Lopal
龙蟠科技

江蘇龍蟠科技股份有限公司
JIANGSU LOPAL TECH. CO., LTD.

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

Stock code: 2465

GLOBAL OFFERING

Joint Sponsors

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

HALCYON 鎧盛

Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

國泰君安國際 GUOTAI JUNAN INTERNATIONAL

HALCYON 鎧盛

ICBC 工银国际

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI

建银国际 CCB International

農銀國際 ABC INTERNATIONAL

招银国际 CMB INTERNATIONAL

TradeGo Markets

利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

Lopal
龙蟠科技

Jiangsu Lopal Tech. Co., Ltd.
江 蘇 龍 蟠 科 技 股 份 有 限 公 司

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

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**100,000,000 H Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**10,000,000 H Shares (subject to adjustment)**
Number of International Offer Shares	:	**90,000,000 H Shares (subject to adjustment and the Over-allotment Option)**
Maximum Offer Price	:	**HK$7.00 per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
Stock code	:	**2465**

Joint Sponsors

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Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

國泰君安國際 GUOTAI JUNAN INTERNATIONAL　　HALCYON 鎧盛　　ICBC 工银国际

Joint Bookrunners and Joint Lead Managers

中銀國際 BOCI　　建银国际 CCB International　　農銀國際 ABC INTERNATIONAL　　招银国际 CMB INTERNATIONAL　　TradeGo Markets　　利弗莫尔证券 LIVERMORE HOLDINGS LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sponsor-OCs (for themselves and on behalf of the Underwriters) and our Company on or before Monday, October 28, 2024 and, in any event, not later than 12:00 noon on Monday, October 28, 2024. The Offer Price will be not more than HK$7.00 per Offer Share and is currently expected to be not less than HK$4.50 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares are required to pay, on application (subject to application channel), the maximum Offer Price of HK$7.00 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the Offer Price is less than HK$7.00 per Offer Share. If, for any reason, the Offer Price is not agreed between our Company and the Sponsor-OCs (for themselves and on behalf of the Underwriters) by 12:00 noon on Monday, October 28, 2024 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.

The Sponsor-OCs (for themselves and on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published on the website of the Company at **www.lopal.com.cn** and on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** as soon as practicable following the decision to make such reduction, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in "Risk Factors." The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters) if certain events occur prior to 8:00 a.m. on the Listing Date. Such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering pursuant to Rule 12.11 of the Hong Kong Listing Rules. We will not provide printed copies of this prospectus to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the websites of the Hong Kong Stock Exchange (**www.hkexnews.hk**) and our Company (**www.lopal.com.cn**). If you require a printed copy of this prospectus, you may download and print from the website addresses above.

October 22, 2024

IMPORTANT NOTICE TO INVESTORS OF HONG KONG OFFER SHARES: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this prospectus in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk under the "*HKEXnews > New Listings > New Listing Information*" section, and our website at www.lopal.com.cn. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Hong Kong Offer Shares, you may:

(1) apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or

(2) apply electronically through the **HKSCC EIPO** channel and cause HKSCC Nominees to apply on your behalf by instructing your broker or custodian who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary**, **broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses stated above.

Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus for further details on the procedures through which you can apply for the Hong Kong Offer Shares.

Your application through the **White Form eIPO** service or the **HKSCC EIPO** channel must be made for a minimum of 500 Hong Kong Offer Shares and in multiples of that number of Hong Kong Offer Shares as set out in the table below. No application for any other number of Hong Kong Offer Shares will be considered and such an application is liable to be rejected.

If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective amount payable on application in full upon application for Hong Kong Offer Shares.

If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your broker or custodian, as determined based on the applicable laws and regulations in Hong Kong.

No. of Hong Kong Offer Shares applied for	Amount payable (2) on application	No. of Hong Kong Offer Shares applied for	Amount payable (2) on application	No. of Hong Kong Offer Shares applied for	Amount payable (2) on application	No. of Hong Kong Offer Shares applied for	Amount payable (2) on application
	HK$		HK$		HK$		HK$
500	3,535.30	7,000	49,494.16	50,000	353,529.76	700,000	4,949,416.50
1,000	7,070.60	8,000	56,564.75	60,000	424,235.70	800,000	5,656,476.00
1,500	10,605.89	9,000	63,635.35	70,000	494,941.66	900,000	6,363,535.50
2,000	14,141.19	10,000	70,705.96	80,000	565,647.60	1,000,000	7,070,595.00
2,500	17,676.49	15,000	106,058.93	90,000	636,353.56	2,000,000	14,141,190.00
3,000	21,211.79	20,000	141,411.90	100,000	707,059.50	3,000,000	21,211,785.00
3,500	24,747.08	25,000	176,764.88	200,000	1,414,119.00	4,000,000	28,282,380.00
4,000	28,282.38	30,000	212,117.86	300,000	2,121,178.50	5,000,000(1)	35,352,975.00
4,500	31,817.68	35,000	247,470.83	400,000	2,828,238.00		
5,000	35,352.98	40,000	282,823.80	500,000	3,535,297.50		
6,000	42,423.56	45,000	318,176.78	600,000	4,242,357.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

If there is any change in the following expected timetable of the Global Offering, we will issue an announcement in Hong Kong to be published on the websites of Stock Exchange at ***www.hkexnews.hk*** *and our Company at* ***www.lopal.com.cn****.*

Hong Kong Public Offering commences . . . . .9:00 a.m. on Tuesday, October 22, 2024

Latest time to complete electronic applications under **White Form eIPO** service through the designated website at **www.eipo.com.hk**[2] . . . . .11:30 a.m. on Friday, October 25, 2024

Application lists open[3]. . . . . .11:45 a.m. on Friday, October 25, 2024

Latest time for (a) completing payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s) and (b) giving **electronic application instructions** to HKSCC[4] . . . . 12:00 noon on Friday, October 25, 2024

If you are instructing your **broker** or **custodian** who is a HKSCC Participant who will submit an **electronic application instruction** on your behalf through HKSCC's FINI system in accordance with your instruction, you are advised to contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by broker or custodian.

Application lists close[3] . . . . 12:00 noon on Friday, October 25, 2024

Expected Price Determination Date . . . . at or before 12:00 noon on Monday, October 28, 2024

Announcement of:

- the final Offer Price;
- the level of applications in the Hong Kong Public Offering;
- the level of indications of interest in the International Offering; and
- the basis of allocation of the Hong Kong Offer Shares to be published on our website at **www.lopal.com.cn**[5] and the website of the Stock Exchange at **www.hkexnews.hk**. . . . . .at or before 11:00 p.m. on Tuesday, October 29, 2024

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels, including:

- in the announcement to be published on our website at **www.lopal.com.cn**[5] and the website of the Stock Exchange at **www.hkexnews.hk** . . . . no later than 11:00 p.m. on Tuesday, October 29, 2024

- from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function from . . . . 11:00 p.m. on Tuesday, October 29, 2024 to 12:00 midnight on Monday, November 4, 2024

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on . . . . Wednesday, October 30, 2024, Thursday, October 31, 2024, Friday, November 1, 2024 and Monday, November 4, 2024

H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[6][8] . . . . Tuesday, October 29, 2024

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications under the Hong Kong Public Offering to be dispatched on or before[7][8] . . . . Wednesday, October 30, 2024

Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at . . . . 9:00 a.m. on Wednesday, October 30, 2024

Notes:

(1) Unless otherwise stated, all times and dates refer to Hong Kong local times and dates.

(2) You will not be permitted to submit your application under the **White Form eIPO** service through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a Bad Weather Signal in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 25, 2024, the application lists will not open and will close on that day. For further details, please see the section headed "How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements" in this prospectus.

(4) Applicants who instruct their broker or custodian to apply for the Hong Kong Offer Shares on their behalf through the **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates for the Hong Kong Offer Shares will only become valid evidence of title provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with their terms prior to 8:00 a.m. on the Listing Date. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so at their own risk.

(7) **White Form** e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund check. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund check.

(8) Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our H Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) despatched to the bank account in the form of **White Form** e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions in the form of refund checks by ordinary post at their own risk.

Any uncollected H share certificates and/or refund checks will be despatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies."

The H Share certificates will only become valid evidence of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with their respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about Wednesday, October 30, 2024. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The above expected timetable is a summary only. For further details of the structure of the Global Offering, including its conditions, and the procedures for applications for Hong Kong Offer Shares, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus, respectively.

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such case, the Company will make an announcement as soon as practicable thereafter.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, representatives, affiliates, employees, agents or any other person or party involved in the Global Offering. Information contained in our website, located at ***www.lopal.com.cn****, does not form part of this prospectus.*

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CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with the full text of this prospectus. You should read the whole document before you decide to invest in our H Shares.

There are risks associated with any investment. Some of the particular risks in investing in our H Shares are set forth in "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our H Shares.

You should note that we completed the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano on June 11, 2021 and have consolidated their results of operations since June 1, 2021. We have also conditionally agreed to acquire all equity interests in Shandong Meiduo, completion of which was not taken place as of the Latest Practicable Date. For details of the acquisitions, see "History and Development — Major Acquisitions and Disposals" Unless otherwise stated, the historical results of operations and financial position of our Group for the five months ended May 31, 2021 presented and discussed in this prospectus only included the data of the Group prior to the acquisitions, whereas the historical results of operations and financial position of our Group also included the data of Tianjin Beiterui Nano and Jiangsu Beiterui Nano from June 1, 2021 to June 30, 2024.

OVERVIEW

We are a major LFP cathode material manufacturer in the world and a renowned automotive specialty chemical manufacturer in mainland China. We primarily operate in the following two segments:

- *LFP cathode materials*. We primarily engage in the production and sale of LFP cathode materials. LFP cathode materials are currently the most extensively used cathode materials for producing lithium-ion batteries used in a wide variety of end markets, including NEV and energy storage industries.

- *Automotive specialty chemicals*. We primarily engage in the production and sale of a diverse portfolio of automotive specialty chemical products covering diesel exhaust fluids, automobile and industrial lubricants, coolants and car maintenance products, which are widely used in the automobile manufacturing market, automotive aftermarket, and engineering equipment market.

The table below sets forth the breakdown of our revenue by product and service types, each expressed in an absolute amount and as a percentage of total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
LFP Cathode materials	1,876,842	46.3	12,241,873	87.0	6,753,628	77.4	2,851,523	74.8	2,475,580	69.4
Without procurement of lithium carbonate and raw materials from customers	1,876,842	46.3	12,084,887	85.9	6,186,681	70.9	2,673,665	70.1	1,696,977	47.6
With procurement of lithium carbonate and raw materials from customers[1]	—	—	156,986	1.1	566,947	6.5	177,858	4.7	778,603	21.8
Automotive specialty chemicals	2,118,725	52.3	1,762,814	12.5	1,903,212	21.8	938,057	24.6	970,147	27.2
Diesel exhaust fluid	790,630	19.5	688,861	4.9	625,738	7.1	323,102	8.5	306,607	8.6
Automobile and industrial lubricant	844,402	20.8	623,553	4.4	706,616	8.1	362,948	9.5	367,623	10.3
Coolant	403,708	10.0	382,661	2.7	484,701	5.6	203,246	5.3	248,948	7.0
Car maintenance products	61,955	1.5	58,330	0.4	70,240	0.8	35,978	0.9	36,988	1.0
Other products[2]	18,030	0.5	9,409	0.1	15,917	0.2	12,783	0.4	9,981	0.3
Processing income from lithium carbonate	—	—	—	—	—	—	—	—	42,685	1.2
Others[3]	57,938[4]	1.4	66,956	0.5	72,639	0.8	24,624	0.6	80,200	2.2
Total	**4,053,505**	**100.0**	**14,071,643**	**100.0**	**8,729,479**	**100.0**	**3,814,204**	**100.0**	**3,568,612**	**100.0**

Notes (1) to (3): See notes (1) to (3) under "Financial Information — Description of Key Components of our Results of Operations — Revenue — Revenue by types of products and services."

(4): Including revenue from selling of small amounts of LFP cathode materials produced by third party contract manufacturers we engaged. During the Track Record Period and prior to the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, revenue generated from selling of such LFP cathode materials amounted to RMB4.2 million in 2021.

We enjoy major market positions in the LFP cathode material industry and multiple sub-segments of the automotive specialty chemical industry. According to Frost & Sullivan, in terms of sales volume in 2023, we are China's and the world's fourth largest LFP cathode material manufacturer, with a global market share of 6.5%, while the three largest manufacturers held market shares of 30.5%, 12.9% and 10.5%, respectively; the third largest diesel exhaust fluid manufacturer in mainland China, with a market share of 9.1%, while the two largest manufacturers held market shares of 29.1% and 12.9%, respectively; and the third largest coolant manufacturer in mainland China, with a market share of 5.8%, while the two largest manufacturers held market shares of 12.3% and 8.8%, respectively.

The history of our Group can be traced back to 2003 when our Company was established, initially offering lubricants and engine coolants. Through strategic growth over the years, we successfully expanded and strengthened our product portfolio to also include other automotive specialty chemicals such as diesel exhaust fluids and car maintenance products. This has enabled us to form a diverse portfolio of automotive specialty chemical products for our customers. Our Company completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange in April 2017. Leveraging our long-term development strategies tailored to developments within the automotive industry, we engaged third party contract manufacturers to produce small amounts of LFP cathode materials in 2020 and the first half of 2021. This allowed us to start building knowledge and relationships in the emerging NEV supply chain. Then in June 2021, we expanded our presence in the LFP cathode material industry through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano which are engaged in businesses in the field of LFP cathode materials. This move was driven by two key considerations. First, the automotive industry's shift from ICE vehicles to NEVs. As a longtime supplier of automotive specialty chemicals, we felt the need to evolve with the market by entering the NEV supply chain focusing on the most extensively used lithium-ion battery cathode material. Second, we considered LFP cathode materials to be the optimal long-term technology pathway compared to cobalt-based cathodes, given LFP's innate advantages in cost, safety and stability. We were also confident that China's supportive policies for NEV were to significantly increase demand for LFP cathode materials. Our decision to acquire Tianjin Beiterui Nano and Jiangsu Beiterui Nano was made after careful evaluation of their technical capabilities and market dominance. Before we acquired Tianjin Beiterui Nano and Jiangsu Beiterui Nano from it, the BTR Group had over a decade of experience researching and developing LFP cathode materials, cultivating robust technology and knowledge, demonstrating stable industry leadership position.

We achieved strong growth from 2021 to 2022. Our revenue increased by 247.1% from RMB4,053.5 million for the year ended December 31, 2021 to RMB14,071.6 million for the year ended December 31, 2022. In addition, our net profit increased by 137.6% from RMB433.4 million for the year ended December 31, 2021 to RMB1,029.9 million for the year ended December 31, 2022. This was primarily attributable to the strong growth of our LFP cathode material business since we acquired it in June 2021, in terms of both sales volume and average selling prices, driven by the rapid development and growth in demand of downstream NEV and energy storage industries and the significant increase in the price of principal raw materials, such as lithium carbonate, which was attributable to tightness in upstream supply.

However, we recorded a net loss of RMB1,514.2 million for the year ended December 31, 2023 as compared to a net profit of RMB1,029.9 million for the year ended December 31, 2022. This was primarily driven by the unprecedented volatility in lithium carbonate market prices. Specifically, we recorded a gross loss of RMB57.5 million for the year ended December 31, 2023 compared to a gross profit of RMB2,433.3 million for the year ended December 31, 2022 as lithium carbonate market prices undergoing an unprecedented sharp decline in 2023 after an extended high price environment created a temporary mismatch between cost of sales of LFP cathode materials and its revenue contribution for the year ended December 31, 2023. We recorded a 44.8% year-on-year decrease in revenue from sales of LFP cathode materials in 2023, mainly attributable to a significant decrease in average selling price of LFP cathode materials which closely follows the prevailing lithium carbonate market price which experienced sharp decreases during the year. Due to the overall decline of lithium carbonate market prices through 2023, our cost of sales for LFP cathode materials stayed elevated relative to the selling prices which had to be lowered to reflect the sharp decline in lithium carbonate prices during the year. In addition, we recognized provision for impairment loss of inventories of RMB554.5 million in the 2023 as a result of the decrease in recoverable amounts of inventories attributable to the declining raw material prices.

The market challenges we faced in 2023 continued into the first half of 2024, although we saw some signs of improvement. For the six months ended June 30, 2024, we recorded a total revenue of RMB3,568.6 million, representing a decrease from RMB3,814.2 million for the same period in 2023. Our LFP cathode material segment revenue decreased from RMB2,851.5 million in the first half of 2023 to RMB2,475.6 million in the first half of 2024. This decrease was mainly attributable to two factors affecting average selling price of our LFP cathode materials, including (i) the continued decline in lithium carbonate market prices, and (ii) an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers which result in lower revenue recognized and lower average selling price. Despite these challenges, we saw an improvement in our gross profit, recording RMB344.0 million in the first half of 2024 compared to a gross loss of RMB241.4 million in the first half of 2023. Our net loss also decreased from RMB811.5 million in the first half of 2023 to RMB260.2 million in the first half of 2024. These improvements were primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

We recorded revenue from sales of automotive specialty chemicals of RMB2,118.7 million, RMB1,762.8 million, RMB1,903.2 million, RMB938.1 million and RMB970.1 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The decrease in revenue from sales of automotive specialty chemicals in 2022 was primarily due to (i) the declined demand for our products as transportation and logistics in mainland China were affected during the COVID-19 pandemic, and (ii) the more intense market competition, such as bundle sales employed by our competitors as sales and marketing strategies. Revenue from sales of automotive specialty chemicals increased by 8.0% in 2023, primarily due to the increases in revenue from sales of automobile and industrial lubricant, coolants and car maintenance products as a result of resumed demand for such products following the recovery of transportation and logistics in mainland China, partially offset by a decrease in revenue from diesel exhaust fluid in light of heightened market competition.

Despite the current challenges in the LFP cathode material industry, we believe prevailing downstream prospects and growing demand are in our favor. According to Frost & Sullivan:

- driven by the PRC government's dual objectives of "carbon emission peak" (碳達峰) and "carbon neutrality" (碳中和), the NEV industry experienced fast growth, resulting in significant growth in demand for NEV batteries. Specifically, shipment volume of NEV batteries in mainland China is expected to reach 1,860.5 GWh in 2028 from 816.6 GWh in 2024, representing a CAGR of 22.9%;

- shipment volume of the ESS battery industry in mainland China is expected to reach 863.3 GWh in 2028 from 300.4 GWh in 2024, representing a CAGR of 30.2%; and
- automobile ownership in mainland China, which closely relates to our automotive specialty chemical business, is expected to reach 430.5 million units in 2028 from 354.3 million units in 2024, representing a CAGR of 5.0%.

As a result, according to Frost & Sullivan, sales volume of LFP cathode material in mainland China is expected to further grow at a CAGR of 17.2% from 2,056.0 thousand tons in 2024 to 3,884.0 thousand tons in 2028, and the sales volumes of diesel exhaust fluids, automotive lubricants, coolants and car maintenance products in mainland China are expected to increase at CAGRs of 9.4%, 1.8%, 8.5% and 4.0%, respectively, from 2024 to 2028. Leveraging our market position, diverse product portfolio, manufacturing capabilities, research and development capabilities, product quality and quality customer base, we believe we are well positioned to seize market opportunities and benefit from the expected growth in the end markets of our products.

OUR BUSINESSES

LFP Cathode Materials

LFP cathode materials are currently the most extensively used cathode materials for the production of lithium-ion batteries used in a wide variety of end markets including NEV and energy storage industries. Customers of our LFP cathode material business include major lithium-ion battery manufacturers such as CATL, REPT BATTERO, Sunwoda and EVE. We sell our LFP cathode material products directly to customers after passing their stringent verification processes, including on-site visits of our production facilities and sample tests of our products. The following table sets forth a breakdown of the revenue contribution, percentage of revenue contribution, sales volume and average selling price of our LFP cathode material products for the periods indicated:

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
				(Revenue unaudited)	
Revenue (RMB'000)	1,876,842	12,241,873	6,753,628	2,851,523	2,475,580
% of total revenue (%)	46.3	87.0	77.4	74.8	69.4
Sales volume (ton)	30,505	95,120	108,120	37,427	74,503
Average selling price (RMB/ton)	61,526	128,699	62,464	76,189	33,228

Note: Revenue from selling of small amounts of LFP cathode materials produced by third party contract manufacturers we engaged was categorized under others, and therefore is not shown under the table above. During the Track Record Period and prior to the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, revenue generated from selling of such LFP cathode materials amounted to RMB4.2 million in 2021.

