUPPLIERS

During the Track Record Period, Supplier A and Supplier G were our major suppliers and also customers, Customer/Supplier B was our major customer and major supplier, and Customers C and F were our major customers and also suppliers.

For the years ended December 31, 2023, 2024 and 2025, among our five largest customers for each year during the Track Record Period, two, two and three customers in each year during the Track Record Period were also our suppliers in the corresponding year, from which we generated revenue of RMB899.6 million, RMB745.2 million and RMB1,349.1 million, accounting for 16.8%, 14.9% and 24.9% of our total revenue for the relevant years, respectively. Our purchase amount from them amounted to RMB1,010.6 million, RMB169.7 million and RMB337.3 million, accounting for 23.6%, 4.2% and 6.7% of our total purchase amount in the corresponding year, respectively.

For the same years, among our five largest suppliers for each year during the Track Record Period, two, three and two suppliers in each year during the Track Record Period were also our customers in the corresponding year. Our purchase amount from them amounted to RMB1,908.3, RMB1,544.3 million and RMB1,931.3 million, which accounted for 44.5%, 38.2% and 38.2% of our total purchase amount in the corresponding year, respectively. Our revenue generated from such suppliers amounted to RMB541.7 million, RMB420.2 million and RMB522.3 million, accounting for 10.2%, 8.4% and 9.6% of our total revenue in the corresponding year, respectively.

BUSINESS

During the Track Record Period, we procured rare earth from Supplier A and Customer/Supplier B (who also possessed the scrap material recycling and processing capability) and we also sold scrap materials to them. The scrap materials we sold are generated from our normal production process and contain certain level of rare earth which could not be reused without further processing. According to CIC, in the NdFeB PM industry in China, it is an industry norm for NdFeB PM manufacturers to purchase rare earth materials from suppliers, and sell scrap material generated during manufacturing to suppliers which possess specialized recycling capability for further treatment. Due to the decrease in market prices for rare earth, the price of scrap materials fell below the historic cost we incurred to procure their raw materials, resulting in (i) a gross loss from Supplier A of RMB170,862 for the year ended December 31, 2023 and (ii) a gross loss from Customer/Supplier B of RMB17.0 million for the year ended December 31, 2024.

During the Track Record Period, we procured rare earth from Supplier G. In 2024, we also sold Tb, which is one of our metal raw materials, to Supplier G in a one-off transaction. Due to technical improvements and fluctuations in the market price of metal raw materials, we adjusted the proportion of such materials used in our production process to control product costs, which resulted in excessive metal raw materials. Given the market price fluctuations of metal raw materials (particularly Tb), the average market price of Tb metal declined by 39.6% in 2024 according to CIC; we sold these surplus metal raw materials to Supplier G in order to mitigate losses. As the purchase cost was higher than the selling price, the transaction resulted in a gross loss of RMB2.5 million for the year ended December 31, 2024.

During the Track Record Period, Customer C purchased sintered NdFeB PMs from us and also provided electroplating processing services to us.

During the Track Record Period, Customer F purchased NdFeB PMs from us for motor manufacturing and sold discarded NdFeB PMs to us.

During the Track Record Period, none of our products that were sold to our customers were then purchased by us, nor were there any raw materials that were sold to us by our suppliers were then purchased by such suppliers. None of these transactions between us and our overlapping customer-suppliers mentioned above were interconnected or inter-conditional. The pricing and other terms of transactions with overlapping customer-suppliers are comparable to those of similar transactions conducted with other customers or suppliers of our Group. Our Directors confirm that (i) such overlapping customer and supplier relationships represented normal commercial arrangement in the ordinary and usual course of business, (ii) the terms of these transactions were fair and reasonable, and (iii) such arrangements did not have any adverse impact on our operational independence, pricing mechanisms or business arrangements. We are not reliant on such overlapping customer and supplier relationships.

INVENTORY MANAGEMENT

Our inventory primarily comprises raw materials, work-in-progress and finished goods, which are mainly stored in our warehouse at our production base. We have designated staff and use ERP system to track and systematically manage our inventory. In order to ensure the sufficiency of raw materials, especially rare earths, we generally maintain a safety inventory of raw materials based on market trends. We have implemented a three-tier standardized inventory management system: the finished product warehouse management system, raw material warehouse management regulations, and post-processing blank warehouse management measures, which define overall management frameworks for different inventory types. These documents regulate core processes including warehousing verification, storage protection, outbound control, and inventory checks, with detailed operational requirements for labeling, and separation of qualified and non-conforming products. Additionally, we have established specific measures for overstock disposal, quality anomaly handling, and regular inventory reconciliation to ensure traceable, accurate, and safe inventory management, forming a closed-loop control mechanism.

BUSINESS

During the Track Record Period, we stored some finished products at third-party warehouses designated by certain Independent Third Party customers or us to satisfy their short-term procurement and production needs on a rolling basis. Such finished goods were generally stored at third-party warehouses at our own risk. See “Risk Factors — Risks relating to our business and industry — We may suffer losses from our finished products stored at third-party warehouses” for further details. For finished goods stored at third-party warehouses, we conduct inspections on them on a regular basis before they are taken out by our customers. In addition, we only cooperate with third-party warehouses equipped with comprehensive storage management system. Moreover, pursuant to contracts we enter into with our customers, we are responsible for safeguarding the products before taking out, which is in line with the market practice according to CIC. Title and risk are passed to customers once they take such finished goods out of third-party warehouses for use. Physical inspection on the finished goods stored at third-party warehouses and reconciliation of the related records with the customers were performed by us on a regular basis. Based on such written notices and those routine measures, revenue was recognized when the control of the finished goods stored at third-party warehouses was transferred to the customers. During the Track Record Period, we did not encounter material losses of finished goods stored at third-party warehouses due to any reasons. As of December 31, 2023, 2024 and 2025, our inventories stored at third-party warehouses accounted for less than 17% of our total inventories as of the same dates.