Since the prices and supply of LFP cathode materials are closely linked to the prices and supply of lithium carbonate, our LFP cathode material business is subject to the cyclicality of lithium carbonate driven by supply-demand dynamics in the lithium-ion battery industry. For further details of the cyclicality of lithium carbonate, see "Industry Overview — Average Price Analysis of LFP Cathode Material — Raw materials and products." The increase in the sales volume of our LFP cathode materials from 2021 to 2022 was primarily driven by the rapid development and growth in demand of downstream NEV and energy storage industries, while the increase in the average selling price of our LFP cathode materials in the same period was primarily due to the increased prices of our principal raw materials, lithium carbonate and iron phosphate, in 2022. The decrease in the average selling price of our LFP cathode materials in 2023 was collectively contributed by (i) the decline in principal raw material prices and (ii) the increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers from RMB157.0 million in 2022 to RMB566.9 million in 2023, cost of which was deducted directly upon the recognition of such revenue. Nevertheless, despite the unprecedented volatility in lithium carbonate market prices leading to significant decrease in average selling price of our LFP cathode materials from 2022 to 2023, sales volume of our LFP cathode materials increased from 95,120 tons in 2022 to 108,120 tons in 2023. This trend continued into the first half of 2024 with sales volume of our LFP cathode material increasing from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024, representing a 99.1% increase.

Production capacity and utilization

As of the Latest Practicable Date, we operated five LFP cathode material production facilities in (i) Jintan, Jiangsu Province, (ii) Baodi, Tianjin Municipality, (iii) Pengxi, Sichuan Province, (iv) Heze, Shandong Province and (v) Xiangyang, Hubei Province. The following table sets forth the key operating information of our LFP cathode material production during the periods indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
Designed capacity (ton)	23,645.8	91,499.0	200,670.2	110,633.4
Actual production (ton)	25,281.3	89,039.9	115,509.8	78,914.0
Utilization rate (%)	106.9	97.3	57.6	71.3

The decrease in utilization rate for the year ended December 31, 2023 was primarily due to (i) a significant increase in our total designed production capacity in 2023, mainly attributable to the capacity expansion at our Pengxi Plant; and (ii) underutilization of certain of our new production lines owing to ongoing supplier verification procedures of some customers which are specific to production plants and ramp-up period for increased capacity. In addition, our production volume of 115,509.8 tons in 2023 exceeded total designed capacity of 91,499.0 tons in 2022. In the first half of 2024, our overall LFP cathode material production utilization rate improved to 71.3% from 57.6% for the year ended December 31, 2023. This improvement was mainly driven by significant increases in utilization at our newer facilities, with the Pengxi Plant increasing to 90.8%, Heze Plant to 65.7%, and Xiangyang Plant to 69.1%. For details, see "Business — Our Businesses — LFP Cathode Materials — Production capacity and utilization."

Research and development

In order to cope with developments in the lithium-ion battery industry and other battery materials industries, it is critical that we maintain our ability to develop new technologies to meet customers' evolving demands and specifications and to establish and strengthen our market position. We have three strategically located research and development centers and a research and development team composed of 270 members dedicated to product and technology development of LFP cathode materials, as of June 30, 2024. Our Shenzhen center focuses on fundamental technologies and latest trends in the industry such as those related to LMFP and sodium materials. The Changzhou center directly addresses customer-related research topics. Our Nanjing center focuses on, among others, low cost LFP cathode materials, such as our Z series products. For details, see "Business — Our Businesses — LFP Cathode Materials — Research and development."

Automotive Specialty Chemicals

We provide a diverse product portfolio of automotive specialty chemicals mainly including diesel exhaust fluids, automobile and industrial lubricants, coolants and a variety of car maintenance products under our *Lopal* (龍蟠), *Kelas* (可蘭素) and *Teec* (迪克) brands. By helping to reduce harmful emissions from vehicles and enhance vehicle efficiency, these products contribute to environmental sustainability. Our automotive specialty chemicals are primarily offered to distributors of automotive chemical products, automobile manufacturers, engineering equipment manufacturers, automotive chemical brands and retail consumers in China.

The table below sets forth a breakdown of our revenue by product types of the automotive specialty chemical business for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Diesel exhaust fluid	790,630	37.3	688,861	39.1	625,738	32.9	323,102	34.4	306,607	31.6
Automobile and industrial lubricant	844,402	39.9	623,553	35.4	706,616	37.1	362,948	38.7	367,623	37.9
Coolant	403,708	19.1	382,661	21.7	484,701	25.5	203,246	21.7	248,948	25.7
Car maintenance products	61,955	2.9	58,330	3.3	70,240	3.7	35,978	3.8	36,988	3.8
Other products[Note]	18,030	0.8	9,409	0.5	15,917	0.8	12,783	1.4	9,981	1.0
Total	**2,118,725**	**100.0**	**1,762,814**	**100.0**	**1,903,212**	**100.0**	**938,057**	**100.0**	**970,147**	**100.0**

Note: Mainly comprising sales of filling equipment and packaging containers for automotive specialty chemical products.

The following table sets forth a breakdown of our sales volume and average selling price for our automotive specialty chemicals by product type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton
	ton	RMB	ton	RMB	ton	RMB	ton	RMB	ton	RMB
Diesel exhaust fluid	449,808	1,758	373,821	1,843	331,370	1,888	172,281	1,875	171,095	1,792
Automobile and industrial lubricant	56,087	15,055	37,262	16,734	39,577	17,854	21,023	17,264	20,428	17,996
Coolant	80,102	5,040	73,874	5,180	99,372	4,878	41,267	4,925	53,642	4,641
Car maintenance products	13,126	4,720	11,758	4,961	15,144	4,638	6,904	5,211	7,977	4,637

Notes:

(1) The sales volume and average selling prices of other products are not meaningful and therefore are not illustrated due to a number of different types of products combined in this category.

(2) Sales volume includes products produced under subcontracting arrangements. See "Business — Our Businesses — Automotive Specialty Chemicals — Subcontracting."

Revenue from sales of automotive specialty chemicals increased by 14.8% in 2021, primarily due to the increases in the sales volume of our products, especially the increased demand for diesel exhaust fluid resulting from the enforcement of stricter emissions regulations. Revenue from sales of automotive specialty chemicals decreased by 16.8% in 2022, primarily due to decrease in sales volume of our products, which was mainly attributable to the declined demand for our products as affected by the COVID-19 pandemic and the more intense market competition. The decrease in revenue from sales of automotive specialty chemicals in 2022 was partially offset by an increase in the average selling prices of our products resulted from the increased raw material prices. Revenue from sales of automotive specialty chemicals increased by 8.0% in 2023, primarily due to the increases in revenue from sales of automobile and industrial lubricant, coolants and car maintenance products as a result of resumed demand for such products following the recovery of transportation and logistics in mainland China, partially offset by a decrease in revenue from diesel exhaust fluid. Revenue from sales of automotive specialty chemicals increased slightly by 3.4% from RMB938.1 million for the six months ended June 30, 2023 to RMB970.1 million for the six months ended June 30, 2024, primarily due to the increase in revenue from sales of coolants, partially offset by the decrease in revenue from sales of diesel exhaust fluid.

For detailed analysis, see "Financial Information — Period to Period Comparison of Results of Operations."

Production capacity and utilization

As of the Latest Practicable Date, we operated seven production facilities for our automotive specialty chemical business in the PRC. Our production facilities are equipped with automated production systems allowing us to standardize the production processes of our products and enabling our manufacturing personnel to focus on maintenance and supervisory functions. The following table sets forth a summary of our production capacity in terms of designed production capacity and utilization rates of automotive specialty chemicals by product type for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)
	(ton)		%	(ton)		%	(ton)		%	(ton)		%
Diesel exhaust fluid	337,666.7	363,866.4	107.8	531,500.0	353,761.2	66.6	690,132.1	318,723.2	46.2	412,912.5	157,751.8	38.2
Automobile and industrial lubricant	83,000.0	56,339.9	67.9	83,000.0	36,067.7	43.5	82,875.0(4)	41,189.7	49.7	42,530.0	21,779.2	51.2
Coolant	100,000.0	83,418.9	83.4	100,000.0	70,745.1	70.7	113,067.0	106,200.5	93.9	64,796.0	52,147.5	80.5
Car maintenance products	10,000.0	14,296.9	143.0	21,220.0	11,189.5	52.7	25,000	15,704.1	62.8	10,000.0	10,065.2	100.7

Notes:

(1) The designed production capacity of the period represents the effective production capacity accumulated by months, which is calculated based on the optimal hourly production rate of production lines operating ten hours a day, for 250 working days a year, adjusted pro rata according to the actual days of operation for respective production lines in a period.

(2) The actual production during the period is the total volume of the products manufactured during that period.

(3) The utilization rate equals to the actual production volume divided by the designed production capacity during the same period.

(4) The slight decrease in designed capacity for automobile and industrial lubricants in 2023 was due to the decommissioning of an aging facility in Zhangjiagang in June 2023 that had been in operation for over ten years.

The utilization rates of our automotive specialty chemicals fluctuated during the Track Record Period primarily due to (i) increased working hours adopted from time to time to cope with strong demand for diesel exhaust fluid and car maintenance products in 2021; (ii) reduced automobile usage and lower demand for automotive chemical products during the COVID-19 pandemic in 2022; (iii) additional production capacity that was gradually released in 2022; and (iv) resumed demand for automotive chemical products following the recovery from the COVID-19 pandemic in 2023 except for diesel exhaust fluids which experienced reduced sales in light of heightened market competition. For details, see "Business — Our Businesses — Automotive Specialty Chemicals — Production capacity and utilization."

Sales and distribution network

We have a multi-channel sales and distribution network for our automotive specialty chemical business, encompassing a number of online and offline sales channels. Our extensive sales and distribution network for our automotive specialty chemical business comprised mainly of (i) distributors including gas stations, vehicle repair plants and vehicle service centers, as well as distributors who sell to these customers, (ii) direct sales targeting corporate clients including automobile manufacturers (including their respective 4S dealership stores) and engineering equipment manufacturers, (iii) OEM customers which are mainly automotive chemical brands and (iv) online channels targeting retail customers which helps enhance the visibility of our brands and products. The table below sets forth a breakdown of our revenue from automotive specialty chemical business by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distributors	1,065,852	50.3	894,740	50.8	839,497	44.1	466,589	49.7	440,585	45.4
Corporate clients	822,112	38.8	735,612	41.7	853,251	44.8	390,448	41.6	460,094	47.4
OEM Customers	196,539	9.3	105,740	6.0	176,939	9.3	66,337	7.1	52,514	5.4
Online channels	34,222	1.6	26,722	1.5	33,525	1.8	14,683	1.6	16,954	1.8
Total	**2,118,725**	**100.0**	**1,762,814**	**100.0**	**1,903,212**	**100.0**	**938,057**	**100.0**	**970,147**	**100.0**

Lithium Carbonate Processing Services

In the first half of 2024, we recorded revenue for the provision of lithium carbonate processing service, albeit to a limited extent. In the first half of 2024, the majority of the output of our Yichun facility was utilized in-house for our LFP cathode materials manufacturing, which we subsequently supplied to CATL Group. The remaining portion were processed for a company designated by CATL. Revenue generated from lithium carbonate processing for this company amounted to approximately RMB42.7 million in the first half of 2024 while we recorded negative gross margin for this transaction primarily due to lack of economies of scale at the early production phase of the facility for the relevant batches.

Under the relevant agreement, we have committed the production capacity of the Yichun facility to CATL. The pricing structure for our lithium carbonate processing service under this agreement generally accounts for our costs and operational expenses and an agreed-upon profit component. After fulfilling our initial commitment to CATL, we may explore opportunities to expand our customer base for lithium carbonate processing. In the event we sell lithium carbonate or provide processing services to any customer other than CATL or its designated companies, our pricing will be based on a market approach taking into account prevailing market conditions and competitive factors. For details, see "Business — Our businesses — Lithium carbonate processing services."

STRENGTHS

Our competitive strengths include:

- We are a major LFP cathode material manufacturer in the world and a renowned automotive specialty chemical manufacturer in mainland China benefiting from growing industries;
- We have a strong customer base for our LFP cathode material business and an extensive sales and distribution network for our automotive specialty chemical business;
- Our strong research and development capabilities contribute to our competitive and diverse product portfolio; and
- We have an experienced and visionary management team.

See "Business — Strengths" for details.

STRATEGIES

Our development strategies include:

- Further increase our LFP cathode material production capacity to seize growing downstream demand, expand our customer base and achieve economies of scale to solidify our position in the LFP cathode material industry;
- Further expand upstream along the LFP cathode material production value chain;
- Strengthen our research and development capabilities and attract high-caliber talents; and
- Further reinforce our brand and channel strategies to solidify our market position in the automotive specialty chemicals industry.

See "Business — Strategies" for details.

MAJOR SUPPLIERS AND CUSTOMERS

In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, purchase amount from our five largest suppliers in each period during the Track Record Period amounted to RMB1,106.5 million, RMB3,526.3 million, RMB2,791.7 million and RMB1,029.1 million, respectively, representing 34.9%, 26.4%, 37.3% and 35.9% of our total purchase amount for the respective periods.

In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate revenue generated from our five largest customers in each period during the Track Record Period amounted to RMB1,739.2 million, RMB11,253.8 million, RMB5,627.4 million and RMB2,159.8 million, respectively, representing 42.9%, 80.0%, 64.5% and 60.5% of our total revenue for the respective periods.

Customer Concentration

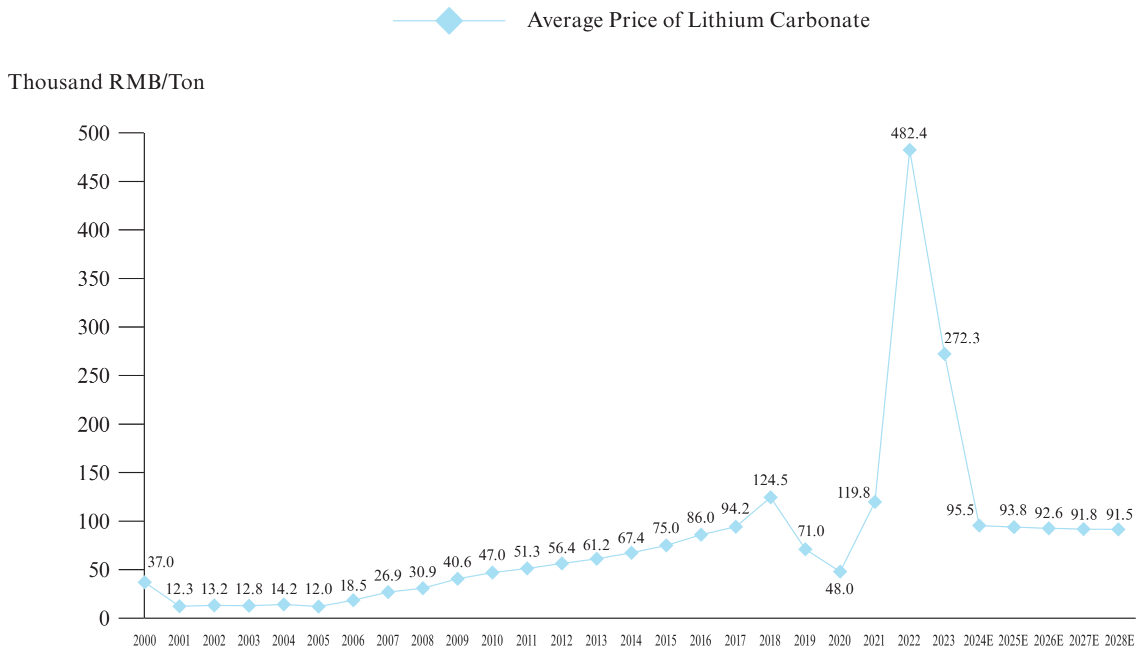
For years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue generated from CATL Group amounted to RMB1,160.4 million, RMB7,486.9 million, RMB2,648.0 million and RMB1,123.1 million, respectively, representing 28.6%, 53.2%, 30.3% and 31.5% of our revenue for the respective periods. The relatively high revenue contribution of CATL Group was mainly due to its large demand for LFP cathode materials as it is one of the leading lithium-ion battery manufacturers in the world in the highly concentrated lithium-ion battery industry. Our Directors are of the view that the reliance between our major customers and us is bilateral and our LFP cathode material business is sustainable despite such customer concentration and that we are not the exclusive supplier of LFP cathode materials to our major customers, primarily because customer concentration is an industry norm in the LFP cathode material industry according to Frost & Sullivan and we have developed bilateral relationships with our customers.

Being the holding company of Yichun Times (a substantial shareholder of Lopal Times, a subsidiary of our Company), CATL will become our connected person upon the Listing. As we expect to continue selling and procuring raw materials and other products to and from CATL Group after the completion of the Global Offering, we have entered into the CATL Sales Framework Agreement and CATL Purchase Framework Agreement with CATL, which will constitute our partially exempt continuing connected transaction under Chapter 14A of Listing Rules upon the Listing. For details, see "Business — Major Suppliers and Customers — Customer Concentration" and "Connected Transactions — Partially Exempt Continuing Connected Transactions."

Average Price Analysis of LFP Cathode Materials

Lithium carbonate and iron phosphate are the primary raw materials for LFP cathode materials. The price of lithium carbonate heavily relies on imported lithium, mainly sourced from South America and Australia. The price of lithium carbonate in China has undergone two major cyclical fluctuations over the past decade driven by supply-demand dynamics in the lithium-ion battery industry. For details, see "— Industry Overview — Overview of Lithium-ion Battery Industry — Average Price Analysis of LFP Cathode Material." The diagrams below set forth the historical and expected price trends of lithium carbonate, iron phosphate and LFP cathode material for the periods indicated.

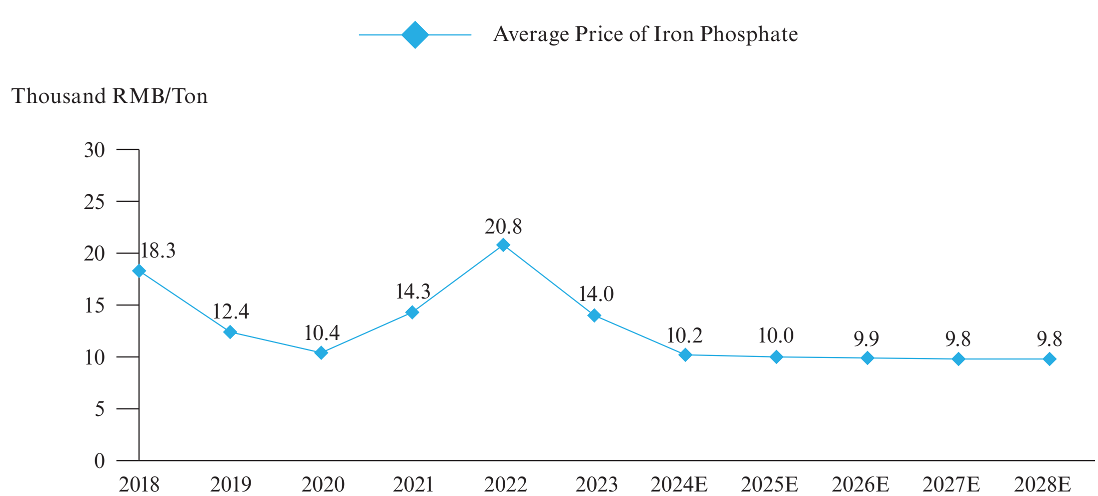
Average Price of Lithium Carbonate, 2000–2028E

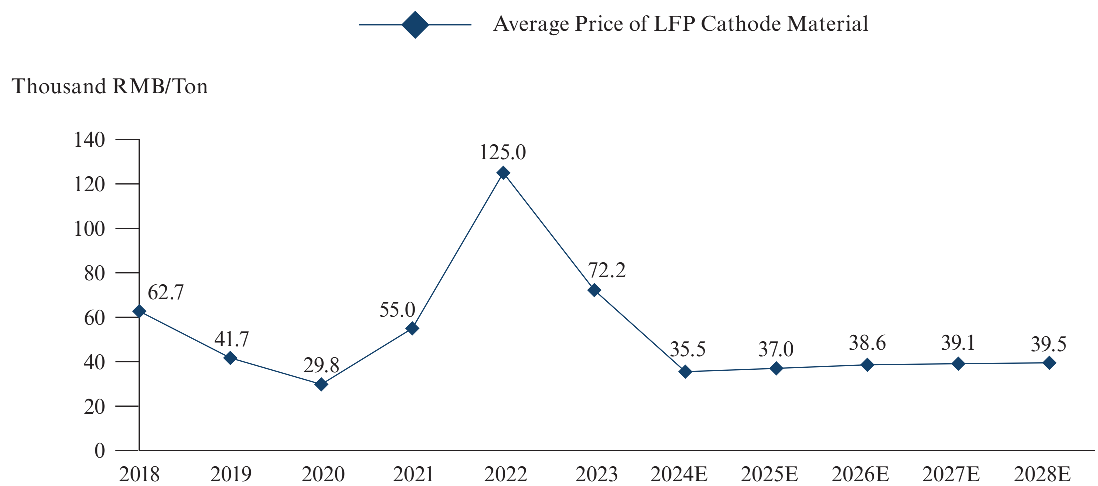


Source: Frost & Sullivan

Note: Due to the lack of comprehensive lithium carbonate pricing data in China prior to 2018, the prices used in this report for the period before 2018 have been derived based on global pricing estimates.

Average Price of Iron Phosphate and LFP Cathode Materials, 2018–2028E





Source: Frost & Sullivan

CHALLENGES TO OUR INDUSTRIES AND OUR BUSINESSES

Our Industries

The lithium-ion battery industry, including the LFP cathode material industry, experienced substantial growth in shipment volume, increasing from 250.1 GWh in 2019 to 1,226.8 GWh in 2023, with a CAGR of 48.8%, driven by surging demand and supportive policies in the NEV and energy storage industries. This significant downstream demand growth led to upstream supply tightness for principal raw materials such as lithium carbonate. Upstream supply chain disruptions caused by the COVID-19 pandemic also constrained lithium resource supply from overseas origins. As a result, lithium carbonate prices spiked. According to Frost & Sullivan, the average price of lithium carbonate increased sharply from RMB119.8 thousand per ton in 2021 to RMB482.4 thousand per ton in 2022, and average LFP cathode material prices increased significantly from RMB55.0 thousand per ton in 2021 to RMB125.0 thousand per ton in 2022.

Since late 2022, as new lithium carbonate production capacity gradually released, supply increased to meet downstream demand. Specifically, numerous companies across mainland China announced their plans to establish or expand their lithium carbonate production in late 2022 which have materialized in early 2023. According to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), lithium carbonate production soared by approximately 36.7% year-on-year, escalating from 150,000 tons in the first half of 2022 to 205,000 tons in the same period in 2023. However, softening of near-term demand sentiments along with the broader global economic slowdown in 2023 have impacted the downstream lithium-ion battery and NEV industries. On the one hand, in December 2022, China discontinued direct purchase subsidies for NEVs temporarily affecting lithium-ion battery and component demand in early 2023. On the other hand, while long-term demand is expected to remain healthy, concerns over potential further lithium carbonate price declines led downstream players including lithium-ion battery and NEV manufacturers to temporarily resort to inventory destocking measures. Coupled with rising lithium carbonate supply, lithium carbonate prices plunged in 2023 which had led to a significant decrease in average LFP cathode material prices from RMB125.0 thousand per ton in 2022 to RMB72.2 thousand per ton in 2023 and further to RMB37.4 thousand per ton in the first half of 2024.

In contrast, the automotive specialty chemical industry, which is relatively more mature, has experienced relatively stable growth in recent years.

Our Business Performance

We achieved strong growth from 2021 to 2022. Our revenue increased by 247.1% from RMB4,053.5 million for the year ended December 31, 2021 to RMB14,071.6 million for the year ended December 31, 2022. In addition, our net profit increased by 137.6% from RMB433.4 million for the year ended December 31, 2021 to RMB1,029.9 million for the year ended December 31, 2022. This growth was primarily attributable to the strong growth of our LFP cathode material business.

However, we recorded a net loss of RMB1,514.2 million for the year ended December 31, 2023 as compared to a net profit of RMB1,029.9 million for the year ended December 31, 2022, primarily due to the changes in supply and demand dynamics along the lithium-ion battery value chain and the unprecedented volatility in lithium carbonate market prices in 2023. Nevertheless, compared to the significant drop in average selling prices, sales volume of our LFP cathode material products increased from 95,120 tons for the year ended December 31, 2022 to 108,120 tons for the year ended December 31, 2023. Additionally, our traditional automotive specialty chemical business recorded increasing revenue for the year ended December 31, 2023 compared to the year ended December 31, 2022.

The market challenges we faced in 2023 continued into the first half of 2024, although we saw some signs of improvement. For the six months ended June 30, 2024, we recorded a total revenue of RMB3,568.6 million, representing a decrease from RMB3,814.2 million in the same period of 2023. Revenue generated from sales of LFP cathode material decreased from RMB2,851.5 million in the first half of 2023 to RMB2,475.6 million in the first half of 2024. This decrease was mainly attributable to a significant decrease in the average selling price of LFP cathode materials. Despite these challenges, we experienced positive trends in terms of sales volume. Sales volume of our LFP cathode material increased from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024, representing a 99.1% increase. We also saw an improvement in our gross profit, recording RMB344.0 million in the first half of 2024 compared to a gross loss of RMB241.4 million in the first half of 2023. As a result, our net loss decreased from RMB811.5 million in the first half of 2023 to RMB260.2 million in the first half of 2024. Additionally, revenue from our automotive specialty chemical business increased from RMB938.1 million in the first half of 2023 to RMB970.1 million in the first half of 2024.

In response to the current challenges in the LFP cathode material industry, we plan to adopt a number of measures to weather short-term fluctuations while capitalizing on the considerable growth opportunities in the LFP cathode material industry, including: (i) improving resilience to fluctuations in raw material prices, including (a) improve procurement practices and organization, (b) further expand upstream along the LFP cathode material value chain and (c) leverage lithium carbonate futures to hedge against price fluctuations of lithium carbonate; (ii) improving production efficiency; and (iii) increasing sales revenue and expanding customer base, including (a) enhance loyalty of existing customers, (b) expand customer base, (c) execute our overseas expansion plan, (d) enhance research and development of new products and production techniques, and (e) continue development of our automotive specialty chemical business.

See "Business — Challenges to our Industries and our Businesses" for further details.

COMPETITION

LFP Cathode Material Industry

The global LFP cathode material market is highly competitive and concentrated with the top five LFP cathode material manufacturers accounting for approximately 66.7% of the global market share in terms of sales volume in 2023, and the three largest LFP cathode material manufacturers accounting for 30.5%, 12.9% and 10.5%, respectively. According to Frost & Sullivan, we ranked fourth in the global LFP cathode material market, accounting for 6.5% of the market share. At the same time, sales of LFP cathode materials in mainland China accounted for around 99% of the global LFP cathode materials sales volume. As such, we generally compete with other large-scale LFP cathode material manufacturers in mainland China.

Automotive Specialty Chemical Industry

According to Frost & Sullivan, various sub-segments of mainland China's automotive specialty chemical industry is characterized by significant presence of large state-owned enterprises and multi-national foreign companies. In terms of sales volume in mainland China in 2023, the top two companies in the diesel exhaust fluid and coolants markets were large state-owned enterprises. Together they accounted for over 40% and 20% market share of the respective markets. According to Frost & Sullivan, in terms of sales volume in mainland China in 2023, we are the third largest diesel exhaust fluid manufacturer, with a market share of 9.1% and the third largest coolant manufacturer in mainland China, with a market share of 5.8%. As such, we generally compete with similar products of the aforementioned large state-owned enterprises, other large and small companies, including well-known domestic and global competitors, on a product-by-product basis.

For further details on the competitive landscapes of relevant industries and our competitive strengths, see "Industry Overview" and "Business — Strengths" and "Business — Competition."

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any particular period are not necessarily indicative of our future trends.

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	**4,053,505**	**14,071,643**	**8,729,479**	**3,814,204**	**3,568,612**
Cost of sales	(2,973,747)	(11,638,338)	(8,786,960)	(4,055,637)	(3,224,638)
Gross profit/(loss)	**1,079,758**	**2,433,305**	**(57,481)**	**(241,433)**	**343,974**
Other income, gains and losses	37,316	95,335	92,288	72,711	134,067
(Impairment losses)/reversal of impairment losses on financial assets	(23,134)	(70,362)	(18,966)	36,334	30,458
Selling and distribution expenses	(172,759)	(176,859)	(196,537)	(105,676)	(80,664)
Administrative expenses	(156,470)	(319,796)	(868,973)	(350,699)	(262,110)
Research and development expenses	(207,953)	(615,549)	(485,724)	(265,631)	(203,587)
Share of results of associates	(279)	16,956	(23,583)	(2,657)	(11,877)
Finance costs	(49,757)	(202,143)	(261,377)	(108,457)	(130,395)
Listing expenses	—	—	(10,216)	(7,030)	(13,395)
Profit/(loss) before taxation	**506,722**	**1,160,887**	**(1,830,569)**	**(972,538)**	**(193,529)**
Income tax (expense)/credit	(73,304)	(130,941)	316,368	161,051	(66,691)
Profit/(loss) for the year/period	**433,418**	**1,029,946**	**(1,514,201)**	**(811,487)**	**(260,220)**
Profit/(loss) for the year/period attributable to:					
Owners of the Company	351,103	752,897	(1,233,291)	(654,008)	(217,820)
Non-controlling interests	82,315	277,049	(280,910)	(157,479)	(42,400)
	433,418	**1,029,946**	**(1,514,201)**	**(811,487)**	**(260,220)**

Cost of sales

Our cost of sales primarily consists of cost of raw materials, manufacturing overheads, depreciation of production facilities and machinery, employee benefit expenses and other costs such as transportation costs, tax charges and subcontracting service fees. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Cost of raw materials	2,391,727	80.4	10,519,529	90.4	7,465,178	85.0	3,545,899	87.4	2,327,372	72.1
— Lithium carbonate	751,633	25.3	7,476,947	64.3	4,846,536	55.2	2,461,665	60.7	945,203	29.3
— Iron phosphate	404,725	13.6	1,425,686	12.2	1,162,913	13.2	478,437	11.8	652,364	20.2
— Base oil	294,509	9.9	247,489	2.1	269,654	3.1	147,431	3.6	131,732	4.1
— Ethylene glycol	139,254	4.7	145,084	1.2	170,832	1.9	76,259	1.9	96,179	3.0
— Urea	284,196	9.6	299,246	2.6	250,872	2.9	132,228	3.3	110,217	3.4
— Other raw materials(1)	517,410	17.3	925,077	8.0	764,371	8.7	249,879	6.1	391,677	12.1
Manufacturing overheads	216,820	7.3	486,801	4.2	643,297	7.3	208,681	5.1	459,766	14.3
Depreciation	58,639	2.0	142,802	1.2	273,534	3.1	110,736	2.7	205,290	6.4
Employee benefit expenses	54,362	1.8	88,032	0.8	125,966	1.4	48,977	1.2	83,880	2.6
Others(2)	252,199	8.5	401,174	3.4	278,985	3.2	141,344	3.6	148,330	4.6
Total	**2,973,747**	**100.0**	**11,638,338**	**100.0**	**8,786,960**	**100.0**	**4,055,637**	**100.0**	**3,224,638**	**100.0**

Notes:

(1) Including other raw materials used in our production and raw materials procured from third-party manufacturers for subcontracting purposes.

(2) Including without limitation transportation costs, tax charges and subcontracting service fees.

Gross profit/(loss) and gross profit/(loss) margin

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margins by types of major products for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
LFP cathode materials	453,678	24.2	1,996,846	16.3	(544,319)	(8.1)	(477,662)	(16.8)	77,239	3.1
— Without procurement of lithium carbonate and raw materials from customers	453,678	24.2	1,960,487	16.2	(624,744)	(10.1)	(480,670)	(18.0)	(6,728)	(0.4)
— With procurement of lithium carbonate and raw materials from customers	—	—	36,359	23.2	80,425	14.2	3,008	1.7	83,967	10.8
Automotive specialty chemicals	616,155	29.1	415,242	23.6	484,226	25.4	232,674	24.8	271,924	28.0
— Diesel exhaust fluid	188,463	23.8	154,871	22.5	137,396	22.0	87,134	27.0	85,449	27.9
— Automobile and industrial lubricant	308,181	36.5	148,794	23.9	191,992	27.2	80,900	22.3	109,372	29.8
— Coolant	100,110	24.8	89,726	23.4	127,832	26.4	53,432	26.3	63,668	25.6
— Car maintenance products	17,092	27.6	19,906	34.1	21,089	30.0	9,062	25.2	12,182	32.9
Lithium carbonate processing services	—	—	—	—	—	—	—	—	(604)	(1.4)

The gross profit margin of LFP cathode materials decreased in 2022, primarily because the growth of our cost of sales in the year outpaced that of our revenue due to our purchases of lithium carbonate in the fourth quarter of 2022 when its price was high. The decrease in raw material prices in 2023 resulted in gross loss of LFP cathode material products in the year, as LFP cathode material prices generally closely follow the prevailing lithium carbonate prices listed on the SMM, rendering the initial procurement cost of consumed raw materials higher than the selling price of our LFP cathode materials when the price of lithium carbonate is in a decline cycle. We recorded gross profit of LFP cathode materials of RMB77.2 million for the six months ended June 30, 2024, primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

The decrease in the gross profit margin of diesel exhaust fluid from 2021 to 2022 was primarily due to the intense market competition and the increase in raw material prices. The gross profit margin of diesel exhaust fluid then remained relatively stable in 2023. The decrease in the gross profit margin of automobile and industrial lubricant in 2022 was primarily due to an increase in raw material prices, especially base oil. The relatively low gross profit margin of car maintenance products in 2021 was primarily due to the change in product mix as we promoted and sold more products with relatively low gross profit margin, which also contributed to further decrease in the gross profit margin of car maintenance products in 2023. In the first half of 2024, the increase in gross profit margin of automobile and industrial lubricant was primarily due to the decrease in raw material prices, and the increase in gross profit margin of car maintenance products was primarily due to change in product mix.

We recorded negative gross margin of 1.4% for lithium carbonate processing services in the first half of 2024, primarily due to lack of economies of scale at the early production phase of the facility for the relevant batches.

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margins by sales channels for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distributors	365,630	34.3	252,965	28.3	236,662	28.1	106,128	22.7	144,673	32.0
Corporate clients	649,997	23.6	2,156,843	16.5	(344,057)	(4.5)	(360,380)	(11.0)	181,462	6.0
OEM customers	48,231	24.5	10,441	9.9	32,389	16.6	5,799	8.7	9,115	16.9
Online channels	15,900	46.5	13,056	48.9	17,525	52.4	7,020	47.8	8,724	50.2
Total	**1,079,758**	**26.6**	**2,433,305**	**17.3**	**(57,481)**	**(0.7)**	**(241,433)**	**(6.3)**	**343,974**	**9.6**

During the Track Record Period, the fluctuations in gross profit/(loss) of sales to distributors and corporate clients were generally in line with that in gross profit/(loss) of automotive specialty chemicals and LFP cathode materials, respectively.

The decrease in gross profit of sales to distributors in 2022 was primarily due to more intense competition in the automotive specialty chemical market and the increase in raw material market prices in the year. The gross profit of sales to distributors then remained relatively stable in 2023. The gross profit of sales to distributors increased in the first half of 2024, primarily due to change in product mix, as we sold more coolants to distributors that had relatively higher gross profit margin compared with other types of products sold to distributors.

The gross profit/(loss) of sales to corporate clients was largely affected by the changes in raw material prices of LFP cathode materials, especially lithium carbonate, as LFP cathode material prices closely followed the prevailing lithium carbonate prices listed on the SMM.

The gross profit of sales to OEM customers decreased in 2022, primarily due to an increase in the proportion of sales to OEM customers who provided us with raw materials for production. The gross profit of sales to OEM customers then increased in 2023 primarily due to a decrease in raw material market prices in the year. The decrease in raw material prices further contributed to the increase in gross profit margin of sales to OEM customers in the first half of 2024.

The gross profit of sales through online channels remained relatively stable during the Track Record Period and the continuous increase in gross profit margin of online sales from 2021 to 2023 was primarily due to change in product mix, especially the increased online sales of certain high-priced products. The increase in gross profit margin of online sales in the first half of 2024 compared with that in the same period in 2023 was primarily due to the increased online sales of diesel exhaust fluid that had relatively higher gross profit margin compared with other types of products sold online.

Summary of Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	2,586,990	5,420,968	8,839,529	9,009,918
— Property, plant and equipment	1,606,051	3,535,014	6,359,929	6,806,366
Current assets	3,518,100	9,269,704	8,389,305	8,215,332
— Inventories	1,100,586	3,007,275	1,610,238	1,647,787
— Trade and other receivables	1,556,172	4,195,192	3,395,047	3,337,159
— Financial assets at fair value through profit or loss	431	30,738	59,527	841,126
— Cash and cash equivalents	833,133	1,529,373	2,958,603	2,285,939
Current liabilities	2,285,158	7,101,111	9,644,767	8,790,002
— Trade and other payables	927,502	2,246,764	2,902,805	2,431,671
— Bank and other borrowings	1,075,631	4,039,370	6,405,976	6,071,229
Net current assets/(liabilities)	**1,232,942**	**2,168,593**	**(1,255,462)**	**(574,670)**
Total assets less current liabilities	**3,819,932**	**7,589,561**	**7,584,067**	**8,435,248**
Non-current liabilities	1,304,669	1,980,097	3,403,001	4,422,871
— Bank and other borrowings	1,072,973	1,586,476	2,520,719	3,406,324
Net assets	**2,515,263**	**5,609,464**	**4,181,066**	**4,012,377**

Our net current assets increased from RMB1,232.9 million as of December 31, 2021 to RMB2,168.6 million as of December 31, 2022, primarily due to the increases in both inventories and trade and other receivables mainly attributable to the expansion of our LFP cathode material business after the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021. Such increase was partially offset by the increases in trade and other payables and bank and other borrowings during the corresponding period. We then recorded net current liabilities of RMB1,255.5 million as of December 31, 2023, primarily due to (i) a decrease in inventories of RMB1,397.0 million attributable to impairment losses on inventories in view of the sharp decline of lithium carbonate prices in 2023, (ii) a decrease in trade and other receivables of RMB800.1 million as a result of the decreased sales in 2023 and (iii) an increase in bank and other borrowings of RMB2,366.6 million as we relied on short-term bank borrowings to finance our working capital needs, partially offset by (iv) an increase in cash and cash equivalent of RMB1,429.2 million. Our net current liabilities decreased by 54.2% from RMB1,255.5 million as of December 31, 2023 to RMB574.7 million as of June 30, 2024, primarily due to (i) a decrease in trade and other payables of RMB471.1 million, mainly attributable to the settlement of part of our bills payable and (ii) a decrease in bank and other borrowings of RMB334.7 million as we repaid some of our short-term bank loans.

Our net assets increased from RMB2,515.3 million as of December 31, 2021 to RMB5,609.5 million as of December 31, 2022, primarily attributable to our profit and total comprehensive income of RMB1,029.9 million generated in 2022 and proceeds from issuance of shares of RMB2,175.5 million as a result of a non-public offering of the Company in May 2022, partially offset by dividends paid of RMB129.3 million. Our net assets then decreased to RMB4,181.1 million as of December 31, 2023, primarily attributable to our loss and total comprehensive expenses of RMB1,514.2 million incurred in 2023. Our net assets remained relatively stable at RMB4,181.1 million as of December 31, 2023 and RMB4,012.4 million as of June 30, 2024, respectively.

For more details, see "Financial Information — Working Capital" and "Consolidated Statements of Changes in Equity" in the Accountants' Report set out in Appendix IA to this prospectus.

Summary of Consolidated Statements of Cash Flows

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash from/(used in) operating activities	(823,847)	(1,863,457)	1,408,230	(439,687)	71,400
Net cash used in investing activities	(828,430)	(2,596,083)	(2,641,508)	(3,019,795)	(1,073,174)
Net cash from financing activities	1,592,020	5,154,730	2,649,637	3,720,217	330,193
Net (decrease)/increase in cash and cash equivalents	**(60,257)**	**695,190**	**1,416,359**	**260,735**	**(671,581)**
Cash and cash equivalents at beginning of the year/period	893,531	833,133	1,529,373	1,529,373	2,958,603
Effect of foreign exchange rate changes, net	(141)	1,050	12,871	2,570	(1,083)
Cash and cash equivalents at end of year/period, representing bank balances and cash	**833,133**	**1,529,373**	**2,958,603**	**1,792,678**	**2,285,939**

We recorded net cash used in operating activities in 2021 and 2022, primarily due to the significant increase in inventories for purchases of lithium carbonate when its prices were on the rise and the significant increase in trade and other receivables along with the expansion of our LFP cathode material business. We recorded net cash used in operating activities in the first half of 2023, primarily due to a significant decrease in average selling price of LFP cathode materials which closely follows the prevailing lithium carbonate market price which experienced sharp decreases during the period.

For detailed analysis, see "Financial Information — Liquidity and Capital Resources."

Key Financial Ratios

The following table sets forth our key financial ratios for the periods/as of the dates indicated:

	For the year ended/As of December 31,			For the six months ended/As of June 30,
	2021	2022	2023	2024
Gross profit/(loss) margin (%)	26.6	17.3	(0.7)	9.6
Return on equity[1] (%)	17.2	18.4	(36.2)	(6.5)
Return on assets[2] (%)	7.1	7.0	(8.8)	(1.5)
Current ratio[3] (times)	1.5	1.3	0.9	0.9
Quick ratio[4] (times)	1.1	0.9	0.7	0.7
Gearing ratio[5] (%)	99.2	112.0	239.6	264.0

Notes:

(1) Return on equity is calculated based on profit/(loss) for the year/period divided by the ending balance of total equity of the year/period and multiplied by 100%.

(2) Return on assets is calculated based on profit/(loss) for the year/period divided by the ending balance of total assets of the year/period and multiplied by 100%.

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

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

(5) Gearing ratio is calculated based on total debt, including total bank and other borrowings and lease liabilities, divided by total equity as of the date indicated and multiplied by 100%.

The increase in our gearing ratio during the Track Record Period was primarily due to (i) the increase in our bank borrowing from 2021 to 2023 attributable to working capital needs of our LFP cathode materials business and capital needs for the construction/expansion of production facilities and (ii) the increase in other borrowings at fair value through profit or loss with reference to valuation carried out by an independent professional valuer.