INFORMATION TECHNOLOGY SYSTEMS

We believe that established information systems are conducive to improving our efficiency in administering and operating our business. We have made continuous investment to maintain comprehensive information systems which integrate internal and external management information across various aspects of our business operations. Our OA office system helps to improve our operational efficiency and our management of projects. Our ERP system enables us to manage our procurement, sales and inventory, which in turn has allowed us to manage and optimize our business processes and to improve our operation performance. Our manufacturing execution system (“MES”) enables us to manage production processes, and our customer relationship management system enables us to efficiently manage our customer relationships, thereby facilitating us to manage and optimize business processes and enhance operational performance. In the future, we will continue to enhance the internal and external extension of our information systems that enable us to obtain and process information and data on an expedited basis, support our decision-making, increase our production efficiency, all of which will in turn help us to improve our cooperation with our customers and suppliers and increase our revenue and profitability.

We have implemented measures to safeguard network security and data integrity. Our software systems are encrypted, and company computers have password protection. Data generated from our OA office, financial and warehouse management systems is stored on our own servers, with regular local backups performed. As of the Latest Practicable Date, we had not experienced any significant incidents of data leakage, cybersecurity breaches, or software infringement disputes.

DATA PRIVACY AND SECURITY

In the course of our business, we collect, store and process business data and transaction data. As we mostly make transactions with corporate customers, except for our visitor system which registers visitors for management purposes, we do not collect or process personal data. We pay close attention to risk management relating to our IT system, as storage and protection of corporate data and related information is critical to us. To this end, we have established the information security management system based on ISO27001 standards, obtained the TISAX LV3 label, and manage sensitive data storage in accordance with the system requirements, enforcing data access and transmission control policies to ensure data confidentiality. We have achieved a high specialized security level in the automotive supply chain in information security, as evidenced by the TISAX assessment.

BUSINESS

We have also developed internal control and data access mechanisms and detailed approval and operation procedures regarding data storage and processing. We have established a set of internal protocols on data security, which set forth detailed, strict requirements in relation to the use, disclosure and protection of confidential information. Among other things, such internal protocols provide limited authorization to our employees holding specific positions at specific levels to access and process corporate data on a need-to-know basis. We classify data into four levels, namely public, confidential, secret, and top-secret, with dynamic updates and different level of protection measures. For example, for trade secrets, a three-level management system is implemented, covering carrier storage, personnel management (confidentiality agreements, non-compete clauses), restricted areas, and equipment security. Our information security framework features a three-line defense structure, including regular risk assessments, mandatory training for employees (especially key positions), internal audits, and continuous improvement via the plan-do-check-act cycle. A classified emergency response process is in place, with dedicated specialists handling incidents to minimize losses. All of our full-time employees are bound by confidentiality clauses within their employment contracts, which prohibit them from disclosing any confidential information relating to their work without our consent. In addition, we impose compliance requirements on third-party partners and conducts strict oversight, ensuring end-to-end protection of data confidentiality, integrity, and availability. We generally do not share customer data with suppliers or other partners. Where joint development with third parties is involved, we require such parties to sign a non-disclosure agreement or confidentiality clauses and data are only exchanged in accordance with such non-disclosures agreement with strict confidentiality obligations.

We have a comprehensive data backup system to encrypt and store data across multiple servers in order to minimize the risk of data loss. We also conduct data restoration tests to examine the status of the backup system on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we had not received any third-party claims against us on the ground of infringement of the party’s right to data protection as provided by any applicable laws and regulations. Our Directors confirm that we had complied with the applicable laws and regulations regarding personal information privacy and data security in all material aspects.

AWARDS AND RECOGNITIONS

During the Track Record Period, we were recognized for the quality of our products and certain other achievements by third party companies, institutions, media organizations and local government. The table below sets out some of the major awards and recognitions we have received.

Year	Award/Recognition	Granting Authority
2024	Specialized, Refined, Peculiar and Innovative “Little Giant” Enterprise (專精特新小巨人企業)	Ministry of Industry and Information Technology of the PRC
2020	Champion Product in Manufacturing Industry (製造業單項冠軍產品)	Ministry of Industry and Information Technology of the PRC
2020	National Technology Innovation Demonstration Enterprise (國家技術創新示範企業)	Ministry of Industry and Information Technology of the PRC
2016	National Enterprise Technology Center (國家企業技術中心)	National Development and Reform Commission

BUSINESS

Year	Award/Recognition	Granting Authority
2014	Second Prizes of the National Science and Technology Progress (國家科學技術進步獎二等獎) — Technology Upgrade and Integrated Innovation of Rare Earth Permanent Magnet Industry (稀土永磁產業技術升級與集成創新)	The State Council of the PRC
2008	Second Prizes of the National Science and Technology Progress (國家科學技術進步獎二等獎) — Key Technologies for High-Performance Rare Earth Permanent Magnet Materials, Preparation Processes and Industrialization (高性能稀土永磁材料、製備工藝及產業化關鍵技術)	The State Council of the PRC

COMPETITION

According to CIC, China is the global primary supplier of NdFeB PMs with Chinese enterprises accounting for 91.1% of global sales volume in 2025. Driven by downstream demands from NEVs, consumer electronics, embodied intelligence robots, and low-altitude aircraft, The global NdFeB PM sales volume is projected to grow at a CAGR of 9.7% from 2025 to 2030, reaching 400.3 thousand tons. The global NdFeB PM market is highly concentrated, with leading players competing around core technologies like grain boundary diffusion technology and Halbach array, as well as low or no heavy rare earth solutions. High entry barriers include accumulation in technical processes and equipment, substantial capital investment, strict product quality requirements, and stable rare earth resource access. With emerging sectors boosting incremental demand, competitors are accelerating capacity expansion and targeted R&D, while green manufacturing and supply chain resilience have become key competitive dimensions.