For detailed analysis, see "Financial Information — Description of Key Components of Our Results of Operations — Gross Profit/(Loss) and Gross Profit/(Loss) Margin" and "Financial Information — Key Financial Ratios."

Summary of Financial Information of Tianjin Beiterui Nano and Jiangsu Beiterui Nano

The following table sets forth the pre-acquisition financial information of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, which is derived from the pre-acquisition financial information of Tianjin Beiterui Nano and Jiangsu Beiterui Nano set out in Appendix IB and IC to this prospectus.

Summary of statements of profit or loss and other comprehensive income

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Revenue	222,507	268,848
Cost of sales	(165,824)	(236,541)
Gross profit	56,683	32,307
Other income, gains and losses	1,164	495
Impairment losses on financial assets	(2,612)	(2,902)
Selling and distribution expenses	(56)	(20)
Administrative expenses	(2,393)	(2,696)
Research and development expenses	(16,604)	(4,907)
Finance costs	(616)	(1,265)
Profit before taxation	35,566	21,012
Income tax credit/(expenses)	(2,478)	(4,290)
Profit and total comprehensive income for the period	**33,088**	**16,722**

Summary of statements of financial position

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	As of May 31, 2021
	RMB'000	RMB'000
Non-current assets	100,677	349,393
Current assets	503,762	369,119
Current liabilities	309,724	385,349
Net current assets/(liabilities)	**194,038**	**(16,230)**
Total assets less current liabilities	294,715	333,163
Non-current liabilities	724	16,441
Net assets	**293,991**	**316,722**

RISK FACTORS

There are certain risks and considerations relating to an investment in our H Shares. These risks can be summarized into three categories: (i) risks relating to our industry and business; (ii) risks relating to doing business in the countries and regions where we operate; and (iii) risks relating to the Global Offering. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and operating results. We believe that the following are some of the major risks that we face:

- Price fluctuation of our raw materials could adversely affect our business, financial condition and results of operations;

- We depend on a stable and adequate supply of raw materials. Inadequate or interrupted supply for our raw materials could adversely affect our business, financial condition and results of operations;

- We are exposed to risk relating to our inventory, and our inventory of principal raw materials, including lithium carbonate and iron phosphate, is exposed to risk arising from price fluctuation;

- We rely on the market demand for our products from their downstream end markets. Any slowdown or decrease in downstream demand, or technological developments resulting in substitute products, may have a material impact on us;

- We have a limited operating history in the LFP cathode material industry, which may make it difficult to evaluate our current business and predict our future performance;

- The majority of our revenue was generated from a relatively small number of customers during the Track Record Period;

- We may be required to purchase raw materials under long-term agreements containing purchase commitments, which may exceed our production needs;

- We had negative operating cash flow, gross loss, net loss and deteriorating net current assets during the Track Record Period, which may expose us to liquidity risks and affect our ability to achieve or subsequently maintain profitability in the future;

- Our international strategy and ability to conduct business in the international markets is subject to uncertainties and risks; and

- We will release our 2024 third quarter consolidated financial results on the Shanghai Stock Exchange no later than October 31, 2024, which is shortly after the Listing. If such quarterly consolidated financial results fail to meet investors' expectation, the trading price of our H Share may be adversely affected.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised), Mr. Shi, Ms. Zhu (Mr. Shi's wife) and Nanjing Bailey will directly own approximately 31.98%, 3.55% and 0.29% respectively of the total issued share capital of our Company, representing approximately 32.08%, 3.56% and 0.29%, respectively, of the voting rights of the Company (which excluded the 2,082,400 A shares held by the Company as treasury shares). Lopal International was the general partner of Nanjing Bailey and was owned as to 90% by Mr. Shi and as to 10% by Ms. Zhu as of the Latest Practicable Date. Accordingly, Mr. Shi, Ms. Zhu, Lopal International and Nanjing Bailey will be a group of Controlling Shareholders controlling in aggregate approximately 35.81% of the total issued share capital of our Company, representing approximately 35.93% of the voting rights of our Company (which excluded the 2,082,400 A shares held by the Company as treasury shares), upon Listing.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$520.0 million, after deducting underwriting fees and commissions and other estimated expenses paid and payable by us in relation to the Global Offering, assuming an Offer Price of HK$5.75 per H Share, being the mid-point of the Offer Price range from HK$4.50 to HK$7.00 per H Share, and that the Over-allotment Option is not exercised. We currently intend to use these net proceeds for the purposes and in the amounts set forth below:

- approximately 40.0%, or HK$208.0 million, is expected to be used to pay partial expenses for the phase II of the Indonesia Plant;
- approximately 40.0%, or HK$208.0 million, is expected to be used to pay partial expenses for new LMFP production lines at our Xiangyang Plant in Hubei Province;
- approximately 10.0%, or HK$52.0 million, is expected to be used to repay certain interest-bearing bank borrowings; and
- approximately 10.0%, or HK$52.0 million, is expected to be used for our working capital and other general corporate purposes.

For details, see "Future Plans and Use of Proceeds."

GLOBAL OFFERING STATISTICS

	Based on the Offer Price of HK$4.50 per Share	Based on an Offer Price of HK$7.00 per Share
Market capitalization of our H Shares(1)(2)	HK$450.0 million	HK$700.0 million
Market capitalization of our Company upon completion of the Global Offering(1)(3)	HK$6,278.5 million	HK$6,528.5 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share(4)	HK$5.14	HK$5.51

Notes:

(1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization is based on the assumption that 100,000,000 H Shares expected to be in issue immediately after completion of the Global Offering.

(3) The calculation of market capitalization is based on the assumption that 100,000,000 H Shares will be in issue immediately after completion of the Global Offering and 562,996,503 A Shares (excluding treasury shares) will be in issue immediately after completion of the Global Offering with an average closing price of RMB9.42 during the five trading days of A Shares immediately preceding and including October 14, 2024 (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised).

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited Pro Forma Financial Information" in this prospectus.

DIVIDEND POLICY

On May 10, 2021, we paid a final dividend of RMB61.0 million in respect of the year ended December 31, 2020. On September 30, 2022, we paid an interim dividend of RMB105.1 million in respect of the six months ended June 30, 2022. We did not declare any dividend for the year ended December 31, 2023 and the six months ended June 30, 2024.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future.

RECENT DEVELOPMENTS AND ADVERSE MATERIAL CHANGE

Set forth below are certain material developments on our business operations after June 30, 2024, which is the end of the Track Record Period.

We experienced steady growth in sales volume of our LFP cathode material products. The sales volume of our LFP cathode materials for July, August and September 2024 was approximately, 15,600 tons, 18,300 tons and 18,800 tons, exceeding those of the same months in 2023. The market price for LFP cathode materials for July, August and September 2024 experienced slight decrease, amounting to approximately RMB33.8 thousand per ton, RMB31.8 thousand per ton and RMB30.1 thousand per ton, respectively. The movement in the average selling price of our LFP cathode material products during the same period was in line with the industry average. As a result of the growth in sales volume and despite fluctuations in lithium carbonate and LFP cathode material prices during the nine months ended September 30, 2024, the monthly average revenue of our LFP cathode materials for the period from July to September 2024 was higher than that of the first half of 2024.

We experienced slight growth in sales volume and revenue of our automotive specialty chemical products.

The sales volume of our diesel exhaust fluid for July, August and September 2024 was approximately 19,000 tons, 22,000 tons and 30,000 tons, respectively. The average selling price of our diesel exhaust fluid slightly decreased during this period averaging at approximately RMB1,900 per ton. Revenue attributable to diesel exhaust fluid for the nine months ended September 30, 2024 was lower than that of the same period of 2023 primarily due to a decrease in average selling price of diesel exhaust fluid mainly attributable to the decrease in the market price of urea, the major raw material of diesel exhaust fluid, in the period.

The sales volume of our automobile and industrial lubricant for July, August and September 2024 was approximately 2,300 tons, 2,900 tons and 3,500 tons, respectively. The average selling price of our automobile and industrial lubricant slightly experienced fluctuations during this period averaging at approximately RMB19,000 per ton. Revenue attributable to automobile and industrial lubricant for the nine months ended September 30, 2024 exceeded that of the same period of 2023.

The sales volume of our coolants for July, August and September 2024 was approximately 7,100 tons, 7,600 tons and 7,900 tons, respectively. The average selling price of our coolants experienced fluctuations during this period averaging at approximately RMB5,500 per ton. Revenue attributable to coolants for the nine months ended September 30, 2024 exceeded that of the same period of 2023.

The sales volume of our car maintenance products for July, August and September 2024 was approximately 1,300 tons, 1,800 tons and 1,800 tons, respectively. The average selling price of our car maintenance products experienced fluctuations during this period averaging at approximately RMB2,800 per ton. Revenue attributable to car maintenance products for the nine months ended September 30, 2024 exceeded that of the same period of 2023.

As a result of our performances during the period from July to September 2024 as described above, our overall gross margin during this period remained positive.

Despite the above, our results are affected by many various factors, including among others, market demand for our products, volatility of price of raw materials (i.e. lithium carbonate and iron phosphate) and LFP cathode materials, our ability to raise the average selling price of our products, and the effectiveness of our cost control measures. Given our loss making position in the first half of 2024, we expect there is a possibility that we may not be able to turn our losses into profits and we may remain loss-making for the year ending December 31, 2024.

Since late September 2024, our lithium-mica concentrate provider has suspended its supply to us considering lithium carbonate market conditions. We have utilized this opportunity to initiate a comprehensive maintenance overhaul at Lopal Times (i.e. our Yichun facility for lithium carbonate processing) since October 2024. To the best knowledge of our Directors, such activities are temporary and are currently expected to last for one month. Upon completion of the overhaul, we plan to engage in discussions with our lithium mica concentrate provider regarding subsequent production arrangements, including the resumption of our lithium carbonate processing operations. In the event that the resumption extends beyond our current expectations, we will engage further discussions covering options for procuring lithium-mica concentrate, either from this current provider or from external sources, as well as any other potential alternative cooperation models. In the first half of 2024, we processed approximately 220,000 tons of lithium-mica concentrate from the lithium-mica concentrate provider, representing approximately RMB162.2 million in value with which our facility produced 6,495.0 tons of lithium carbonate. The majority of this output of approximately 5,753.3 tons was utilized in-house for the production of approximately 23,000 tons of LFP cathode materials (representing approximately 30.9% of the sales volume of LFP cathode materials in the first half of 2024), which we subsequently supplied to the lithium-mica concentrate provider generating approximately RMB665.5 million in revenue (representing approximately 26.9% of revenue from sales of LFP cathode materials in the first half of 2024). The remaining 741.7 tons of lithium carbonate were processed for a company designated by the lithium-mica concentrate provider generating approximately RMB42.7 million in revenue for lithium carbonate processing for the first half of 2024. Our lithium-mica concentrate provider has contractual obligations to fulfill our requirements for lithium-mica concentrate or to otherwise negotiate alternative cooperation methods with us, as outlined under several agreements including the Lopal Times Transfer Agreement. These agreements also provide that if the supplier cannot meet our full production needs and does not allow us to source from third parties, or if an alternative cooperation model cannot be agreed upon, the supplier shall compensate us for economic losses due to idle capacity. As such, our Directors believe that such temporary suspension will not have a material adverse impact on the long-term business operations of Lopal Times. Furthermore, considering that we have already obtained comparable indicative orders for October 2024 from the same supplier as our customers for our LFP cathode materials, relative to actual orders obtained in August and September 2024, and that we have been primarily and continuously obtaining sufficient lithium carbonate from external sources throughout the Track Record Period and up to the Latest Practicable Date (and expect to continue in doing so to support our LFP cathode material production needs, whether or not we produce any lithium carbonate in-house), and that revenue attributable to our lithium carbonate processing services was insignificant to our overall operations during the Track Record Period, our Directors believe that the temporary suspension at Lopal Times will not have a material adverse impact on the business operations of our LFP cathode material business. For further details of our lithium carbonate processing business, see "Business — Our Businesses — Lithium Carbonate Processing Service".

In September 2024, our Board has resolved that Changzhou Liyuan, our subsidiary, will inject capital in the aggregate sum of RMB500 million into two of its wholly-owned subsidiaries, namely Hubei Liyuan and Shandong Liyuan. As of the Latest Practicable Date, the injection to Hubei Liyuan has completed and injection to Shandong Liyuan had not been completed.

In line with our strategy to expand our production capacity overseas, we are in talks with investors and business partners in identifying and exploring suitable potential investments and business cooperations in Indonesia. For our production expansion plan in Indonesia, discussions and negotiations on introducing LGES as an investor to PT LBM, our subsidiary in Indonesia further to the memorandum of understanding we entered into with LGES in September 2023 regarding the non-binding joint cooperation of producing LFP cathode materials in Indonesia are still on-going as of the Latest Practicable Date. In addition, in October 2024, our Company, Changzhou Liyuan and LBM New Energy entered into a non-legally binding term sheet with the SG Investors, namely Indonesia Investment Authority and BRV Lotus International Limited in relation to the potential investment by the SG Investors in LBM New Energy in the aggregate sum of up to US$200 million by way of subscription of shares in LBM New Energy. For details, please see "History and Development — Development after the Track Record Period."

We will release our 2024 third quarter consolidated financial results on the Shanghai Stock Exchange shortly after the Listing, but in no event later than October 31, 2024, in accordance with applicable disclosure requirements for A-share listed companies. Our historical quarterly consolidated financial results may not be indicative of any of our future quarterly financial results. If our 2024 third quarter consolidated financial results fail to meet investors' expectation, the trading price of our H Shares may be adversely affected. See "Risk Factors — Risks Relating to the Global Offering — We will release our 2024 third quarter consolidated financial results on the Shanghai Stock Exchange no later than October 31, 2024, which is shortly after the Listing. If such quarterly consolidated financial results fail to meet investors' expectation, the trading price of our H Share may be adversely affected."

Our Directors have confirmed that, up to the date of this prospectus and other than as set forth above, there has been no material adverse change in our financial, operational or trading position, indebtedness, contingent liabilities or prospects since June 30, 2024, being the end date of our latest audited financial statements, and there has been no event since June 30, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix IA to this prospectus.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$55.0 million or 9.6% of the gross proceeds of the Global Offering (including underwriting commission of approximately HK$15.8 million, and non-underwriting related expenses of approximately HK$39.2 million which consist of fees and expenses of legal advisors and the Reporting Accountants of approximately HK$21.0 million and other fees and expenses of approximately HK$18.2 million, assuming an Offer Price of HK$5.75 per H Share, being the mid-point of the indicative Offer Price range), assuming the Over-allotment Option is not exercised. We incurred listing expenses of RMB23.6 million (equivalent to approximately HK$25.9 million) by June 30, 2024 and had prepaid listing expenses of RMB2.9 million (equivalent to approximately HK$3.1 million) as of June 30, 2024 recognized in the consolidated statements of our Group. Subsequent to the Track Record Period, we expect to further incur listing expenses of RMB23.6 million (equivalent to approximately HK$26.0 million) prior to and upon completion of the Global Offering, of which (i) RMB7.9 million (equivalent to approximately HK$8.7 million) is expected to be recognized as expenses in our consolidated statements of profit or loss and other comprehensive income, and (ii) RMB15.7 million (equivalent to approximately HK$17.3 million) is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Hong Kong Stock Exchange for the Listing pursuant to the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

We satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules with reference to (i) our revenue for the year ended December 31, 2023, being approximately RMB8,729.5 million (equivalent to approximately HK$9,513.4 million), which is over HK$500 million; and (ii) our expected market capitalization at the time of Listing, which, based on the low-end of the indicative Offer Price range of HK$4.50 per H Share, exceeds HK$4 billion.

In this prospectus, unless the context otherwise requires, the following terms shall have the meanings set out below.

"A Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid in Renminbi and is/are listed for trading on the Shanghai Stock Exchange
"A Shareholder(s)"	holder(s) of the A Share(s)
"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council (會計和財務匯報局)
"Articles" or "Articles of Association"	the Articles of Association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix III
"associate(s)"	has the meaning ascribed thereto under the Hong Kong Listing Rules
"Board" or "Board of Directors"	the board of directors of our Company
"BTR Group"	BTR New Material Group Co., Ltd. (貝特瑞新材料集團股份有限公司), a joint stock company established in the PRC on August 7, 2000, the shares of which are listed on the Beijing Stock Exchange (stock code: 835185), and was an Independent Third Party as of the Latest Practicable Date
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
"CAGR"	compound annual growth rate
"Capital Market Intermediary(ies)"	the capital market intermediaries participating in the Global Offering as listed in the section headed "Directors, Supervisors and Parties Involved in the Global Offering" in this prospectus and has the meaning ascribed thereto under the Listing Rules

"CATL"	Contemporary Amperex Technology Co., Limited (寧德時代新能源科技股份有限公司), a joint stock company established in the PRC on December 16, 2011, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300750), which was an indirect shareholder controlling (i) 30% equity interest in Lopal Times, through Yichun Times, and (ii) 5.91% equity interest in Changzhou Liyuan through its wholly-owned subsidiary Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保稅港區問鼎投資有限公司) as of the Latest Practicable Date
"CATL CP Group"	CATL, its subsidiary(ies) and 30%-controlled company(ies) (excluding Lopal Times)
"CATL Group"	CATL and its subsidiaries
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Hong Kong Listing Rules
"Changzhou Liyuan"	Changzhou Liyuan New Energy Technology Co., Ltd. (常州鋰源新能源科技有限公司), a limited liability company established in the PRC on May 12, 2021 and a direct non-wholly owned subsidiary of our Company which is owned as to approximately 64.03% by our Company as of the Latest Practicable Date
"China" or "PRC"	the People's Republic of China
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
"Company", "our Company"	Jiangsu Lopal Tech. Co., Ltd. (江蘇龍蟠科技股份有限公司), a joint stock company established in the PRC on March 11, 2003 converted from our predecessor Jiangsu Lopal Petrochemical Co., Ltd. (江蘇龍蟠石化有限公司) into a joint stock company with limited liability under the PRC Company Law on January 23, 2014, the A Shares of which are listed on the Shanghai Stock Exchange with the stock code of 603906

"Controlling Shareholders"	has the meaning ascribed thereto in the Hong Kong Listing Rules, and unless the context otherwise requires, refers to Mr. Shi, Ms. Zhu, Lopal International and Nanjing Bailey
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company
"EIT Law"	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》)
"ESG"	environmental, social and governance
"Extreme Conditions"	extreme conditions caused by a super typhoon or other natural disaster of a substantial scale seriously affects the working public's ability to resume work or brings safety concern for a prolonged period as announced by the government of Hong Kong
"FINI" or "Fast Interface for New Issuance"	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listings
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., the independent industry consultant commissioned by our Company to prepare the Frost & Sullivan Report
"Frost & Sullivan Report"	the independent research report commissioned by our Company and prepared by Frost & Sullivan
"General Rules of HKSCC"	the General Rules of HKSCC as may be amended or modified from time to time and where the context so permits, shall include the HKSCC Operational Procedures
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries at the relevant time, the business acquired or operated by such subsidiaries or their predecessors (as the case may be)

"H Share(s)"	overseas listed foreign Share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which is/are to be traded in HK dollars and for which an application has been made for the granting of listing and permission to deal in on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shareholder(s)"	holders of the H Shares
"HK$", "Hong Kong dollars", "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"**HKSCC EIPO**"	the application for the Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your designated HKSCC Participant's stock account through causing HKSCC Nominees to apply on your behalf, including by instructing your **broker** or **custodian** who is a HKSCC Participant to give **electronic application instructions** via HKSCC's FINI system to apply for the Hong Kong Offer Shares on your behalf
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"HKSCC Operational Procedures"	the operational procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC's services and the operations and functions of CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC, as from time to time in force
"HKSCC Participant"	a participant admitted to participate in CCASS as a direct clearing participant, a general clearing participant or a custodian participant
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

"Hong Kong Offer Shares"	the 10,000,000 H Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to adjustments as described in "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong (subject to adjustments as described in "Structure of the Global Offering") at the Offer Price on the terms and conditions described in this prospectus
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering listed in "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement dated October 21, 2024, relating to the Hong Kong Public Offering and entered into by our Company, our Controlling Shareholders (as warranting shareholders), Mr. Shi (as warranting director), the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters
"Hubei Green Melon"	Hubei Green Melon Biotechnology Co., Ltd. (湖北綠瓜生物科技有限公司), a limited liability company established in the PRC on April 16, 2021 and a direct wholly-owned subsidiary of our Company
"Hubei Liyuan"	Hubei Liyuan New Energy Technology Co., Ltd. (湖北鋰源新能源科技有限公司), a limited liability company established in the PRC on December 2, 2021 and an indirect non-wholly owned subsidiary of our Company which is wholly-owned by Changzhou Liyuan
"IASB"	International Accounting Standards Board
"IFRS(s)"	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the IASB
"Independent Third Party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Hong Kong Listing Rules