We compete with other major NdFeB PM producers worldwide. We believe our strengths enable us to meet key industry requirements and distinguish us from competitors: our industry-leading position in NdFeB PMs reflects extensive technical accumulation and a comprehensive R&D mechanism; our deep participation in emerging industries (embodied intelligence robots and low-altitude aircraft) and close cooperation with global top-tier enterprises demonstrate extensive downstream coverage and rigorous customer qualification; our commitment to intelligent manufacturing and continuous capacity expansion, supported by stable rare-earth supply arrangements, addresses secure raw material supply and substantial financial strength; our industry-experienced management team and outstanding talent development system further strengthen sustained quality standards and strategic foresight in business layout. See “— Our competitive strengths” in this section and “Industry Overview” for further information about the competitive landscape of the NdFeB PM industry in the world and China.

SEASONALITY

In line with the manufacturing industry in the PRC, production activities of our customers and us typically halt for the Chinese New Year holiday. As a result of the foregoing, our production volume and sales volume in the first quarter of each financial year were lower than that in other quarters.

BUSINESS

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and know-how related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties.

As of the Latest Practicable Date, we held 121 patents in China and overseas jurisdictions, including 118 invention patents and three utility models. As of the Latest Practicable Date, we also had 55 patent applications pending in China and overseas jurisdictions. The patents that we owned or applied for are primarily related to our self-developed technologies. As of the Latest Practicable Date, we owned 44 registered trademarks in China and overseas jurisdictions. As of the Latest Practicable Date, we were the registered owner of three domain names and 19 software copyrights in China. See “Statutory and General Information — Further information about the Business of Our Company — Intellectual property rights” in Appendix VI in this document for further details.

We have adopted multi-dimensional measures with respect to intellectual property risk management. We conduct dynamic third-party infringement risk assessments via a “report-verification-evaluation” mechanism, with classified investigations and regular system optimization. Potential disputes are identified through expanded reporting channels and in-depth surveys, followed by graded responses and closed-loop management to plug system loopholes. To avoid infringing competitors’ IP, we enforce internal accountability, incorporate IP compliance clauses in third-party cooperation agreements, optimize full-process review workflows, and provide targeted compliance training for key personnel to enhance risk prevention capabilities. During the Track Record Period and up to the Latest Practicable Date, save as otherwise disclosed in this document, we were not involved in any material proceedings in respect of, and we had not received notice of any material claims of infringement of, any intellectual property rights that are threatened or pending, in which we may be a claimant or a respondent.

The valid term of our patents is generally 10 to 20 years from the filing date of the earliest non-provisional patent application on which the patent is based. The actual protection afforded by a patent depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extension or adjustment, the availability of legal remedies in a particular country/region and the validity and enforceability of the patent. We cannot provide any assurance that patents will be issued with respect to any of our pending patent applications or any such patent applications that may be filed in the future, nor can we provide any assurance that any of our issued patents or any such patents that may be issued in the future will be commercially useful in protecting our portfolio.

We may rely, in some circumstances, on trade secrets or other confidential information to protect aspects of our technology and other proprietary information, including but not limited to our development plan and strategies, unpatented know-how, technology, customer information, material contracts and statistical data. We have entered into confidentiality agreements and non-competition agreements with our key employees. Our standard employment contract contains an assignment clause, under which we own all the rights to all inventions, technologies, know-how and trade secrets derived during the course of such employees’ work. We also seek to protect our proprietary technologies, in part, by entering into non-disclosure and confidentiality agreements or including such provisions in our relevant agreements with third party business partners who have access to confidential or patentable aspects of our R&D output. See “Risk Factors — Risks relating to our business and industry — We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position” for further details.

BUSINESS

EMPLOYEES

As of the Latest Practicable Date, we had 3,504 employees in the PRC and nine employees overseas. The following table sets out a breakdown of our employees by function:

Function	Number of Employees
Manufacturing	2,692
Sales and marketing	109
Research and development	518
Finance	51
Administration	143
Total	3,513

We recruit our employees based on a number of factors such as our vacancy needs and expansion plans, and the candidates’ work experience and educational background. We typically hire through recruitment websites and campus recruitment. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention. Our employees have established a labor union to protect employees’ rights, encourage employee participation in management decisions, attend to employees’ personal growth and career performance and assist in mediating disputes between us and union members. We generally maintained good relationships with our employees and had not experienced any strike or material labor dispute during the Track Record Period.

We enter into individual labor contracts with our employees, which set out, among other things, positions, salaries, working hours and other benefits. An employee’s remuneration comprises (i) a basic salary, which correlates with the employee’s position and level; (ii) a performance-based remuneration, which is based on the overall performance of our business and the employee’s individual performance; and (iii) a special bonus based on the overall assessment of our operational performance. We also provide other benefits, including accommodation and holiday benefits, to our employees.

We place significant emphasis on our employees’ training programs to meet their career development needs and to ensure that our employees who work at production facilities is equipped with the prerequisite knowledge of our operational equipment and safety policies. We organize induction training which integrates essential safety education for new employees to build foundational awareness of workplace safety. Our induction training is also concurrently closely linked to our mentor system, where selected mentors would guide new employees to gradually understand their roles and offer targeted coaching. We offer on-the-job training through flexible formats such as on-site guidance and practical workshops to help employees master job-specific skills in real work scenarios. We also provide professional knowledge and technical skills training aligned with job requirements covering areas such as operational equipment expertise and role-specific competencies. We may from time to time engage external institutions to deliver professional training as needed. In addition, we may arrange rotation training based on individual career development goals and our business needs to broaden our employees’ comprehensive capabilities.

Moreover, we also implement a multi-dimensional training assessment system to ensure training quality. We may collect employees’ written feedback, organize written exams or conduct on-site skill mastery assessment to evaluate the effectiveness of employee training and gather their opinions for improvement. All our training programs collectively form a holistic training system that caters to both employee growth and our operational goals and safety.

BUSINESS

Social Insurance and Housing Provident Fund Contributions

Pursuant to applicable PRC laws and regulations, employers are required to make contributions to, and employees are required to participate in, a number of social insurance funds, including pension fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance, and the housing provident fund. See “Regulatory Overview — Laws and regulations in relation to employment and social welfare — Social insurance and housing provident fund” for further details.

During the Track Record Period and up to the Latest Practicable Date, 11 subsidiaries of our Group did not open social insurance and housing provident fund accounts as they did not actually employ any employees.

Considering that, (i) we have not received any employee complaints, reports or objections in relation to social insurance or housing provident fund accounts; and (ii) we have not received any notices of inspection, investigation or rectification requirements from the competent authorities in relation to the above matters, our PRC Legal Advisors are of the view that the risk of us being penalized for the subsidiaries failure to open social insurance and housing provident fund accounts during the Track Record Period is remote.

INSURANCE

We maintain insurance policies that are required under relevant laws and regulations as well as based on our assessment of our operational needs and industry practice. We make contributions to the social insurance and housing provident funds for our employees in accordance with relevant PRC laws and regulations in all material respects. Moreover, we have commercial insurance coverage for our products, properties, employees, sales and environment protection. During the Track Record Period and up to the Latest Practicable Date, we did not make, and neither were we the subject of, any insurance claims that are of a material nature to our Group. According to CIC, our insurance coverage is generally in line with the practices in rare earth industry in the PRC. See “Risk Factors — Risks relating to our business and industry — Our insurance coverage strategy may not be adequate to protect us from all business risks and cover all of our potential losses” for further details.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. They mainly include premises for our (i) production facilities; (ii) storage and warehouse; (iii) employee dormitory; and (iv) offices.

Owned properties

As of the Latest Practicable Date, we owned land use rights with respect to (i) 32 parcels of land located in Ningbo City, Zhejiang Province with a total site area of approximately 629,451 sq.m., used for our production facilities, offices, warehousing and ancillary purposes; and (ii) two parcels of land located in Baotou City, Inner Mongolia Autonomous Region with a total site area of approximately 223,141 sq.m., used for industrial purposes including production facilities.

As of December 31, 2025, we occupied buildings in China with a total GFA of approximately 662,598 sq.m. As of the Latest Practicable Date, we had not obtained the building ownership certificates for buildings with a GFA of approximately 18,370 sq.m. primarily because the full planning application, construction approval and filing procedures were not completed prior to construction. These buildings constitute illegally constructed buildings, which prevented completion of the subsequent application for building ownership certificates.

BUSINESS

The buildings without ownership certificates carry the risk of being identified as illegal constructions, which may lead to orders for demolition and imposition of penalties. In addition, 10 of these buildings without ownership certificates have been leased to third parties, and the relevant lease agreements may be deemed invalid, which could result in disputes or other adverse consequences.

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any PRC competent authorities regarding safety condition of buildings with defective titles. Our Directors confirm that the safety condition of these buildings with defective titles was in compliance with the relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Considering that (1) we have obtained official approvals from relevant government authorities confirming that the aforesaid buildings may be retained, and (2) these buildings without building ownership certificates are primarily auxiliary premises for operations and that some of them are not in use, our PRC Legal Advisors are of the view that the failure to obtain ownership certificates for such buildings does not constitute any material non-compliance of us or have any material or adverse effect on our business operations.

Leased properties

As of December 31, 2025, we leased one property in China and one property in Germany from third parties for our production facilities and office, and entered into lease agreements. In addition, we leased out 17 properties to third parties and entered into lease agreements with those tenants. As of the Latest Practicable Date, seven of those we leased out to third parties in China have not been registered with the relevant PRC housing administration authorities. The failure to register lease agreements may result in an order to rectify within a prescribed period; if the failure continues, individuals may be fined up to RMB1,000, and units may be fined RMB1,000 to RMB10,000. As advised by our PRC Legal Advisors, the lease agreements are valid and binding on the parties thereto, as registration is not a condition for effectiveness.

Our PRC Legal Advisors are of the view that the failure to complete the filing of such lease agreements does not constitute any material non-compliance of us or have any material or adverse effect on our business operations.

ENVIRONMENTAL, SOCIAL, AND CORPORATE GOVERNANCE

We adhere to sustainable development as a core guiding principle and have deeply embedded ESG considerations into our overall corporate development strategy. The establishment of a systematic, institutionalized and standardized sustainability management framework has laid a solid foundation for high-quality development. By actively promoting best practices in ESG management, we aim to set a benchmark for sustainable development within the industry, contributing to the achievement of balanced economic growth and ecological sustainability.

Corporate governance

As of December 31, 2025, we had established a comprehensive ESG governance framework, which provides a robust foundation for the formulation, periodic assessment and risk management of ESG initiatives. This framework enables the effective management of non-financial risks relating to environmental, social and corporate governance matters, while maintaining constructive engagement with key stakeholders, including regulatory authorities, investors, customers, employees, communities and the general public, thereby continuously enhancing our governance standards. We adopted a four-tier ESG management structure comprising the Board of Directors, the Strategy and Sustainability Committee, the Sustainability Office and ESG Executive Working Groups.

BUSINESS

The Strategy and Sustainability Committee of the Board, chaired directly by the Chairman, strengthens top-level design and strategic decision-making authority to ensure that ESG considerations are fully integrated into our highest decision-making processes and remain under sustained oversight and professional guidance by senior management. This governance structure forms a closed-loop ESG management mechanism covering strategic planning, implementation, supervision, review and continuous improvement. It supports our transition from reactive and fragmented ESG practices to a proactive, systematic and institutionalized approach, thereby laying a solid governance foundation for long-term sustainable development.