"Indonesia Legal Advisor"	Hanafiah Ponggawa & Partners, legal advisor to our Company as to Indonesia law
"International Offer Shares"	the 90,000,000 H Shares being initially offered by our Company for subscription pursuant to the International Offering together with, where relevant, any additional H Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to adjustments as described in "Structure of the Global Offering")
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S on and subject to the terms and conditions of the International Underwriting Agreement, as further described in "Structure of the Global Offering — The International Offering"
"International Underwriters"	the underwriters that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering, which is expected to be entered into by Mr. Shi (as warranting director), our Controlling Shareholders (as warranting shareholders), the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the International Underwriters and our Company on or about Monday, October 28, 2024 as further described in "Underwriting — International Offering — International Underwriting Agreement"
"Jiangsu Beiterui Nano"	Jiangsu Beiterui Nano Technology Co., Ltd. (江蘇貝特瑞納米科技有限公司), a limited liability company established in the PRC on January 28, 2021 and an indirect non-wholly owned subsidiary of our Company which is wholly-owned by Changzhou Liyuan
"Jiangsu Boyuan"	Jiangsu Boyuan Catalytic Technology Co., Ltd. (江蘇鉑源催化科技有限公司) (formerly known as Jiangsu Lopal Hydrogen Energy Technology Co., Ltd. (江蘇龍蟠氫能源科技有限公司) and Jiangsu Botan Hydrogen Energy Technology Co., Ltd. (江蘇鉑坦氫能源科技有限公司)), a limited liability company established in the PRC on May 26, 2020 and a direct wholly-owned subsidiary of our Company

"Jiangsu Green Melon"	Jiangsu Green Melon Biotechnology Co., Ltd. (江蘇綠瓜生物科技有限公司), a limited liability company established in the PRC on July 22, 2020 and an indirect wholly-owned subsidiary of our Company
"Jiangsu Kelas"	Jiangsu Kelas Environmental Protection Technology Co., Ltd. (江蘇可蘭素環保科技有限公司), a limited liability company established in the PRC on August 20, 2009 and a direct wholly-owned subsidiary of our Company
"Jiangsu Ruilifeng"	Jiangsu Ruilifeng New Energy Technology Co., Ltd. (江蘇瑞利豐新能源科技有限公司), a limited liability company established in the PRC on September 17, 2009 and a direct non-wholly owned subsidiary of our Company which is owned as to 70% by our Company
"Joint Bookrunners"	Guotai Junan Securities (Hong Kong) Limited, Halcyon Securities Limited, ICBC International Securities Limited, BOCI Asia Limited, CCB International Capital Limited, ABCI Capital Limited, CMB International Capital Limited, TradeGo Markets Limited and Livermore Holdings Limited
"Joint Global Coordinators"	Guotai Junan Securities (Hong Kong) Limited, Halcyon Securities Limited and ICBC International Securities Limited
"Joint Lead Managers"	Guotai Junan Securities (Hong Kong) Limited, Halcyon Securities Limited, ICBC International Securities Limited, BOCI Asia Limited, CCB International Capital Limited, ABCI Securities Company Limited, CMB International Capital Limited, TradeGo Markets Limited and Livermore Holdings Limited
"Joint Sponsors"	Guotai Junan Capital Limited and Halcyon Capital Limited
"Latest Practicable Date"	October 14, 2024, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
"LGES"	LG Energy Solution, Ltd., a company established in 2020 and listed on the Korea Exchange and mainly engaged in producing advanced automotive battery, mobility battery, and ESS battery
"Listing"	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange

"Listing Date"	the date, expected to be on or about Wednesday, October 30, 2024, on which the H Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"LBM New Energy"	LBM New Energy (AP) Pte. Ltd. (formerly known as Lopal Tech Singapore Pte. Ltd.), a private company limited by shares incorporated in Singapore on September 28, 2018, an indirect non-wholly owned subsidiary of our Company which is wholly-owned by Changzhou Liyuan
"Lopal International"	Lopal International Holdings Co., Ltd. (龍蟠國際控股有限公司), previously known as Nanjing Meiduo Investment Management Co., Ltd. (南京美多投資管理有限公司), a limited company established in the PRC on October 17, 2013, the general partner of Nanjing Bailey and was owned as to 90% by Mr. Shi and as to 10% by Ms. Zhu as of the Latest Practicable Date. Lopal International is one of our Controlling Shareholders
"Lopal Lubrication"	Lopal Lubrication New Material (Tianjin) Co., Ltd. (龍蟠潤滑新材料(天津)有限公司), a limited liability company established in the PRC on March 27, 2013 and a direct wholly-owned subsidiary of our Company
"Lopal New Material"	Jiangsu Lopal New Material Technology Co., Ltd. (江蘇龍蟠新材料科技有限公司), a limited liability company established in the PRC on January 4, 2023 and a direct wholly-owned subsidiary of our Company
"Lopal Times"	Yichun Lopal Times Lithium Industry Technology Co., Ltd. (宜春龍蟠時代鋰業科技有限公司) (formerly known as Yifeng Times New Energy Materials Co., Ltd. (宜豐時代新能源材料有限公司) and Yifeng Times Yongxing New Energy Materials Co., Ltd. (宜豐時代永興新能源材料有限公司)), a limited liability company established in the PRC on March 2, 2022 and a direct non-wholly owned subsidiary of our Company which is owned as to 70% by our Company and 30% by Yichun Times as of the Latest Practicable Date
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
"mainland China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan region

"Mr. Shi"	Mr. Shi Junfeng (石俊峰), the chairman of our Board, an executive Director, the general manager of our Company, one of our Controlling Shareholders and the spouse of Ms. Zhu
"Ms. Zhu"	Ms. Zhu Xianglan (朱香蘭), a non-executive Director and one of our Controlling Shareholders and the spouse of Mr. Shi
"NAFR"	National Administration of Financial Regulation of the PRC (中華人民共和國國家金融監督管理總局) (which was established on the basis of the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會))
"Nanjing Bailey"	Nanjing Bailey Venture Capital Center (Limited Partnership) (南京貝利創業投資中心(有限合夥)), a limited partnership established in the PRC on October 25, 2013 and one of our Controlling Shareholders
"Offer Price"	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%)
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
"Overall Coordinator(s)"	Guotai Junan Securities (Hong Kong) Limited, Halcyon Securities Limited and ICBC International Securities Limited
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Sponsor-OCs (on behalf of the International Underwriters), pursuant to the International Underwriting Agreement to require our Company to allot and issue up to an aggregate of 15,000,000 additional H Shares at the Offer Price representing approximately 15% of the Offer Shares initially available under the Global Offering, to cover over-allocations in the International Offering, if any
"PT LBM"	PT LBM Energi Baru Indonesia, a foreign investment company incorporated in Indonesia on February 22, 2023, an indirect non-wholly owned subsidiary of our Company which is indirectly wholly-owned by Changzhou Liyuan

"Relevant Persons"	the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or the Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering
"Reporting Accountants"	Moore CPA Limited, the reporting accountants of our Company
"PRC Company Law"	Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Government" or "State"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Law"	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong, the Macau Special Administrative Region and the relevant regulations of Taiwan region
"PRC Legal Advisor"	Grandall Law Firm (Shanghai), legal advisor to our Company as to PRC Law
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended, supplemented or otherwise modified from time to time
"Price Determination Agreement"	the agreement to be entered into by the Sponsor-OCs (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or before Monday, October 28, 2024, on which the Offer Price will be determined and, in any event, not later than 12:00 noon on Monday, October 28, 2024
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"Receiving Banks"	Industrial and Commercial Bank of China (Asia) Limited and Bank of China (Hong Kong) Limited
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC

"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended or supplemented from time to time
"Shandong Kelas"	Shandong Kelas Environmental Protection Technology Co., Ltd. (山東可蘭素環保科技有限公司) (formerly known as Heze Kelas Environmental Protection Technology Co., Ltd. (菏澤可蘭素環保科技有限公司), a limited liability company established in the PRC on December 30, 2020 and an indirect wholly-owned subsidiary of our Company which is wholly owned by Jiangsu Kelas
"Shandong Liyuan"	Shandong Liyuan Technology Co., Ltd. (山東鋰源科技有限公司), a limited liability company established in the PRC on September 10, 2021 and an indirect non-wholly owned subsidiary of our Company which is wholly-owned by Changzhou Liyuan
"Shandong Meiduo"	Shandong Meiduo Technology Co., Ltd. (山東美多科技有限公司), a limited liability company established in the PRC on September 20, 2022 and a company wholly owned by Lopal International, which was owned as to 90% by Mr. Shi and as to 10% by Ms. Zhu, as of the Latest Practicable Date
"Shanghai-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shanghai Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shanghai
"Shanghai Stock Exchange"	the Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	ordinary share(s) in the capital of our Company with nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen-Hong Kong Stock Connect"	a securities trading and clearing links program developed by the Hong Kong Stock Exchange, Shenzhen Stock Exchange, HKSCC and China Securities Depository and Clearing Corporation Limited for mutual market access between Hong Kong and Shenzhen

"Sichuan Liyuan"	Sichuan Liyuan New Material Co., Ltd. (四川鋰源新材料有限公司), a limited liability company established in the PRC on October 21, 2020 and an indirect non-wholly owned subsidiary of our Company which is wholly-owned by Changzhou Liyuan
"Sponsor-OCs"	Guotai Junan Securities (Hong Kong) Limited and Halcyon Securities Limited
"Stabilizing Manager"	Guotai Junan Securities (Hong Kong) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Tianjin Beiterui Nano"	Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. (貝特瑞(天津)納米材料製造有限公司), a limited liability company established in the PRC on December 28, 2015 and an indirect non-wholly owned subsidiary of our Company which is wholly-owned by Changzhou Liyuan
"Track Record Period"	the period comprising the three financial years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
"US$" or "USD"	United States dollars, the lawful currency of the United States
"**White Form eIPO**"	the application for the Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **White Form eIPO** Service Provider at **www.eipo.com.hk**

"**White Form eIPO** Service Provider"	Computershare Hong Kong Investor Services Limited
"Yichun Times"	Yichun Times New Energy Resources Co., Ltd. (宜春時代新能源資源有限公司), a limited liability company established in the PRC on November 23, 2021 and a direct wholly owned subsidiary of CATL as of the Latest Practicable Date
"Zhangjiagang TEEC"	Zhangjiagang TEEC Automotive Chemicals Co., Ltd. (張家港迪克汽車化學品有限公司), a limited liability company established in the PRC on May 20, 1996 and an indirect non-wholly owned subsidiary of our Company which was owned as to 57.01% by Jiangsu Ruilifeng
"2023 Share Option Scheme"	the 2023 share option incentive scheme adopted by our Company pursuant to resolutions passed by our Shareholders on September 22, 2023, the principal terms of which are set out in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV

In this prospectus, the terms "associate", "close associate", "connected person", "connected transaction", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.

If there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

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

"4S dealership store"	an automobile dealership store authorized by the automobile manufacturer that integrates the four business elements initiated by "S", namely, sales, spare parts, services and survey
"CNAS"	China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會)
"ECO-Label"	EU Ecolabel, a voluntary labelling system which is recognized throughout Europe that helps customers to identify products and services that have a reduced environmental impact throughout their life cycle, from the extraction of raw materials to production, use and disposal
"ERP system"	enterprise resource planning system
"ESS"	energy storage systems
"GFA"	gross floor area
"IATF"	the International Automotive Task Force, an "ad hoc" group of automotive manufacturers and their respective trade associations, which aim to provide improved quality products to automotive customers worldwide
"IATF16949"	a technical specification aimed at the development of a quality management system which provides for continual improvement, emphasizing defect prevention and the reduction of variation and waste in the automotive industry supply chain and assembly process
"ICE"	internal combustion engine
"iron phosphate"	iron phosphate, also known as high iron phosphate and iron orthophosphate, with molecular formula $FePO_4$, is a white, off-white monoclinic crystal powder, and is a compound used to synthesize lithium iron phosphate battery cathode materials
"ISO"	the International Organization for Standardization, a non-government organization based in Geneva, Switzerland, for assessing the quality systems of business organizations
"ISO45001"	Occupational Health and Safety Management System, which is released by ISO

"ISO9001"	International Quality Management System, which is released by ISO
"LFP"	lithium iron phosphate ($LiFePO_4$)
"LIMS"	laboratory information management system
"lithium"	A metal chemical element, of which the element symbol is Li, and the atomic number is three
"lithium carbonate"	a common lithium compound with the chemical formula Li_2CO_3 that can be dissolved in dilute acid and is commonly used for lithium-ion battery materials
"lithium-ion battery"	rechargeable battery that composes of cells in which lithium ions move from the negative electrode through electrolytes to the positive electrode during discharging and move reversely when charging
"lithium-mica concentrate"	also called lepidolite, an ore of lithium and typically forms in granitic masses that contain high amounts of lithium
"LMFP"	lithium-ion manganese iron phosphate
"MES"	manufacturing execution system
"MWh"	megawatt, unit of electricity
"NCM"	Nickel-cobalt-manganese ternary materials, which can be used as cathode materials for ternary batteries
"NEV(s)"	new energy vehicle(s), including battery electric vehicle, plug-in hybrid electric vehicle and extended range electric vehicle
"OA"	office automation, a new office solution that combines modern office affairs with computer technology
"OEM"	original equipment manufacturer
"R&D"	research and development
"RoHS"	Restriction of Hazardous Substances, short for directive on the restriction of the use of certain hazardous substances in electrical and electronic equipment, including Lead (Pb), Cadmium (Cd), Mercury (Hg), Hexavalent chromium (Hex-Cr), Polybrominated biphenyls (PBB), and Polybrominated diphenyl ethers (PBDE), which was adopted in February 2003 by the European Union
"SMM"	Shanghai Metals Market

"sq.m."	square meter(s)
"TMS"	transportation management system
"ton"	a unit of measure
"WMS"	warehousing management system

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and performance;
- our capital expenditure plan;
- our ability to complete the development and obtain the relevant requisite regulatory approvals of our production plants;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- the actions and developments of our competitors;
- certain statements in "Business" and "Financial Information" with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

An investment in the H Shares involves various risks. You should carefully consider all of the information set out in this prospectus before making an investment in the H Shares, including the risks and uncertainties described below in respect of our business and our industry, doing business in the countries and regions where we operate and the Global Offering. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the H Shares could fall significantly. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

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

We may not be able to obtain stable, high-quality raw materials at reasonable prices at all times. Historically, we experienced significant price fluctuations of certain principal raw materials needed for our products. As a result of such unprecedented volatility in lithium carbonate market prices, we recorded a net loss of RMB1,514.2 million for the year ended December 31, 2023. For example, the average price of lithium carbonate has experienced significant fluctuations during the Track Record Period. According to Frost & Sullivan, in 2021, 2022 and 2023, the average price for lithium carbonate was approximately RMB119.8 thousand per ton, RMB482.4 thousand per ton and RMB272.3 thousand per ton, respectively. The price increase from 2021 to 2022 was primarily due to a shortage in the supplies of lithium carbonate resulting from the rising demand for lithium-ion battery products, and the price drop in 2023 was mainly due to rebalancing between supply and demand dynamics. Also, the price of base oil and urea granule used in the production of automotive specialty chemical products experienced significant fluctuation during the Track Record Period. See "Industry Overview — Overview of Automotive Specialty Chemical Industry — Average Price Analysis of Automotive Specialty Chemical Raw Materials and Products."

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

We depend on a stable and adequate supply of raw materials. Inadequate or interrupted supply for our raw materials could adversely affect our business, financial condition and results of operations

The principal raw materials that we use in the production of our products are lithium carbonate and iron phosphate for our LFP cathode materials business and urea granule, ethylene glycol, base oil and lubricant additives for our automotive specialty chemicals business. During the Track Record Period, our costs of raw materials amounted to RMB2,391.7 million, RMB10,519.5 million, RMB7,465.2 million and RMB2,327.4 million, respectively, accounting for approximately 80.4%, 90.4%, 85.0% and 72.1% respectively, of our total cost of sales over the respective periods. As a result, our production volume and production costs depend on our ability to source principal raw materials at competitive prices.

The current or expected supply of our principal raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors.

We currently purchase certain principal raw materials needed for the production of our products from third parties. However, our current suppliers may be unable to satisfy our future requirements of quality and quantity of raw materials on a timely basis. If our current suppliers for any particular raw material are unable or unwilling to satisfy our requirements on a timely basis, we could suffer shortages or significant cost increases. Our raw material suppliers could fail to satisfy our needs for various reasons beyond our control, including fires, natural disasters, weather, manufacturing problems, epidemic, strikes or transportation interruptions. A failure of supply could also occur due to suppliers' financial difficulties, including bankruptcy. Changing raw material suppliers may require long lead time, including time required to obtain approval from customers to change raw material suppliers. We may not be able to locate alternative suppliers in sufficient quantities, of suitable quality, or at an acceptable price. If that happens, it will result in increased pressure on our costs and significant delay in our production and delivery of our products, resulting in liabilities of damages and damages to our reputation, which will adversely and materially affect our businesses, financial condition and results of operations.

We are exposed to risk relating to our inventory, and our inventory of principal raw materials, including lithium carbonate and iron phosphate, is exposed to risk arising from price fluctuation

To operate our business successfully and meet our customers' demands and expectations, we must maintain a certain level of finished products inventory to ensure timely delivery to our customers. We are also required to maintain an appropriate level of raw materials (including lithium carbonate, iron phosphate, base oil, ethylene glycol, urea granule and lubricant additives) for our production. As of December 31, 2021, 2022 and 2023 and June 30, 2024, the balance of our inventories amounted to RMB1,100.6 million, RMB3,007.3 million, RMB1,610.2 million and RMB1,647.8 million, respectively, among which, raw materials amounted to RMB724.8 million, RMB1,512.3 million, RMB350.7 million and RMB466.6 million as of the same dates. However, forecasts are inherently uncertain. If our forecasted demand is lower than what eventually transpires, we may not be able to maintain an adequate inventory level of our finished products or manufacture our products in a timely manner, and we may lose sales and market share to our competitors.

On the other hand, we may also be exposed to increased inventory risks due to accumulated excess inventory of our products, raw materials and auxiliary materials for our products. Excess inventory levels may lead to increases in inventory costs, risks of inventory obsolescence and provisions for write downs, which will materially and adversely affect our business, results of operations, financial condition and prospects. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, we had recorded provisions for impairment loss recognized of inventories in the amount of RMB2.2 million, RMB72.6 million, RMB554.5 million and RMB69.5 million, respectively. The significant increases in provision for impairment loss of our inventories in 2022 and 2023 were primarily due to the significant decrease in the average price of lithium carbonate, one of our principal raw materials, from approximately RMB482.4 thousand per ton in 2022 to RMB272.3 thousand per ton in 2023. For details, see "Financial Information — Selected Key Items of Statement of Financial Position — Inventories."

In order to maintain an appropriate inventory level of finished products and raw materials to meet market demand, we adjust our production schedule from time to time based on the expected delivery schedule of raw materials, customers' orders and anticipated market demand. We also carry out inventory review and aging analysis and carry out physical stock take on a regular basis. Further, we have implemented a number of measures to improve our resilience to fluctuations in prices of raw materials. See "Business — Challenges to Our Industries and Our Business — Measures in Response to Industry Challenges — Improving resilience to fluctuations in raw material prices." However, we cannot guarantee that these measures will always be effective, we will be able to maintain an appropriate inventory level, or the price of raw materials would not continue to decrease. In such event, our businesses, results of operations and financial condition may be adversely affected.

We rely on the market demand for our products from their downstream end markets. Any slowdown or decrease in downstream demand, or technological developments resulting in substitute products, may have a material impact on us

Our LFP cathode material products are currently the most extensively used cathode materials for the production of lithium-ion batteries used for NEV batteries and ESS batteries. Revenue generated from our LFP cathode material products, which are largely purchased by lithium-ion battery manufacturers, accounted for 46.3%, 87.0% and 77.4% of our total revenue in 2021, 2022 and 2023, respectively, and 69.4% of our total revenue recorded for the six months ended June 30, 2024. Furthermore, during 2023, lithium-ion battery and NEV manufacturing experienced slower downstream demand growth due to softening of near-term demand sentiments along with the broader global economic slowdown in 2023. There is no assurance that the downstream demand for lithium-ion batteries and NEVs will remain at the same level as in the past or continue to increase in the future.

In addition, changes in technology, the development of other substitute cathode or battery material used for lithium-ion batteries, or NEV batteries in general, could adversely affect the demand for our LFP cathode material products. Other alternatives to our LFP cathode material products may become more economically attractive as global commodity prices shift and could potentially render our products and lithium-ion batteries in general obsolete or less marketable. For example, while still in the early development stage with gaps to realize mass production and commercialization, sodium-ion batteries are presently receiving attention as a potential future alternative to lithium-ion solutions. Additionally, as NEV technologies advance and supportive policies promote their wider adoption, NEVs are expected to gradually gain market share over ICE vehicles in the future. This shift could soften downstream demand and sales of our automotive specialty chemical products designed for ICE vehicles.

Any of these events could have a material adverse effect on our businesses, financial condition and results of operations. For a relevant risk factor, see "— We may not be able to keep abreast of the latest development and advancement of technology, which may materially and adversely impact our ability to address the diverse needs of our customers."