As a specialized committee under the Board, the Strategy and Sustainability Committee is primarily responsible for: studying and proposing our long-term development strategy and sustainability plans; reviewing ESG-related policies, strategic objectives and implementation plans; overseeing the progress and effectiveness of sustainability initiatives; and approving major ESG-related decisions. Through these functions, the Committee ensures that ESG governance is closely aligned with, and advances in tandem with the overall strategic development.

Under the Strategy and Sustainability Committee, we have established a Sustainability Office, which is responsible for the overall coordination and management of six specialized working groups, forming a clearly defined and collaboratively linked ESG implementation mechanism. These six working groups comprise: the Corporate Governance Working Group, the Corporate Culture Working Group, the Environmental Management Working Group, the Product Quality Working Group, the Sustainable Supply Chain Working Group and the Sustainable Operations Working Group. The Corporate Governance Working Group focuses on compliant operations, internal control systems, protection of stakeholders’ rights, risk management and crisis response. The Corporate Culture Working Group oversees talent development, employee rights and occupational health and safety, corporate culture development and the fulfillment of social responsibilities. The Environmental Management Working Group advances low-carbon operations, energy transition initiatives, waste and wastewater management, water resource conservation and environmental awareness promotion. The Product Quality Working Group is responsible for full-process product quality control, the establishment of internal quality management mechanisms, customer satisfaction monitoring and brand reputation management. The Sustainable Supply Chain Working Group promotes green procurement practices, supply chain collaboration and full-process compliance management. The Sustainable Operations Working Group focuses on enhancing economic performance, advancing innovation strategies, increasing research and development investment, strengthening customer relationships and cultivating brand value.

Environmental protection

We place strong emphasis on environmental management and integrate environmental protection considerations into day-to-day business operations, with the objective of minimizing the carbon footprint of our activities. We strictly comply with applicable laws and regulations, including the *Environmental Protection Law of the People’s Republic of China*, the *Law of the People’s Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Water Pollution*, the *Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, and the *Law of the People’s Republic of China on the Prevention and Control of Environmental Noise Pollution*.

BUSINESS

We have established a systematic environmental management and institutional safeguard framework, and have formulated and strictly implemented a series of standardized management policies, including the *Environmental Protection Management System*, the *Management Measures for the Monitoring of “Three Wastes”* and the *Hazardous Waste Management Measures*. In accordance with the requirements of GB/T 24001–2016, we have established an environmental management system and set up an environmental protection leadership group led by the General Manager, responsible for the unified leadership and supervision of environmental protection efforts. All construction projects of our subsidiaries are subject to and have passed environmental impact assessments, and are equipped with efficient environmental protection treatment facilities as required. During production processes, we continuously optimize our production techniques and adopt environmentally friendly raw materials to reduce pollution at the source.

ESG-related metrics and targets

We monitor the following indicators to oversee and manage environmental matters that may affect operations, strategies and financial performance. In the course of our operations, our primary resource consumption relates to energy resources, including petrol, diesel, natural gas, electricity and water.

Table 1 sets out the consumption of major resources for each of the financial years from 2023 to 2025, our primary resource consumption including petrol, diesel oil, natural gas, and electricity and water resources. From 2023 to 2024, diesel consumption increased mainly due to the procurement of additional diesel vehicles, in 2025, diesel consumption remained relatively stable as transportation demand stabilized. Table 2 discloses the corresponding energy consumption intensity during the same period, while Table 3 presents detailed information on total emissions and emission intensity of exhaust gases and GHG for the years from 2023 to 2025, direct emissions are caused by petrol and diesel from mobile sources, natural gas, industrial production activity, wastewater treatment, and fugitives. Indirect emissions are caused by purchased electricity and steam. Scope 2 GHG emissions recorded a decline in 2025, as we increased purchased green electricity during the year. In 2025, we purchased 12,200 green certificates, corresponding to approximately 12.2 million kWh of green electricity which is expected to reduce carbon dioxide emissions by approximately 6,473.3 tons. Table 4 is the waste generation and disposal for the years from 2023 to 2025.

Table 1: Use of resources in 2023, 2024, 2025

Use of resources	KPIs	Energy type	Unit	Year ended December 31		
				2023	2024	2025
Energy	Petrol	Direct	Liter	28,486.5	34,204.2	39,840.6
	Diesel oil	Direct	Liter	22,487.4	39,021.3	39,081.0
	Natural gas	Direct	m ³	749,561.0	1,215,903.0	1,716,687.0
	Electricity	Indirect	kWh	165,443,082.7	217,735,219.3	251,118,069.6
Water	Water consumption		Tons	455,326.7	604,101.0	630,711.0

Table 2: Resource consumption intensity in 2023, 2024, 2025

Use of resources	KPIs	Unit	Year ended December 31		
			2023	2024	2025
Energy	Petrol	Liter/ RMB100 million	534.8	684.3	735.5
	Diesel oil	Liter/ RMB100 million	422.2	780.7	721.5
	Natural gas	m ³ / RMB100 million	14,072.8	24,326.8	31,690.7
	Electricity	kWh/ RMB100 million	3,106,154.0	4,356,272.6	4,635,740.6
Water	Water consumption	Ton/ RMB100 million	8,548.6	12,086.4	11,643.2

BUSINESS

Table 3: Total air emissions in 2023, 2024, 2025

Emission Category	KPIs	Unit	Year ended December 31		
			2023	2024	2025
Air Emission	Nitrogen oxides (NO _x)	Kg	409.2	681.2	679.2
	Sulfur oxides (SO _x)	Kg	0.8	1.1	1.2
	Particulate Matters (PM)	Kg	19.6	32.4	32.4
	Total air emission	Kg	429.6	714.7	712.9
	Air emission intensity	Kg/ RMB100 million	8.1	14.3	13.2
GHG Emission	Direct GHG emission (Scope 1)	tCO ₂ e	1,984.9	3,367.8	5,068.4
	Indirect GHG emission (Scope 2)	tCO ₂ e	98,052.6	98,734.7	85,359.3
	Total GHG emission	tCO ₂ e	100,037.5	102,102.5	90,427.6
	GHG emission intensity	tCO ₂ e/ RMB100 million	1,878.2	2,042.8	1,669.3