We have a limited operating history in the LFP cathode material industry, which may make it difficult to evaluate our current business and predict our future performance

In 2020, we engaged third party contract manufacturers to produce small amounts of LFP cathode materials in 2020 and the first half of 2021. In June 2021, we expanded our presence in the LFP cathode material business through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano. To a considerable degree, our growth during the Track Record Period was attributable to our LFP cathode material business. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, revenue generated from the sales of LFP cathode material products amounted to RMB1,876.8 million, RMB12,241.9 million, RMB6,753.6 million and RMB2,475.6 million, respectively, accounting for approximately 46.3%, 87.0%, 77.4% and 69.4% of our total revenue for the same period, respectively. Our limited operating history in the LFP cathode material industry may make it difficult to evaluate our future prospects and the risks and uncertainties associated to the LFP cathode materials business, and our historical performance may not be indicative of our future prospects and operating results. There can be no assurance that we will be able to maintain our historical growth rates in the future. Our revenue growth may slow down and even decline for a number of possible reasons, some of which are beyond our control, including, among others, slowdown in downstream demand growth in lithium-ion battery and NEV manufacturing, shifts in supply and demand dynamics, destocking behavior and economic uncertainties, the significant fluctuation in prices of principal raw materials and increasing competition. If our growth rates decline, investors' perception of our businesses and prospects may be adversely affected. You should consider our prospects and future profitability in light of the risks, uncertainties, and difficulties encountered by any new business.

The majority of our revenue was generated from a relatively small number of customers during the Track Record Period

A significant portion of our revenue was generated from our five largest customers in each period during the Track Record Period. Our five largest customers for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 accounted for 42.9%, 80.0%, 64.5% and 60.5% of our total revenue for the respective periods. Our largest customer for the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024 i.e. CATL Group amounted to RMB1,160.4 million, RMB7,486.9 million, RMB2,648.0 million and RMB1,123.1 million, respectively, representing 28.6%, 53.2%, 30.3% and 31.5% of our revenue for the respective periods.

Despite our efforts to mitigate the concentration of customers, we may still be affected by risks arising from customer concentration, especially given that we had a high concentration of customers in our LFP cathode material business. Therefore, our continued success requires us to maintain our existing customers. Sales to our customers could be affected by a number of factors including the respective customers' business and financial performance, which could vary according to their respective financial condition, market demand for their products or from their downstream industries, market supply of similar products, level of competition in their target markets, industry development and overall economic climate, which are beyond our control.

We cannot assure you that we will be able to maintain or improve our relationships with our major customers such as CATL Group. If for any reason our major customers discontinue or significantly reduce their procurement of our products from us, we may have difficulties in maintaining our business scale and profitability at optimal levels and our business and results of operations could be materially and adversely affected.

We may be required to purchase raw materials under long-term agreements containing purchase commitments, which may exceed our production needs

To ensure the sufficient and stable supplies of principal raw materials, we have made and may continue to make strategic arrangements in the future with major suppliers of raw materials to secure the supply of our principal raw materials in advance. For example, in June 2023, we entered into a long-term framework agreement with a reputable raw material supplier for lithium carbonate which contains mutually agreed upon purchase commitments over the three-year contract term expiring in June 2026. See "Business — Our Businesses — LFP Cathode Materials — Raw materials and suppliers — Suppliers." Pursuant to the terms of these long-term agreements, if market demand for our products is less than anticipated, we may still be required to purchase raw materials in accordance with the purchase commitment which would lead to overstock of raw materials. Furthermore, such overstock of raw materials may increase our exposure to price fluctuations of raw materials and finished products. In such event, a significant drop in raw material prices could result in significant impairment losses on our inventories, and our business and results of operations could be materially and adversely affected. We recognized a significant amount of provision for impairment loss of inventories for 2022 and 2023 as the prices of principal raw materials, especially lithium carbonate, decreased in the period.

In addition, we may face risks related to lowered liquidity during certain periods, due to the long-term supply agreements that demand the utilization of our working capital which could instead be used to finance our other expansions and acquisitions. We cannot assure you that fulfilling the purchase commitments under these long-term supply agreements would not impede our liquidity that can be used for other purposes. In such event, our business, financial position, results of operations and prospects and working capital may be adversely affected.

We may be unable to secure new sales or maintain our customers in the future

Most of our sales are secured on contract basis. As a result, we must periodically seek to enter into new contracts when our current contracts are completed. We cannot assure you that we will be able to retain our customers, renew our existing contracts or secure new contracts with customers of similar quality upon expiry of the contract period or that they will maintain their current level of business with us in the future. As such, any loss of our major customers or significant decrease in the number or size of contracts with our customers may materially and adversely affect our financial condition and operating results. Besides, if any of our customers experiences liquidity issues, it may result in a delay or default in settling payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by securing contracts with new customers or expand our cooperation with other customers, in which event our business, financial condition and results of operations could be materially and adversely affected.

We had negative operating cash flow, gross loss, net loss and net current liabilities during the Track Record Period, which may expose us to liquidity risks and affect our ability to achieve or subsequently maintain profitability in the future

We recorded net cash used in operating activities for the years ended December 31, 2021 and 2022 of RMB823.8 million and RMB1,863.5 million, respectively. Our net current assets decreased from RMB1,232.9 million and RMB2,168.6 million as of December 31, 2021 and 2022, respectively to net current liabilities of RMB1,255.5 million and RMB574.7 million as of December 31, 2023 and June 30, 2024, respectively. For details, see "Financial Information — Liquidity and Capital Resources." In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

Furthermore, we recorded gross loss and net loss of RMB57.5 million and RMB1,514.2 million, respectively, for the year ended December 31, 2023. We also recorded a net loss of RMB260.2 million for the six months ended June 30, 2024. For details, see "Financial Information — Summary of Results of Operations during the Track Record Period." As a result of the net loss recorded, we recorded negative return on assets and return on equity as of December 31, 2023 and June 30, 2024, respectively. We may continue to incur losses in the foreseeable future. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our inability to remain profitable would decrease the value of our Company and may impair our ability to raise capital, expand our business or continue our operations as well as maintain the price of our Shares.

Our international strategy and ability to conduct business in the international markets is subject to uncertainties and risks

We are in the process of establishing an overseas production plant of LFP cathode materials in Indonesia. For details, see "Business — Strategies — Further increase our LFP cathode material production capacity to seize growing downstream demand, expand our customer base and achieve economies of scale to solidify our position in the LFP cathode material industry" and "Business — Our Businesses — LFP Cathode Materials — Production expansion plans." Our international operations are subject to various risks and uncertainties including the following:

- compliance with foreign laws, regulatory requirements and local industry standards, with which we may not be familiar;
- competition from foreign players or failure to anticipate changes to the competitive landscape in the international markets due to lack of familiarity with the local business environment;
- difficulty in managing relationships with foreign customers;

- political and economic instabilities , including changes in government policies or regulations affecting foreign investments, economic fluctuations and currency volatility, geopolitical tensions or conflicts impacting business operations, and potential social or civil unrest, especially in Indonesia where we have commenced building our international operations. For a relevant example regarding recent changes in foreign government policies, see the risk factor headed "New legislations or changes in the regulatory requirements regarding our products or the end markets of our products may affect our business operations and prospects" below;
- global and regional health crisis;
- lack of familiarity with local operating and market conditions;
- difficulties and costs of staffing and managing foreign operations;
- cultural and language difficulties;
- exposure to increased litigation risks in the international markets; and
- foreign exchange rate exposure and risk of foreign exchange regulations.

Any of the above factors could lead to business disruptions and loss of sales, which could have a material and adverse effect on our business, results of operations and growth strategies.

We may not be successful in expanding our operations to meet our demands, or we may not be able to fully utilize our production capacity due to insufficient or unstable demand

We have experienced significant growth during the Track Record Period. In order to meet growing demand for our products, in the past few years, we increased our production capacity and output, and expanded, trained and managed our rapidly growing workforce. We are currently undertaking certain expansion projects. In particular, we intend to use approximately 80.0%, or HK$416.0 million, of our total estimated net proceeds from the Global Offering to enhance our production network and expand our production capacity through (a) phase II of the Indonesia Plant and (b) new LMFP production lines at our Xiangyang Plant in Hubei Province. For details, see "Business — Our Businesses — LFP Cathode Materials — Production expansion plans" and "Future Plans and Use of Proceeds." We may also continue to have other expansion projects based on our future business planning. For example, we are in the process of expanding our production capabilities upstream, including building a production facility for lithium carbonate in Yichun, Jiangxi Province. For details, see "Business — Our Businesses — LFP Cathode Materials — Raw materials and suppliers."

The success of our existing and future expansion projects depends on a few factors beyond our control, such as progress of the construction conducted by third-party construction companies, local laws and regulations, government support including the issuance of relevant operation license for the expanded production capacity, and customer demand for our expanded production capacity. In addition, the integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in delivery of customer orders. We cannot be certain that we will be able to identify additional suitable acquisition or investment candidates for sale at reasonable prices to consummate any acquisition or investment. We may encounter intense competition during the expansion process and we may fail to select or value targets appropriately. In addition, we may be required to obtain various governmental and regulatory approvals and/or permits before the construction of upstream raw materials production plants. Any failure to obtain such approval in a timely manner or at all may also adversely affect the timely operation of our expansion projects and our financial performance. Future acquisitions and/or investments may expose us to potential risks such as failure to integrate any acquired business or investments into our operations successfully; diversion of management attention from our existing business; potential loss of our key employees or the key employees of any business that we acquire; unanticipated changes in business, industry or general economic conditions that affect the assumptions underlying the acquisition and/or investments; and decline in the value of acquired assets, companies or assets. These and other risks related to acquiring, integrating and operating acquired assets and companies or investees could cause us not to realize the benefits anticipated to result from the acquisition of and/or investment in assets or companies, and could have a material adverse effect on our ability to grow and on our business, financial condition and results of operations. In addition, we cannot assure you that our expansion projects would be successful, especially when such new expansion projects are carried out for the development and production of new products which are not part of our existing product portfolio. Furthermore, as we expand our business operations in the future organically or by acquisition, we expect to incur additional depreciation and operational expenses. These expenses can increase as a percentage of our revenue in the future and adversely affect our profitability if we cannot manage our growth effectively. Accordingly, we may not be able to achieve expansion of our operations and production facilities or the management of our growth in a timely or cost-effective manner. If we are unable to manage our growth effectively or operating our new production facilities in a timely manner, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures which could have a material adverse effect on our results of operation and prospects.

Even if our existing and future expansion projects are successful, we cannot assure you that the sales volume of our products would increase correspondingly. The continuous operations of our production facilities will have to be supported by continuous increases in our sales volume, otherwise we may need to partially shut down our production facilities which could result in the reduction of our utilization rates and profitability. We cannot assure you that we can achieve and maintain high levels of utilization in the future. Our actual production volume varies with the level of demand for our products, which in turn may be affected by customers' preferences, market trend, or other factors beyond our control. For example, overall production utilization rate for our LFP cathode material products decreased from 97.3% in 2022 to 57.6% in 2023 partially due to slowdown in downstream demand growth in the first half of 2023 in lithium-ion battery and NEV manufacturing and ramp-up period for increased capacity. If the orders from our existing customers are not sufficient and there is a lack of new customers for our products for full utilization of our production capacity, our production facilities might operate at utilization rates below our desired level, which could adversely affect our business and financial condition and results of operations.

New legislations or changes in the regulatory requirements regarding our products or the end markets of our products may affect our business operations and prospects

Our products are used in the production of, or are incorporated into, final products that are sold into a number of end markets which include NEVs and energy storage markets. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For instance, on November 2, 2020, the General Office of the State Council issued the New Energy Automotive Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021–2035年)》) (國辦發[2020]39號), specified the importance to promote the high-quality development of the NEV industry. On March 11, 2021, the National People's Congress passed Outline of the 14th Five-Year Plan for the National Economic and Social Development and the Long-Range Objectives Through the Year 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which proposed to support the development of NEVs as a strategic emerging industry and sped up the innovation and application of the related core technologies. In the energy storage industry, "Guidance on Accelerating the Development of New Energy Storage" (《關於加快推動新型儲能發展的指導意見》), published by National Development and Reform Commission and National Energy Administration in 2021, proposed a holistic approach to foster the development of new energy storage market. Driven by this market force, mainland China's NEV battery market experienced substantial growth, driving growth in NEV battery shipment volume in mainland China from 71.0 GWh in 2019 to 633.0 GWh in 2023, representing a CAGR of 72.8%. Further, with the initiatives to achieve "carbon peak" and "carbon neutrality" in mainland China and benefiting from continuous government support on energy storage, the market size of the ESS battery market by shipment volume in mainland China has increased from 9.5 GWh in 2019 to 210.1 GWh in 2023, representing a CAGR of 116.9%. Driven by, among others, the surge in downstream demand, the sales volume of mainland China's LFP cathode material industry increased from approximately 101.6 thousand tons in 2019 to 1,645.0 thousand tons in 2023, registering a CAGR of approximately 100.6%. However, there is no guarantee that such favorable industry policies in mainland China may continue to exist in the future. We may need to change or adapt our business focuses from time to time in response to new rules, regulations and policies regarding our products or the end markets of our products, but we may not be able to do so in a timely and efficiently manner. Failure to do so may have a material adverse effect on our businesses, results of operations and financial condition.

Further, global policy changes and upcoming measures, including bills such as the U.S. Inflation Reduction Act (the "**IRA**"), the European Union's Critical Raw Materials Act (the "**CRMA**"), and investigations by U.S. Department of Commerce and European Commission into whether Chinese lithium-ion battery manufacturers are engaging in unfair trade practices, may reduce the bargaining power of LFP cathode material manufacturers that are based in mainland China as well as leading NEV and ESS battery companies. The IRA stated that in order for vehicles to apply for tax credits, vehicles must not contain any battery components manufactured by foreign sensitive entity companies (including the mainland China) in 2024, and must not contain any battery components extracted, processed or recycled by foreign sensitive entity companies, companies that are owned, controlled, regulated or directed by foreign governments including China, Russia, Iran and North Korea, in 2025. Meanwhile, the CRMA, since November 13, 2023, established a list of 34 critical raw materials, including lithium, rare earth, nickel, cobalt, and silicon. It also sets targets to increase the local contribution of these critical raw material consumption (10% for the extraction; 40% for the processing and an increase to at least 25% for the recycling) by 2030.

In addition to these measures, some regions have implemented or are considering tariffs on NEV-related products manufactured in the PRC. For instance, on August 26, 2024, Canada announced the introduction of a 100% tariff on Chinese-made EVs and a 25% tariff on certain Chinese steel and aluminum products, which took effect on October 1, 2024. The European Union is also considering various measures to protect its domestic NEV industry, potentially including tariffs on Chinese EVs. These tariffs and potential measures could significantly impact the demand for Chinese-manufactured NEVs and related components in international markets. As a result, the demand for our products, some of which are used in the production of NEVs, could be adversely affected.

In addition, in terms of potential fundraising activities of our overseas subsidiaries, we may be required to maintain compliance with the aforesaid bills such as IRA and adopt necessary modifications to corporate governance structures, operational procedures and any other relevant aspects of our business to ensure ongoing regulatory adherence, in the event of which our shareholding and interests in our overseas subsidiaries may be affected. Any of such legislations may affect our ability in developing overseas markets which focus on the sales to the U.S. and potentially Europe, and the business operations including fundraising activities of our overseas subsidiaries, and therefore our business, financial position and results of operations will be adversely affected.

We may not be able to keep abreast of the latest development and advancement of technology, which may materially and adversely impact our ability to address the diverse needs of our customers

Our ability to offer new products which suits the evolving needs of the market depends largely on our research and development capabilities. We have continuously made investments in our research and development activities to develop new products and relevant technologies, which we believe are crucial to our future development. In 2021, 2022 and 2023 and for the six months ended June 30, 2024, our research and development expenses accounted for 5.1%, 4.4%, 5.6% and 5.7% of our total revenue during the respective periods, with Lithium Iron No. 1 (鐵鋰壹號) which is developed based on our nano spherical densification technology technique as one of our recent research and development highlight.

We cannot assure you that such investments will yield immediate tangible benefits or our research and development efforts will be effective. Even if such efforts are successful, we may not be able to apply our newly developed technologies to our products in ways that are accepted by our customers. For example, we are actively developing LMFP cathode material, an upgraded sub-category of LFP cathode material that includes manganese. However, there is no assurance that LMFP cathode material will be widely welcomed by the market in the future. Under such circumstances, our previous investment in it may be wasted. If we are unable to maintain or enhance our research and development capabilities, our competitiveness may be undermined, which could adversely affect our business, results of operations, financial condition and prospects.

In addition, we cannot assure you that our existing and/or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. As it is often difficult to project the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product. If we fail in our product launching efforts, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We are subject to risks relating to product concentration and our product development efforts may not be successful

We derived a substantial part of our revenue from sales of LFP cathode materials during the Track Record Period. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue generated from the sales of LFP cathode material products, accounted for 46.3%, 87.0%, 77.4% and 69.4% of our total revenue, respectively. We expect that the production and sales of LFP cathode material products will continue to contribute to a large percentage of our total revenue in the near term. Therefore, market acceptance of our LFP cathode material products is critical to our future success. Any negative changes in the demand for or prices of these products could have a material adverse effect on our business, financial condition and results of operations.

In view of the above, we plan to expand our product portfolio and other businesses in the future. For example, we intend to build new production lines dedicated to LMFP cathode materials at our Xiangyang Plant in Hubei Province and will continue to offer and optimize our automotive specialty chemicals product portfolio. There can be no assurance that any of our other businesses or products will achieve further market acceptance. Any failure to successfully develop, launch and market our new businesses and products could jeopardize our ability to recover our investments, which in turn may materially and adversely affect our business, financial condition and results of operations.

Short-term orders from customers and counterparty risks may adversely affect our business

During the Track Record Period, while we have entered into framework agreements with our major customers, sales of our products with our customers were characterized by short-term orders placed by our customers from time to time pursuant to such long-term framework agreements. As such, we primarily rely on ongoing communications with our customers in order to predict the future volume of our purchase orders since indicative orders and procurement plans under the framework agreements do not constitute binding purchase commitment from customers. We cannot guarantee that our existing customers will continue to place orders with us, place orders of no less than the current volume of products or not cancel any orders placed with us in the future. A variety of conditions, both specific to an individual customer and generally affecting the customer's industry, can cause a customer to reduce or delay orders previously anticipated by or already placed with us, which could adversely impact our business. Given the volatility of short-term orders, we may experience an adverse change in our revenue. If any of these customers terminates their contracts with us or significantly reduces the amount of purchases from us, we may not be able to find replacement customers in the near term and our results of operations could be adversely affected.

We are exposed to credit risk of our customers and the timing of our payment to suppliers may not match our receipt from customers

In order to maintain competitiveness in the market, it is important that we retain an adequate level of working capital to ensure the smooth operation of our business and support its growth. The majority of our purchase orders require a commitment of cash and/or other resources, including raw materials, packaging materials, and inventories, prior to receiving any payments from our customers.

We generally grant credit periods ranging from one month to three months to our customers and are therefore subject to credit risks of our customers. Our liquidity depends on our customers making prompt payments to us. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we recorded trade receivables of RMB858.0 million, RMB2,121.0 million, RMB2,174.9 million and RMB1,549.6 million, respectively. For the years ended December 31, 2021, 2022 and 2023 and June 30, 2024, our trade receivable turnover days were 49.4 days, 38.6 days, 89.8 days and 93.9 days, respectively. See "Financial Information — Selected Key Items of Statement of Financial Position — Trade and Other Receivables."

In the event that the creditworthiness of our customers deteriorates or that a significant number of our customers fail to settle their trade receivables in full or in part for any reason, we may incur impairment losses and our results of operations and financial condition could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers from their respective credit period, which in turn may result in an impairment loss provision. As of December 31, 2021, 2022 and 2023 and June 30, 2024, loss allowance for trade receivables amounted to RMB53.1 million, RMB121.6 million, RMB124.0 million and RMB92.2 million, respectively. There is no assurance that we will be able to fully recover our trade and other receivables from our customers or that they will settle our trade receivables in a timely manner.

The credit period offered by suppliers to us generally ranges from one month to three months. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our trade payables amounted to approximately RMB491.8 million, RMB1,195.9 million, RMB1,191.0 million and RMB1,218.7 million, respectively. For the years ended December 31, 2021, 2022 and 2023 and for the six months ended June 30, 2024, our trade payable turnover days were 39.5 days, 26.5 days ,49.6 days and 67.3 days, respectively. As such, we may face increased liquidity risks arising from a mismatch between our trade receivables turnover days and trade payable turnover days. This discrepancy can lead to a high gearing ratio when we rely on bank borrowings to alleviate cash flow pressures.

We are exposed to credit risks in relation to our trade and other receivables, which could adversely affect our results of operations and financial condition

Our trade receivables primarily arise from sales to customer on credit and the credit period is generally from one month to three months. Our other receivable mainly comprise value added tax recoverable, prepayments for purchases of non-current assets, prepayments to suppliers and prepayments for advertising and marketing expenses. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our trade and other receivables amounted to approximately RMB1,662.8 million, RMB4,825.2 million, RMB3,621.8 million and RMB3,402.1 million, respectively. See "Financial Information — Selected Key Items of Statement of Financial Position — Trade and Other Receivables."

We are exposed to the risks that our customers may delay or even be unable to pay us in accordance with the payment terms and we cannot assure you that we will be able to fully recover the outstanding amounts in a timely manner, or at all. In addition, as our businesses continues to develop, our trade receivables may continue to rise and would increase our credit risk exposure. Any significant delay in payment or default by our customers may affect our liquidity and cash flows, which may in turn adversely affect our results of operations and financial condition.

While we strive to maintain strict control over our outstanding trade receivables and the management of the Group assess the collectability of the trade receivables regularly and on a case-by-case basis, we cannot assure that such measures would always be effective. We cannot assure you that all of our customers are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our customers may fail to fulfil their obligations to us under our contracts. In the event that our customers become unable to pay us in accordance with the payment terms, we would need to recognize impairment losses on our trade receivables and our results of operations and financial condition may be adversely affected.

Furthermore, our prepayments to suppliers and for advertising and marketing expenses may involve uncertainties. There is no guarantee that the suppliers and service providers will perform their obligations in accordance with the respective supply contracts and/or service contracts. If our suppliers and/or service providers fail to provide raw materials and/or services to us in a timely manner, or at all, we may be exposed to prepayment default and impairment loss risk in relation to such prepayments, which may materially and adversely affect our business and financial position. In such event, we would need to recognize impairment losses on our other receivables and our results of operations and financial condition may be adversely affected.

Our level of indebtedness may adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness

During the Track Record Period, we, to certain extent, relied on bank borrowings to finance our capital expenditures and business operations. We expect that we may continue to do so in the future and our liquidity risk may increase particularly under a downward price trend of lithium carbonate. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our fixed-rate bank borrowings amounted to approximately RMB1,763.6 million, RMB3,768.6 million, RMB7,905.4 million and RMB7,808.9 million, respectively. As of the same dates, our gearing ratio was 99.2%, 112.0%, 239.6% and 264.0%, respectively.

We cannot assure you that we will not have a substantial level of bank borrowings in the future. The high level of bank borrowings and gearing ratio may (i) make it more difficult for us to satisfy our obligations under our indebtedness, exposing us to the risk of default, which, in turn, would negatively affect out ability to operate as a going concern, (ii) require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow for other purposes (such as working capital, capital expenditure and other corporate purposes); (iii) increase our vulnerability to adverse economic or industry conditions; (iv) limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate; (v) potentially restrict us from pursuing potential strategic business opportunities; (vi) limit our ability to borrow additional funds; (vii) increase our exposure to interest rate fluctuations; and (viii) increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential product liability and/or expenses for upgrading technologies or equipment requirement for our production; and (ix) decrease our sales volume or our rate of expansion, since our marketing and sales budget will be limited as a result of the repayment of our indebtedness.

As a result of the covenants and restrictions, we are limited in how we conduct our business, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. A breach of any of the restrictive covenants could result in a default with respect to the related indebtedness. If a default occurs, the relevant lenders could demand immediate payment. This, in turn, could cause cross-default or payment acceleration of our other debts. In the event that some or all of our debts are accelerated and becomes immediately due and payable, we may not have the funds to repay, or the ability to refinance, such debt.

Our financial assets at fair value through other comprehensive income/profit or loss are subject to fair value fluctuations and the valuation of such assets is subject to uncertainties due to the use of valuation techniques and market observable and unobservable inputs, which may in turn adversely affect our financial performance

During the Track Record Period, our financial assets at fair value through other comprehensive income/profit or loss include our investments in listed and unlisted equity, unlisted fund and wealth management products and have experienced fair value fluctuations. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our financial assets at fair value through other comprehensive income/profit or loss amounted to RMB92.9 million, RMB123.2 million, RMB201.0 million and RMB982.6 million, respectively. See "Financial Information — Selected Key Items of Statement of Financial Position — Financial Assets at Fair Value through other Comprehensive Income/Profit or Loss." During the Track Record Period, we have recorded gains from changes in fair value of financial assets at fair value through profit or loss. In 2021, 2022 and 2023, we recorded gain from changes in fair value of financial assets at FVTPL of RMB8.4 million, RMB16.3 million, RMB46.9 million respectively, and recorded a loss from changes in fair value of financial assets at FVTPL of RMB5.5 million for the six months ended June 30, 2024. In addition, in 2023, we also recorded loss from changes in fair value of financial liabilities at FVTPL of RMB106.3 million. See "Financial Information — Description of Key Components of Our Results of Operations — Other Income, Gains and Losses."

Fair value of our financial assets at fair value through other comprehensive income/profit or loss is determined by using valuation techniques and on the basis of market observable and unobservable inputs. For details, see Note 37(d) to Part II of the Accountant's Report in Appendix I to this prospectus. Accordingly, such determination requires us to make significant estimates, which may be subject to various variations, adjustments and alterations, as well as market conditions and other factors, and therefore inherently involves a certain degree of uncertainty. Also, we cannot assure you that our internal control procedures relating to our investment procedures will be effective and adequate. Considering the inherent uncertainty in the fair value of financial assets at fair value through other comprehensive income/profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

We may be exposed to risks from our hedging activities in relation to the commodity prices of our raw materials.

Certain of the principal raw materials are commodities such as lithium carbonate, urea, and ethylene glycol, or are derived from commodities such as base oil from crude oil. During the Track Record Period, we have engaged in hedging transactions for these raw materials with a view to mitigate risks associated with price fluctuations. While these hedging activities potentially reduce our exposure to changes in commodity prices, the use of such hedging instruments may ultimately limit our ability to benefit from favorable price trends. The successful use of hedging instruments depends on our ability to accurately forecast the direction and extent of market movements within a given time frame. To the extent selling prices remain stable or fluctuate in a direction opposite to our anticipations, we may realize losses on hedging transactions that are not offset by decreases in raw material prices. Furthermore, if we fail to properly monitor and manage our hedging positions, we may be required to deposit and utilize additional funds, which could adversely affect our cash and cash equivalent position. Although we have implemented certain risk control procedures aimed at mitigating risks related to these hedging transactions, there can be no assurance that these procedures will be effective and adequate. There is no guarantee that we will not experience losses from these hedging transactions in the future, or that such losses will not have a material adverse effect on our business, financial condition, results of operations and prospects. For details, see "Business — Our Businesses — LFP Cathode Materials — Lithium carbonate hedging."

Goodwill impairment could negatively affect our results of operations

For the years ended December 31, 2022 and 2023 and for the six months ended June 30, 2024, we recognized provision for impairment loss of goodwill of RMB28.9 million, RMB72.8 million and RMB25.2 million, respectively, as the respective recoverable amounts of certain subsidiaries acquired during the Track Record Period were estimated to be lower than their respective carrying amounts. For details, see Note 17 to Part II of the Accountants' Report in Appendix IA.

We perform our impairment test of goodwill on an annual basis or more frequently when there is indication that the unit may be impaired. It should be noted that the goodwill impairment tests involve our estimates and are based on certain assumptions on future performance of the relevant cash generating unit and other factors, such as terminal growth. Many of these factors are neither predictable nor within our control. If actual events in the future differ adversely from our assumptions resulting in the recoverable amount being lower than the carrying amount of the cash generating unit, we may need to set aside impairment provisions, which could adversely affect our financial condition and results of operations.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position

Our contract liabilities are recognized when payment from a customer is received or is due (whichever is earlier) before we transfer the related goods or services. As of December 31, 2021, 2022 and 2023 and June 30, 2024, we had contract liabilities of RMB60.2 million, RMB425.7 million, RMB21.9 million and RMB30.1 million, respectively. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

If we fail to maintain an effective distribution network for our automotive specialty chemical products or manage the activities of our distributors, our business could be adversely affected

We rely on our distributors to distribute and market our automotive specialty chemical products. During the Track Record Period, revenue from distributors accounted for approximately 50.3%, 50.8%, 44.1% and 45.4% of our total revenue from sales of automotive specialty chemical products.

The performance of the distributors, their sales network and their ability to expand their businesses are crucial to the future growth of our automotive specialty chemical business and directly affect sales volume and profitability of our automotive specialty chemical business. If most of our distribution or other agreements are suspended, terminated or otherwise expired without renewal, our profitability could be materially and adversely affected. We cannot assure you that we will be able to maintain our agreements with the distributors on favorable terms or at all. The distributors may not be able to maintain their competitiveness, or sell and market our products successfully, or we may not be able to monitor the distributors directly to ensure efficient sales of our automotive chemical products to their customers.

Furthermore, if the sales volume of our products cannot be maintained at a satisfactory level, the distributors may not place orders on our new products with us or may reduce the quantity of our existing products or may ask for discount on the purchase price. In addition, we may not have sufficient control over the distributors (or their sub-distributors), and we cannot assure you that the distributors will not breach their distribution agreements or will comply with their obligations thereunder, including those with respect to our pricing policies and designated distribution area. The loss of the distributors, reduced orders from them, the expiry of distribution agreements without renewal or breach of the terms of the distribution agreements, could materially and adversely affect our business and financial condition and operating results. If we are unable to maintain or grow our sales and distribution network, our automotive specialty chemicals business could experience a decline in sales and market share.

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

We are required to obtain and maintain certain licenses, permits, registration, certificates and approvals for our business operations and throughout multiple stages of our new construction and production expansion projects. In addition, various completion inspections may be required before we commence production at new production facilities.

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

We are subject to environmental, handling of hazardous substances, chemical manufacturing, health and safety laws and regulations and production standards and any inability to comply with such requirements and standards may subject us to liabilities

Our business and/or operational activities, such as the production and sales of our products, storage and transportation of our products and raw materials, are governed by laws and regulations, administrative determinations, court decisions and similar constraints, especially the extensive environmental, handling of hazardous substances, chemical manufacturing, health and safety laws and regulations and stringent standards in relation to the production and sale of our products which are promulgated by the PRC government.

Meanwhile, to comply with the extensive environmental laws and regulations relating to air and water quality, sewage management and public health and safety in the PRC, we must obtain approval for environmental impact assessment reports and environmental acceptance approval of our facilities under construction, and undergo annual inspection of production facilities by relevant PRC authorities to ensure the safety of our equipment. If we fail to obtain such environmental approval or complete the annual inspection, our facilities under construction may be suspended and the relevant authorities may suspend the operation of our production facilities and impose a fine on us.

In addition, the relevant laws and regulations, administrative determinations and court decisions in the PRC and other jurisdictions which we are subject to continue to evolve, which may involve stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed production facilities as well as a heightened degree of responsibility for companies and their officers, directors and employees. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, costs that we may not be able to pass on to customers, or other obligations or liabilities, which could decrease our capital and our ability to pursue developments in other areas.

Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, termination of government contracts or suspension of their operations. Such events could impact our results of operations, financial condition and reputation, all of which could adversely affect our ability to be profitable and attract new customers.

Our business and operations require significant capital resources on an ongoing basis and are subject to uncertainties

We operate in capital intensive industries that require substantial capital and other long-term expenditures, including expenditures for maintaining production facilities as well as machinery and equipment in the PRC. We also require significant capital to build, maintain, operate and expand our production facilities, purchase machinery and equipment, and develop new technologies and products. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our capital expenditures were RMB666.1 million, RMB2,233.7 million, RMB3,209.9 million and RMB562.5 million, respectively. To the extent that we construct new production facilities or expand our production capacities, we expect to fund the related financial commitments and other capital and operating expenses from a combination of cash on hand, cash generated from operations, bank borrowings and net proceeds from the Global Offering. However, no assurance can be given that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are reasonable to us or consistent with our expectations. To the extent we cannot finance our operations, expansions or acquisitions at reasonable rates or at all in the future, our business may be harmed. In addition, our overall expansion as well as our contractual obligation to fulfill minimum purchase requirements under some of our long-term supply agreements may require us to procure more raw materials which may force us to incur higher working capital needs that may affect our working capital operation. We cannot assure you that we will not experience any higher working capital needs in the future or such cost and expenses associated with our expansion plans can be offset by corresponding increases in revenue, and our business, financial position, results of operations and prospects and working capital may be affected.

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

As of the Latest Practicable Date, we had outstanding bank loans for which our Mr. Shi and/or Ms. Zhu (being our Controlling Shareholders) provided guarantees (the "**Controlling Shareholders' Guarantees**"). As of June 30, 2024, the aggregate balance of the guaranteed loans was approximately RMB1,796.2 million, representing approximately 23.00% of our total bank borrowings. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence." Our Directors are of the view that premature discharge of all outstanding Controlling Shareholders' Guarantees before the Listing would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant banks, and the renegotiation would be time-consuming and may affect our normal operation. Therefore, the Controlling Shareholders' Guarantees will not be released before Listing. If we fail to obtain financing without guarantees from our Controlling Shareholders, our liquidity and business may be materially adversely affected. Additionally, if our Controlling Shareholders fail to comply with the terms of the guarantees, our creditors may accelerate the payment schedule of our banking facilities, which could have a material adverse effect on our liquidity and business.

The repurchase rights exercised against us could have a material adverse impact on our financials and results of operations

On October 18, 2021, our Company entered into a capital increase agreement (the "**Liyuan Second Capital Increase Agreement**") with the then existing shareholders of Changzhou Liyuan and certain new investors (the "**Liyuan New Investors**"). See "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021 and Subsequent Capital Increase." Pursuant to the terms of the Liyuan Second Capital Increase Agreement, in the event that, among others, our Company fails to make an announcement on the spin-off and qualified listing (as defined in the Liyuan Second Capital Increase Agreement) of Changzhou Liyuan within four years after the completion date of the capital increase on December 16, 2021 (the "**Liyuan Completion Date**"), or Changzhou Liyuan fails to complete a qualified listing within five years after December 16, 2021, and the Liyuan New Investors and our Company are unable to reach a consensus on the progress of the qualified listing (failure to complete a qualified listing within five years after the Liyuan Completion Date as a result of the related party transactions between Changzhou Liyuan and the Liyuan New Investors excepted), the Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by the Liyuan New Investors.

Further, on December 31, 2023, our Company entered into another capital increase agreement (the "**Liyuan Fourth Capital Increase Agreement**") with, among others, the Liyuan New Investors and Jianxin Investment Asset Investment Co., Ltd. (建信金融資產投資有限公司) ("**Jianxin Investment**", together with the Liyuan New Investors are referred to as the "**Liyuan 2023 Investors**"). See "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021 and Subsequent Capital Increase." Pursuant to the terms of the Liyuan Fourth Capital Increase Agreement, in the event that, among others, our Company fails to make an announcement on the spin-off and qualified listing (as defined in the Liyuan Fourth Capital Increase Agreement) of Changzhou Liyuan within four years after February 5, 2024 (the "**Liyuan Fourth Capital Increase Completion Date**"), or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Fourth Capital Increase Completion Date, and the Liyuan 2023 Investors and Changzhou Liyuan are unable to reach a consensus on the progress of the qualified listing, Jianxin Investment shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by it.

In addition, on May 13, 2024, our Company entered into another capital increase agreement (the "**Liyuan Fifth Capital Increase Agreement**") with, among others, Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership) (昆侖工融綠色(北京)新興產業投資基金合夥企業(有限合夥)) ("**Kunlun Gongrong**", together with Jianxin Investment, the "**Series A Liyuan Investors**") and the Liyuan 2023 Investors (collectively, the "**Liyuan 2024 Investors**"). See "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021 and Subsequent Capital Increase." Pursuant to the terms of the Liyuan Fifth Capital Increase Agreement, in the event that, among others, our Company fails to make an announcement on the qualified listing (as defined in the Liyuan Fifth Capital Increase Agreement) of Changzhou Liyuan within four years after the Liyuan Fourth Capital Increase Completion Date, or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Fourth Capital Increase Completion Date, and the Series A Liyuan Investors and Changzhou Liyuan are unable to reach a consensus on the progress of the qualified listing, each of the Series A Liyuan Investors shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by it.

In the event that the Liyuan 2024 Investors exercise their rights of repurchase against us, our Company would be required to repurchase the equity interest in Changzhou Liyuan held by the Liyuan 2023 Investors and our financial condition and operating results may be materially and adversely affected by the additional payment obligations created thereunder.

Mr. Shi, one of our Controlling Shareholders, may cease to be our Controlling Shareholder in case of default of his obligations under a bona fide commercial loan, which could have a negative impact on the control of Mr. Shi in the operations of the Company and in turn our business, operation and financial results

As of the Latest Practicable Date, Mr. Shi, one of our Controlling Shareholders, beneficially owned 212,662,195 A Shares, representing 37.63% of the total issued share capital of our Company, and, together with the 23,618,649 A Shares and 1,901,208 respectively held by Ms. Zhu (Mr. Shi's wife) and Nanjing Bailey, controlled 42.15% of the voting rights as of the Latest Practicable Date. In order to obtain financing for his personal needs, Mr. Shi has from time to time pledged the A Shares he owned to certain PRC financial institutions as collateral. As of the Latest Practicable Date, Mr. Shi has pledged 56,800,000 A Shares, representing 10.05% of the total issued share capital of our Company as security in favor of certain PRC financial institutions regulated by the NAFR and/or the CSRC. For further details of the pledge arrangements, see "Substantial Shareholders — Share Pledges by Mr. Shi."

In the unlikely event of default by Mr. Shi under the said bona fide commercial loan(s), the lenders can enforce the share pledge arrangement and Mr. Shi may cease to be a Controlling Shareholder, which could have a negative impact on the control of Mr. Shi in the operations of the Company and in turn our business, operation and financial results.

Defects related to certain of our properties may adversely affect our ability to use such properties

Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, the lease agreements with respect to eight of the properties we leased were not registered with the appropriate government authorities in mainland China. See "Business — Legal Proceedings and Compliance — Non-compliance — Non-registration of lease agreements." As advised by our PRC Legal Advisor, we may be required by relevant governmental authorities to file these lease agreements for registration within a time limit, and may be subject to a fine for non-registration exceeding such time limit, which may range from RMB1,000 to RMB10,000 for each lease agreement. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements. If we are liable for fines because of the non-registration of lease agreements, our business operation could be adversely affected.

As of the Latest Practicable Date, there were defects in some of our owned properties and leased properties. See "Business — Legal Proceedings and Compliance — Non-compliance." If we are required to demolish the buildings, relocate our operations and/or suspend our production activities by the relevant government authorities, or if we fail to find alternative site in a timely manner and on acceptable terms, our facilities, business, operating and financial results may be adversely affected.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other operational, transportation, occupational and environmental-related risks, which could materially and adversely affect our business, financial condition and results of operations

Our business and production are subject to various risks, including operational and transportation-related risks and occupational and environmental hazards. We may experience various types of operational difficulties in connection with the production of our products. Some of our raw materials and chemicals are hazardous and their storage and use in the production process involve inherent risks. Accidents could materially affect our production and may give rise to personal injuries and environmental hazards.

Our operations may also be subject to production difficulties such as capacity constraints, mechanical and systems failures, construction and upgrade delays and delays in the delivery of machinery, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our production output. Any significant manufacturing disruption could adversely affect our ability to produce and sell our products, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, our business operations are dependent on access to adequate transportation channels. We rely on road and maritime transportation to receive raw materials from suppliers and deliver our products to customers. However, there can be no assurance that the existing or planned transportation systems and service capacity of our logistics service providers will be sufficient to meet our transportation requirements. Any shortage, disruption or limitation of transportation capacity may limit the volume of supply delivered to us or products delivered to our customers and may cause us to have shortage in inventories or accumulate inventories and scale back production. Furthermore, any disruption to, or decrease in, the availability or capacity in the transportation networks, such as outbreak of a contagious or epidemic disease and natural disasters, major highway accidents, strikes, seasonal congestion during holidays or any significant rise in transportation costs, may also result in delay in transportation and delivery of our products, disruption of raw material supplies, as well as temporary closure of our production facilities for quarantine or for preventive purposes. The time required to rectify such problems could be lengthy, and could result in significant increases in cost or reduction in sales which could have a material adverse effect on our businesses and results of operations.

Due to the nature of our business, we engage in certain inherently risky and hazardous activities, including, among other things, using heavy machinery and handling hazardous chemicals. As a result, we are subject to risks associated with these activities, including toxic gas and liquid leakages, equipment failures, industrial accidents, fires and explosions. These risks and hazards may result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and damage to our reputation and corporate image.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any significant incidents or accidents in relation to workers' safety, and there had been no material violation of any environmental laws and regulations applicable to our operations. However, we cannot assure any of these risks would not occur in the future, the occurrence of which may harm our business operations and reputation, which could inhibit our ability to take on other contracts or otherwise grow our business.

Any preferential income tax treatment and the government grants that we enjoy in the regions where we operate may be altered or terminated

According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. Our Company and certain of our subsidiaries have been qualified as a High and New Technology Enterprise and have enjoyed a preferential income tax rate of 15% since then. In 2021 and 2022, our effective income tax rate is 14.5% and 11.3%, respectively. In 2023, we recorded income tax credit of RMB316.4 million. For further details, see "Financial Information — Description of Key Components of Our Results of Operations — Income Tax (Expense)/credit" and Note 10 to Part II of the Accountants' Report in Appendix IA. In addition, upon commencement of operation of our Indonesia Plant, we may enjoy preferential income tax treatments and government grants from the local government.