Table 4: Waste generation and disposal in 2023, 2024, 2025

Waste categories	Unit	Year ended December 31		
		2023	2024	2025
Hazardous waste	Tons	1,131.3	1,437.6	1,800.3
Non-hazardous waste	Tons	557.3	625.4	1,181.5
Total waste generated	Tons	1,688.6	2,063.0	2,981.8
Waste intensity	Tons/ RMB100 million	31.7	41.3	55.0

Based on historical environmental performance and anticipated business growth, we have formulated clear ESG strategic objectives in response to China’s targets of achieving carbon peaking by 2030 and carbon neutrality by 2060, as well as international standards such as the Paris Agreement.

According to our planning, we aim to achieve net zero of its Scope 1 and Scope 2 GHG emissions by 2038. To support the achievement of this target, we have established a set of specific and phased sub-targets:

First, we plan to complete the construction and commissioning of a centralized compressed air supply system within our industrial park by 2026, replacing the existing decentralized supply equipment and aiming for an annual GHG reduction of approximately 398 tons. Second, guided by circular economy principles, we seek to optimize packaging management by increasing the annual use of recyclable packaging materials by 3%, targeting a 50% utilization rate by 2028. Third, we prioritize the conservation of strategic resources by strictly controlling the consumption of medium and heavy rare earth elements through material substitution and process optimization. These initiatives are designed to mitigate environmental disturbances, facilitate ecosystem recovery, and ensure long-term sustainable development in alignment with global standards.

Waste management

During production and operational activities, we strictly comply with environmental protection and regulatory requirements and implement refined, end-to-end management of the discharge of the ‘three wastes’ (waste gas, wastewater and solid waste). The key measures are set out below:

Waste gas emissions: We regularly engages qualified third-party testing institutions to conduct routine monitoring of atmospheric pollutant emissions, ensuring the authenticity, accuracy and regulatory compliance of emission data.

BUSINESS

Wastewater treatment: We have invested approximately RMB30 million in the construction of a dedicated water treatment center to support the treatment of production wastewater generated by electroplating workshops, with a designed treatment capacity of 1,000 tons per day. Wastewater from all workshops is managed under a segregated collection and graded treatment mechanism, whereby different types of waste water are treated separately and discharged in batches through open channels to municipal wastewater treatment plants only after meeting discharge standards. The wastewater treatment center is equipped with a chemical analysis laboratory to conduct daily real-time testing and analysis of production wastewater. In addition, we have introduced advanced wastewater treatment equipment from Japan and adopted low-temperature vacuum concentration technology to carry out specialized treatment of wastewater, converting high-concentration liquid wastewater into solid electroplating sludge, recovering high-purity distilled water for production reuse. This process effectively reduces the overall pollutant load. Heavy metal online monitoring systems and conventional water quality parameters (COD, Ammonia Nitrogen, and pH) have been installed at wastewater discharge outlets in strict accordance with relevant technical standards, and qualified third-party institutions are engaged to perform regular maintenance and monitoring calibration, ensuring the reliability and accuracy of monitoring data. We are one of the earliest NdFeB PMs manufacturers in the construction of downstream wastewater treatment equipment in the industry. Since 2005, we have invested in the construction of downstream wastewater treatment equipment, with cumulative investment of over RMB33.0 million. As a result, we have achieved our wastewater treatment rate of approximately 70%, effectively enhancing the recycling and utilization of water resources and reducing the environmental impact of our production and operations.

Solid waste disposal: All solid waste is entrusted to professional institutions with appropriate disposal qualifications for compliant treatment. Domestic waste is collected and disposed of in a timely and regulated manner by local sanitation authorities. These measures ensure that the entire solid waste disposal process comply with applicable environmental protection laws and regulations.

Social responsibility

Public Welfare Initiatives: We actively fulfill social responsibilities and have formulated the *Social Responsibility and Public Welfare Management System* and the *Enterprise-Community Relationship Management System* to standardize and ensure the effectiveness and continuity of our social responsibility and public welfare activities.

Since 2012, we have established the “Yunsheng Named Poverty Alleviation Fund” with the Yinzhou District Charity Federation, with an initial term of ten years, during which we donated RMB600,000 annually to support charitable projects, including assistance for extremely disadvantaged groups and east-west poverty alleviation cooperation programs. Since 2023 we have continued the fund’s charitable mission by donating RMB500,000 annually to the Yinzhou District Charity Federation, consistently giving back to society and supporting vulnerable communities through concrete actions. From 2023 to 2025, under the coordination of the Yinzhou District Charity Federation, the “Yunsheng Named Poverty Alleviation Fund” donated a total of RMB543,000 in study tour funds to students from Muli County, Liangshan Prefecture, Sichuan Province for three consecutive years, supporting Muli students in visiting Ningbo during the summer for study and exchange activities. Over the years, we have actively promoted the development of local education in Muli County. In addition, we made a designated donation to the Yinzhou District Charity Federation for emergency medical equipment, including ventilators for Ningbo No. 6 Hospital, with a total value of RMB1.0 million. We have continued to advance rural revitalization and public welfare assistance initiatives. Focusing on the practical needs of assisted areas such as Helong City in Yanbian. We have carried out public welfare initiatives covering livelihood support, infrastructure improvement and other areas.

Owing to our long-term and stable charitable contributions and tangible assistance outcomes, our public welfare initiatives have received widespread recognition and acclaim from various sectors of society, and we have been awarded the title of “Caring Enterprise” for several consecutive years.

BUSINESS

Product safety and quality

We continue to advance the development of a full lifecycle quality management system and strictly adhere to relevant quality standards and safety requirements. By optimizing production processes, strengthening quality control measures and enhancing risk early-warning mechanisms, we consistently improve product quality and stability. At the same time, we further reinforce our primary responsibility for production safety by improving emergency response plans and safety training systems, ensuring that all production and operational activities are conducted in a safe, controllable and compliant manner, and continuously delivering high-quality and reliable products and services to society.

We have formulated and implemented multiple quality management policies, including the *Quality Incident Management Measures*, the *Non-conforming Product Control Procedures* and the *Non-conforming Product Management Measures*, thereby establishing a comprehensive quality control framework covering research and development, procurement, production and after-sales services, with clearly defined quality responsibilities and execution standards for each stage. In addition, we have developed supporting documents such as the *End-to-End Quality Control Process* and the *Product Monitoring and Measurement Control Procedures*, which set out detailed quality control requirements for procured materials, work-in-progress and finished products. These measures ensure that products consistently meet quality standards and customer expectations throughout the entire lifecycle, from raw material intake to final delivery, thereby steadily enhancing our market competitiveness.

Furthermore, we have established a dedicated quality task force to dynamically identify, continuously monitor and effectively address quality and safety risks, achieving full-process traceability and controllability across raw material procurement, production processes and after-sales services.

ESG-related risks, opportunities and control measures

The following ESG-related risks and opportunities have been identified by us as significant and could potentially impact our business:

Risks/opportunities	Risks/opportunities description	Control measures
Physical risks	Typhoons, flooding and extreme high-temperature weather events	We have established early-warning mechanisms and formulated emergency response plans for typhoon prevention and flood control. Energy-storage water-cooled air-conditioning systems have been installed in production workshops to improve temperature control efficiency. In addition, we distribute heatstroke prevention and cooling medicines to employees and provide cooling beverages in workshop rest areas to mitigate the operational and occupational health impacts of extreme weather conditions.
Policy and regulatory change risks	Increasing requirements for carbon emissions disclosure under China’s “dual-carbon” policies and rising customer attention to carbon emissions	We actively monitor the latest developments in national “dual-carbon” strategies and low-carbon policies within the industry to accurately understand evolving requirements for green and low-carbon development and related disclosure standards. Carbon inventory exercises are used as a key management tool to establish a regular mechanism for data collection, consolidation and verification, enabling the comprehensive aggregation of carbon-related data across production activities, supply chains and energy consumption.

BUSINESS

<u>Risks/opportunities</u>	<u>Risks/opportunities description</u>	<u>Control measures</u>
		We conduct carbon accounting in a standardized manner to accurately calculate total carbon emissions, emission intensity and emission sources, thereby providing a reliable data foundation for setting emission reduction targets and implementing low-carbon initiatives. In parallel, we have established a policy information collection mechanism to track domestic and international environmental policy developments through government websites, industry association platforms, professional policy databases and international information channels. A dedicated task force has been formed to monitor relevant policies and to assess their potential impact on a quarterly basis.
Market risks	Growing preference among end consumers for environmentally friendly and green products	We supply components for green products such as new energy vehicles and energy-efficient elevators, responding to market demand for environmentally friendly products and clean energy solutions. At the same time, we have optimized traditional packaging by upgrading to recyclable and reusable packaging solutions, thereby promoting green packaging practices and contributing to energy conservation and carbon emission reduction.

COMPLIANCE AND LEGAL PROCEEDINGS

Non-compliance

Save for the non-compliance incidents disclosed elsewhere in the document, we are not aware of any material non-compliance of our Group with applicable laws and regulations during the Track Record Period and up to the Latest Practicable Date.

Legal proceedings

We may from time to time be subject to various legal or administrative proceedings arising in the ordinary course of business such as proceedings in respect of disputes with our suppliers or customers, labor disputes or infringement of intellectual property rights.

In Q2 of 2024, an Independent Third Party (the “**Claimant**”) commenced arbitration proceedings (the “**Arbitration Case**”) against our Company and several others at the Singapore International Arbitration Centre. The Claimant sought for outstanding payments in the amount of US\$11.778 million, damages of US\$33.506 million, and further unquantified monetary compensation and damages for an alleged breach of the relevant agreements from us (the “**Subject Agreements**”), which our Company has contested. As of the Latest Practicable Date, the Arbitration Case remains at its early stages, which focuses on determining whether the Subject Agreements would be void or have been terminated and the proceedings are still ongoing. Though the Arbitration Case is still in progress, we have taken the initiative to make full and adequate provisions in an aggregate amount of RMB181.0 million for the year ended December 31, 2025. Taking into consideration the relevant legal opinions, our Directors are of the view that the Arbitration Case did not and will not have any material and adverse impact on our business, financial condition or results of operations or reputation because (i) our Group has maintained a solid revenue base with a revenue of RMB5,326.3 million, RMB4,998.2 million and RMB5,417.0 million for the years ended December 31, 2023, 2024 and 2025, respectively; and (ii) our Group had cash and cash equivalents of RMB644.7 million as of April 30, 2026. Considering our cash outflows and cash positions, we have sufficient liquidity and financial resources to cover potential amounts that may arise from the Claimant’s claims. Having considered the views and basis of the Directors, based on the due diligence work conducted by the Sole Sponsor, nothing has come to the Sole Sponsor’s attention that would cause it to disagree with the view of the Directors.

BUSINESS

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we were not a party to, and we were not aware of any threat of, any legal, arbitral or administrative proceeding, which, in our opinion, is likely to have a material and adverse effect on our business, financial conditions or results of operation.

As advised by our PRC Legal Advisors, our business was in compliance with applicable laws and regulations of the PRC in all material aspects during the Track Record Period and up to the Latest Practicable Date. However, we may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We are committed to maintaining the highest standards of compliance with the laws and regulations applicable to our business, and we intend to maintain this culture through the strict implementation of our risk management and internal control policies. See “— Risk management and internal control” in this section for further details.

LICENSES, PERMITS AND CERTIFICATES

We are required to obtain and renew certain certificates, permits and licenses for our business operations. See “Regulatory Overview” for further details. As advised by our PRC Legal Advisors, during the Track Record Period and as of the Latest Practicable Date, we obtained all requisite certificates, permits and licenses that are necessary for our operation, and all of such certificates, permits and licenses are valid and up-to-date to the extent that they are still needed.

We did not experience any material difficulties in renewing such certificates, permits and licenses during the Track Record Period and up to the Latest Practicable Date, and do not expect to face any material difficulties in renewing them upon their expiry, if applicable.

The following table sets forth details of the material licenses, permits and certificates that we hold as of the Latest Practicable Date:

License/Permit	Holder	Issuing Authority	Issue Date	Expiration Date
Pollutant Discharge Permit	Baotou Yunsheng Magnetic Materials Co., Ltd.	Baotou Municipal Bureau of Ecology and Environment (包頭市生態環境局)	January 17, 2023	January 16, 2028
Pollutant Discharge Permit	Ningbo Yunsheng Tejin Co., Ltd.	Beilun Branch of Ningbo Municipal Bureau of Ecology and Environment (寧波市生態環境局北侖分局)	September 21, 2024	September 22, 2029
Pollutant Discharge Permit	Ningbo Yunsheng New Energy Automobile Materials Co., Ltd.	Environmental Protection Bureau of Ningbo High-Tech Zone (寧波市高新區環境保護局)	September 23, 2024	September 22, 2029
Pollutant Discharge Permit	Yunsheng Coating	Environmental Protection Bureau of Ningbo High-Tech Zone (寧波市生態環境局北侖分局)	March 28, 2024	March 27, 2029
Pollutant Discharge Permit	Baotou Yunsheng Technology Development Co., Ltd.	Baotou Municipal Bureau of Ecology and Environment (包頭市生態環境局)	June 9, 2025	June 8, 2030

During the Track Record Period and up to the Latest Practicable Date, we had not been penalized by any government authorities for any non-compliance relating to our material certificates, permits and licenses.

BUSINESS

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations. See “Risk Factors” for a discussion of various operational risks and uncertainties we face. It is the responsibility of our Board of Directors to ensure that our Group maintains sound and effective internal controls to safeguard the Shareholders’ [REDACTED] and our Group’s assets at all times. We have adopted a series of internal control policies and procedures designed to achieve effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. Highlights of our internal control system include the following:

Risk management

We recognize that risk management is critical to our business operation. Key operational risks faced by us include changes in general market conditions and the regulatory environment of the Chinese and global markets, our ability to develop, manufacture and commercialize our products, and our ability to compete with other similar products. See “Risk Factors” for more details of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to credit, liquidity and currency risks that arise in the normal course of our business. See Note 40 to the Accountants’ Report in Appendix I in this document for details regarding these risks. We have adopted a series of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis. The following key principles outline our approach to risk management:

- The relevant departments in our Company, including but not limited to the finance department and the human resources department, are responsible for implementing our risk management policy and carrying out our day-to-day risk management practice. Each department is responsible for identifying and evaluating risks associated with its working scope. In order to standardize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) identify the source of the risks and potential impact, (ii) monitor the development of such risks, and (iii) prepare risk management reports for our management’s review.
- Our internal control department will coordinate, oversee and manage the overall risks associated with our business operations and quality control mainly including (i) reviewing our corporate risk in light of our corporate risk tolerance, (ii) maintaining a key risk list and leading corresponding risk management activities, and (iii) organizing revision and update of the key risk list. Our management and internal control department will be responsible for carrying out risk prevention and management activities.
- Our management will be responsible for (i) reviewing the risk management information collected by our internal control department, (ii) reviewing risk management report of our Company, and (iii) overseeing internal control department and conducting risk evaluations.

Internal control

Our Board of Directors is responsible for establishing and ensuring effective internal controls to safeguard our Shareholder’s [REDACTED] at all times. Our internal control policies set out a framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an ongoing basis.

BUSINESS

Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- We have adopted various measures and procedures regarding each aspect of our business operation, such as related party transaction, risk management, protection of intellectual property, environmental protection and occupational health and safety. For more See “— Intellectual property” and “— Environmental, social, and corporate governance” in this section for further details. We plan to provide periodic training about these measures and procedures to our employees as part of our employee training program. Our internal audit department conducts audit field work to monitor the implementation of our internal control policies, reports the weakness identified to our management and audit committee and follows up on the rectification actions.
- Our Directors (who are responsible for monitoring the corporate governance of our Group) with help from our legal advisers, will also periodically review our compliance status with all relevant laws and regulations after the [REDACTED].
- We have established an audit committee which (i) makes recommendations to our Directors on the appointment and removal of external auditors, and (ii) reviews the financial statements and renders advice in respect of financial reporting as well as oversees internal control procedures of our Group.
- We plan to engage a PRC law firm to advise us on and keep us abreast with PRC laws and regulations after the [REDACTED]. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest PRC laws and regulations.
- We plan to seek advice from law firms in the United States, the European Union and other jurisdictions where we currently operate or may operate in the future to keep us abreast of applicable local laws and regulations after the [REDACTED]. We will continue to arrange various trainings to be provided by external legal advisers from time to time when necessary and/or any appropriate accredited institution to update our Directors, senior management, and relevant employees on the latest laws and regulations in the jurisdictions in which we currently operate or may operate in the future.

We maintain strict confidentiality and privacy policies regarding the collection, analysis, storage and transmission of the data of our business and transactions. Our IT team are responsible for, from technical perspective, ensuring the usage, maintenance and protection of business and transaction data to comply with our internal policies and applicable laws and regulations.