We cannot assure you that our subsidiaries will be able to enjoy or continue to enjoy the aforementioned preferential income tax treatment or other existing tax treatment in relation to transactions within the Group. For instance, under applicable PRC laws and regulations, the preferential income tax treatment for a "High and New Technology Enterprise" is subject to renewal every three years and can be revoked by the relevant local authorities upon a review process on the eligibility of such accreditation. We cannot assure you that our Company and our subsidiaries will continue to be accredited as a "High and New Technology Enterprise" upon expiration of the relevant certificate, or that such accreditation will not otherwise be revoked by the relevant local authorities. If we fail to renew any preferential tax treatment qualification in time or at all, or if any change or termination of government grants or preferential tax treatment occurs, the decrease in other income or increase in our tax charge or any other related tax liabilities could materially and adversely affect our results of operations and financial condition.

In addition, during the Track Record Period, we received government grants primarily in the form of tax refunds, operating subsidies and various industry-specific subsidiaries to reward our efforts for technological innovation. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our government grants amounted to RMB22.7 million, RMB47.1 million, RMB86.5 million and RMB106.1 million, respectively.

Our eligibility for government grants is dependent on various factors, including the conditions we have to meet, the relevant government policies and the availability of funding at different authorities. We cannot guarantee that we will continue to receive similar levels of government grants, or at all. If we no longer receive any government grants in time or at all, or if the amount of government grants we receive decreases significantly, our business, results of operations and financial condition will continue to be adversely affected.

Share-based payments may lead to shareholding dilution for our Shareholders and adversely affect our financial performance

We adopted share incentive schemes for the benefit of our Directors, senior management, mid-level management, key technicians and employees who contribute to the development and success of our Group. See Note 36 to Part II of the Accountants' Report in Appendix IA to this prospectus and "Appendix IV — Statutory and General Information — A. Further Information About Our Group — 5. 2023 Share Option Scheme." In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, we incurred share-based payment expenses of nil, RMB4.4 million, RMB2.7 million, RMB12.9 million and RMB4.7 million, respectively. To further incentivize our employees to contribute to our Group, we may pay additional share-based payment in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Such share-based payments may also increase our expenses and therefore have a material and adverse effect on our financial performance.

We face competition in our business

We compete with a number of domestic and international companies in industries that we operate in. The LFP cathode material market is highly competitive and concentrated, and we expect that the competition will be even more intense in the future. In addition, the automotive chemical industry in China is expected to witness significant growth. According to Frost & Sullivan, the automotive specialty chemical industry faces significant challenges due to the constantly evolving consumer demands. These demands are not limited to the performance and efficiency of vehicles but also encompass environmentally friendly and sustainable solutions. Our existing competitors may seek to increase their market shares through various measures, such as continued research and development efforts, increased production capacity, optimized production process and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition.

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

As the quality of our products is critical to the success of our businesses, we must maintain an effective quality control system for our production and other operational activities. Our quality control system has been IATF16949, ISO9001 and ISO45001 certified. However, the effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines.

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

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

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

We may not be able to detect and prevent fraud, negligence or other misconducts committed by our employees or third parties

Our internal control system and procedures are designed to monitor our operations and overall compliance. However, we cannot guarantee that they will always enable us to detect, prevent and take remedial measures in relation to fraud, negligence or other misconduct committed by our employees, suppliers, business partners or other third parties in a timely and effective manner. Examples of such behavior include crimes such as theft, vandalism and bribery.

Although we have limited control over the behavior of any of these parties, we may be viewed as at least partially responsible for their conduct on contractual or tortious grounds. We may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings and be held accountable for injuries or damages sustained by our customers or third parties. To the extent that we cannot recover related costs from the employees, suppliers, business partners or third parties involved, we may experience material adverse effects on our business, financial position and results of operations. We may also attract negative publicity and incur damages to our reputation and brand value.

The failure to protect our intellectual property rights could have an adverse impact on our business and competitiveness

We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our intellectual properties. As of June 30, 2024, we had 350 patents (among which 121 are invention patents), 125 copyrights, 712 trademarks and 15 domain names in mainland China. See "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix IV. We consider these intellectual properties are crucial business assets and key to customer loyalty and essential to our future growth. We may in the future have difficulty obtaining patents, copyrights, registered trademarks and other intellectual property rights, and the patents, copyrights and registered trademarks we receive may be insufficient to provide us with meaningful protection or commercial advantage. Furthermore, we have been and may continue to be involved in litigations and other proceedings initiated by us against third parties for their infringement of our intellectual property rights. We cannot provide assurance that any patent, copyright, registered trademark or other intellectual property right owned by, or licensed to, us will not be invalidated, circumvented or otherwise challenged in the countries where we operate, or we will be successful in defending ourselves in intellectual property infringement claims. If we are unable to protect our proprietary technology and intellectual property, our market position would be undermined, and our business, financial condition and results of operations may be materially and adversely affected.

Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business

Our success depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that our operations or any aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties. We have been and may continue to be challenged by or be involved in litigations or other proceedings initiated by third parties, including competitors as well as other entities or individuals, for infringement of their intellectual property rights. We may not be fully aware of other parties' intellectual property rights involved in our systems, applications and business operations and there may be third-party trademarks, patents, copyrights, know-how or other intellectual property rights that are infringed by our operations or other aspects of our business without our awareness. To the extent that our employees or other parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. We may have to incur considerable time and costs in dealing with any claims or litigation, and if they are successful, we may be subject to substantial damages, royalty payments, restrictions from conducting our business and other stringent requirements unfavorable to our business and operations. We may also be required to indemnify other parties or pay settlement costs, and to obtain licenses, modify applications or refund fees, each of which may be expensive and time-consuming. Such processes may create a distraction for our management which could affect our business operations. Additionally, the interpretation and application of intellectual property right laws of the PRC and the procedures and standards for granting intellectual property rights in the PRC are governed by the relevant laws and regulations in effect from time to time and still evolving, and we cannot assure you that PRC courts or regulatory authorities would agree with our analysis. If we were found to have violated the intellectual property rights of others, we may be subject to liability for our infringement or may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives of our own. As a result, our business and results of operations may be materially and adversely affected.

We have limited business insurance coverage which could expose us to significant costs and business disruption

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

Besides statutory social insurances as required under relevant PRC Law including pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance, we mainly maintain property-related insurance to cover our buildings, facilities, equipment and inventories. We believe our existing insurance coverage is adequate for our existing operations and is in line with industry standards. Despite the above, we do not maintain insurance policies covering our business interruption or key-man. As such, we cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the course of our business. Moreover, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to business interruptions, earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses due to insufficiency or unavailability of insurance, there could be a material adverse effect on our business, financial position and results of operations.

Increases in labor costs and the enforcement of stricter labor laws and regulations in the region we operate may adversely affect our business and our profitability.

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

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. Our plan to streamline and rationalize our pool of employees or otherwise change our current employment or labor practices may be limited by the PRC Labor Contract Law and its implementation rules, as well as any future changes to labor laws and regulations. We may need to change or adapt our labor practices from time to time in response to new labor laws, regulations, rules and policies, but we may not be able to do so in a timely and efficient manner. Failure to do so may adversely affect our businesses and results of operations.

Under the PRC Social Insurance Law and the Administrative Measures on Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds, and employers are required, together with their employees or separately, to pay the contributions to social insurance and housing provident funds for their employees. Also, the PRC Labor Contract Law and the Interim Provisions on Labor Dispatch imposed certain restrictions on the use of dispatched labor including but not limited to the form of employment, numbers of dispatched workers, etc. During the Track Record Period, we had not been subject to any administrative penalties in connection with PRC labor laws and regulations. However, we cannot assure you that our historical and current labor-related practices will at all times be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of us being deemed as noncompliant with the relevant laws and regulations, we may be required to rectify within a prescribed time period and to pay fines, late payment fees and/or other penalties if we fail to do so.

We cannot assure you that our employment practices will be deemed to be in compliance with labor-related laws and regulations in mainland China due to the changes in labor laws and regulations, related interpretations and implementations, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we may be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

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

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

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

Our success depends upon the retention of our Directors, senior management, as well as our ability to attract and retain qualified and experienced employees and resignation of any of the Directors, members of our senior management or key employees would adversely affect our business operation and financial performance

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

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

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

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

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

We are subject to evolving laws and regulations regarding personal data and information and may fail to protect our consumer's data and information

Primarily in relation to our automotive specialty chemical business, we obtain consumer data through our self-operated online stores, websites and mobile apps, such as our end consumers' personal information, payment-related information and transaction history. Any actual or alleged leakage or unauthorized usage of the consumer data we have collected or concerns about our practices with regard to the collection, storage, use or disclosure of personal information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the technologies that we use to protect confidential information. We may not be able to prevent third parties, such as hackers, from illegally obtaining and misappropriating our proprietary data and consumer information. In addition, we have limited control or influence over the security policies or measures, adopted by e-commerce platforms, online payment service providers, logistics service providers and other third parties in relation to consumers' online purchase activities. Any negative publicity on our IT system's or online sales channels' safety or privacy protection mechanism and policy could have a material adverse effect on our public image and reputation.

Furthermore, the laws and regulations in the PRC governing personal data are evolving. Any change in such laws and regulations governing personal data could adversely affect our ability to use such data or discourage consumers from using online sales channels, either of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Natural disasters, public health and public security hazards may severely disrupt our business and operations

The outbreak of any severe diseases such as the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome or the COVID-19, if uncontrolled, could have an adverse effect on the overall business sentiment and environment in locations where we operate, which in turn may have an adverse impact on domestic consumption and on our products. In addition, if employees are affected by a severe communicable disease, we may be required to adopt measures to prevent the spread of the disease, which may cause disruption to our operation. The spread of any severe communicable disease may also affect the operations of our suppliers and other service providers.

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

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanction administered by the United States, the European Union, the United Kingdom, the United Nations and other relevant sanctions authorities

The United States and other jurisdictions or organizations, including the European Union, the United Kingdom, the United Nations and Australia, have, through executive order, legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries.

These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions may come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If we were required to pay penalties as a result of any sanctions violations, or alter our business to prevent violation of sanctions rules or regulations, it could adversely affect our results of operations.

In addition, economic sanctions laws imposed by the United States, European Union, and other jurisdictions may expose us to potential compliance risks. Sanctions laws prohibit business in or with certain countries or governments, and with certain persons or entities that have been sanctioned by the United States, the European Union or other governments and international or regional organizations, such as the United Nations Security Council. Although we mainly operate within the PRC, we from time to time have engaged or may engage in certain international business that could expose us to international sanction risks. Although our Group's activities during the Track Record Period do not implicate restriction under international sanctions, it is possible that governmental authorities may in the future impose sanctions on us, particularly in the event that we fail to detect and, as appropriate, remediate such violations, and there can be no assurance that we can always be in compliance with all such sanctions laws in the future. We also cannot predict with certainty the interpretation or implementation of any sanctions laws or policies or their future changes. Any alleged violations of sanctions laws or engagement in sanctionable activities could adversely affect our reputation, business, results of operations and financial condition. For details of our internal control measures to identify and minimize our exposure to sanctions risk, see "Business — Risk Management and Internal Control".

RISKS RELATING TO DOING BUSINESS IN THE COUNTRIES AND REGIONS WHERE WE OPERATE

You may have limited recourse in effecting services of legal process or enforcing overseas judgments against us, our Directors, Supervisors and our senior management

Most of our Directors and executive officers reside within the PRC, and most, if not all, of our assets and substantially all of the assets of those persons are located within the PRC. It may be difficult, complicated and time-consuming for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

A judgment of a court of another jurisdiction may only be reciprocally recognized or enforced if the jurisdiction has a treaty with the PRC or if the judgment complies with the principle of reciprocity and do not violate the basic principles of the PRC laws, national sovereignty, security, social interests and public interests, subject to the satisfaction of other requirements. Judgments rendered by Hong Kong courts may be recognized and enforced in the mainland China if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**") are met. Specifically, pursuant to the Arrangement, a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case with a choice of court agreement in writing may apply for recognition and enforcement of the judgment in mainland China. Similarly, a party with a final judgment rendered by a court in mainland China requiring payment of money in a civil and commercial case with a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as an agreement in writing entered into between the parties after the effective date of the arrangement in which a Hong Kong or mainland China court is expressly designated as the court having sole jurisdiction for the dispute. On January 18, 2019, the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between mainland China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement broadens the scope of judgments that may be enforced between mainland China and Hong Kong under the Arrangement. Under the New Arrangement, any party concerned may apply to relevant PRC court or Hong Kong court for recognition and enforcement of a final court judgment in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has come into effect, uncertainties remain as to the outcome and effectiveness of any action brought under the New Arrangement.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. Courts in mainland China may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between mainland China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, the courts in mainland China will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, there is no assurance that a judgment rendered by a court outside the PRC would be recognized and enforced in a court in mainland China.

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

Under applicable PRC tax laws, regulations and statutory documents, non-resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to the aforesaid gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. Where, under the circumstance of withholding at source or designated withholding, non-resident taxpayers determine through self-assessment that they are eligible for and need to claim treaty benefits, they shall fill out an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits, submit it to their withholding agents. If a non-resident taxpayer fails to submit an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits to the withholding agent or the information entered is incomplete, the withholding agent shall withhold taxes in accordance with the provisions of domestic tax laws.

Non-PRC resident enterprises that do not have establishments or place of business in the PRC, or that have establishments or place of business in the PRC but their income is not related to such establishments or place of business, are subject to the PRC enterprise income tax at the rate of 10% on dividends received from the PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the Enterprise Income Tax Law and other applicable PRC tax regulations and statutory documents. Taxes may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares, including HKSCC Nominees. Entitlement to treaty benefits for non-resident taxpayers shall be handled by means of "self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference." Non-resident taxpayers and withholding agents need to cooperate with PRC tax authorities in the follow-up administration and investigation of non-resident taxpayers' entitlement to treaty benefits.

Notwithstanding the above, PRC tax authorities determine whether and how individual income tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected in accordance with applicable laws and regulations in the PRC. Non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC tax on the dividends received from us and gains realized through sales or transfers by other means of the H Shares.

Policies regarding foreign currency conversion may affect our foreign exchange transactions and our ability to pay dividends and meet other obligations

During the Track Record Period, we receive substantially all of our revenue in RMB. Currently, the conversion of RMB into foreign currency has to comply with the relevant laws and regulations and remittance of foreign currencies are subject to the PRC foreign exchange regulations. We may have to convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our H Shares, if any, and settlement of foreign investment. Shortage in the availability of foreign currency may restrict the ability of our Group to remit sufficient foreign currency out of the PRC, or otherwise satisfy our foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of the PRC to pay capital expenses under the capital account such as the repayment of loans denominated in foreign currencies.

The policies regarding foreign exchange transactions under the current account and the capital account may not necessarily continue in the future. In addition, these foreign exchange policies may restrict our ability to obtain sufficient foreign exchange, which could have an adverse effect on our foreign exchange transactions and the fulfilment of our other foreign exchange requirements. If there are changes in the policies regarding the payment of dividends in foreign currencies to shareholders or other changes in foreign exchange policies resulting in insufficient foreign exchange, our payment of dividends in foreign currencies may be affected.

RISKS RELATING TO THE GLOBAL OFFERING

Our A Shares were listed in China in 2017, and the characteristics of the A Share and H share market may differ

Our A Shares were listed on the Shanghai Stock Exchange in 2017. Following the Global Offering, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be traded on the Stock Exchange. Under the current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participant. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

We will be concurrently subject to PRC and Hong Kong listing and regulatory requirements

As we are listed on the Shanghai Stock Exchange and will be listed on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release our financial and operational information on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the Global Offering. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this prospectus. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this prospectus. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and any formal announcements made by us in Hong Kong with respect to the Global Offering.

An active trading market for our H Shares may not develop

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares may not be indicative of the market price of our H Shares following the completion of the Global Offering.

If an active public market for our H Shares does not develop following the completion of the Global Offering, the market price and liquidity of our H Shares could be materially and adversely affected.

The market price and trading volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering

The market price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, changes in our pricing policy for products as a result of competition, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and trading volume at which our H Shares will trade. Further, derivative transactions that may be entered into by investors in our H Shares (including cornerstone investors, if any, during their lock-up period to the extent that such transactions are not in violation of the lock-up restrictions) for hedging purposes, even if these transactions are settled only in cash, could still result in significant price and trading volume volatility of our H Shares. Besides, the Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

We will release our 2024 third quarter consolidated financial results on the Shanghai Stock Exchange no later than October 31, 2024, which is shortly after the Listing. If such quarterly consolidated financial results fail to meet investors' expectation, the trading price of our H Shares may be adversely affected.

We will release our 2024 third quarter consolidated financial results on the Shanghai Stock Exchange which is shortly after the Listing, but in no event later than October 31, 2024, in accordance with the applicable disclosure requirements for A-share listed companies. Our historical quarterly consolidated financial results may not be indicative of any of our future quarterly financial results. If our 2024 third quarter consolidated financial results fail to meet the investors' expectation, the trading price of our H Shares may be adversely affected.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

As the Offer Price of our H Shares is higher than our consolidated net tangible assets book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases

The Offer Price of our H Shares is higher than the net tangible asset book value per share immediately prior to the Global Offering. As a result, purchasers of our H Shares in the Global Offering will experience immediate dilution. Purchasers of H Shares may experience further dilution if the Underwriters exercise the Over-allotment Option or if we issue additional H Shares in the future.

We cannot assure you when, if and in what form or size we will pay dividends in the future

We cannot assure you when, if and in what form or size we will pay dividends in the future. Our Board determines the frequency and amount of dividend distributions mainly based on our results of operations, cash flow and financial position, capital adequacy ratios, business prospects, regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. In particular, the distribution of our retained profits could be subject to current articles of association of the Company, the PRC Company Law and certain covenants under bank borrowing agreements between the Company and relevant banks that requested no dividend distribution when the Company recorded net losses. See "Financial Information — Dividend Policy." We may not adopt the same dividend policy that we have adopted in the past.

Certain facts and statistics derived from government contained in this prospectus may not be reliable

Certain facts and statistics in this prospectus, including, but not limited to, the information and statistics are derived from various publicly available publications of governmental agencies or independent third parties, which our Directors believe to be reliable. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading.

However, we cannot guarantee the quality or reliability of the information from official government sources. Our Directors believe that we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such information. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager, the Capital Market Intermediaries or the Underwriters or any other party involved in the Global Offering (except Frost & Sullivan) and no representation is given as to its accuracy. We, therefore, make no representation as to the accuracy or completeness of that information. You should not place undue reliance on them and you should consider how much weight or importance such information carry and should not place undue reliance on them.

Our Controlling Shareholders have substantial influence over us and their interests may not be aligned with the interests of our other Shareholders

The interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Our Controlling Shareholders could have significant influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their H Shares in a sale of our Company or may reduce the market price of our H Shares. In addition, to the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

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

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. These statements are, by their nature, subject to significant risks and uncertainties. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the disclosure of forward-looking statements in this prospectus should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. For details of these forward-looking statements including the associated risks, see "Forward-looking Statements."

You should read the entire prospectus carefully and we strongly caution you not to place any reliance on the information in press articles or other media coverage regarding ourselves and the Global Offering

We may be subject to press and media coverage prior to the publication of this prospectus, and subsequent to the date of this prospectus but prior to the completion of the Global Offering. The press and media coverage may include certain financial information, industry comparisons, profit forecasts and other information about us that does not appear in this prospectus.

You should rely solely upon the information contained in this prospectus and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding ourselves or the Global Offering.

We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, reports or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their investment decisions regarding the Global Offering.

In making their decisions as to whether to purchase our H Shares, prospective investors in the Global Offering should only rely on the financial, operational and other information included in this prospectus. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus.

In preparation for the Listing, our Company has sought the following waivers and exemption from strict compliance with the relevant provisions of the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Hong Kong Listing Rules, a new applicant for listing on the Hong Kong Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Hong Kong Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Hong Kong Stock Exchange.

Since our headquarters and principal business operations and management of our Group are carried out in mainland China, our executive Directors are based in mainland China to better manage and attend to our Group's business operations. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Hong Kong Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Hong Kong Listing Rules, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has agreed to grant, a waiver from strict compliance with the requirement under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules. In order to maintain effective communication with the Hong Kong Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Hong Kong Stock Exchange and us:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules. The two authorized representatives are Mr. Zhang Yi ("**Mr. Zhang**"), our executive Director and Ms. Cheung Lai Ha ("**Ms. Cheung**"), our joint company secretary. The authorized representatives will act as the principal channel of communication between the Hong Kong Stock Exchange and our Company. The authorized representatives will be available to meet with the Hong Kong Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Hong Kong Stock Exchange by telephone and/or email to deal promptly with any enquiries which may be made by the Hong Kong Stock Exchange. Each of the authorized representatives is authorized to communicate on behalf of our Company with the Hong Kong Stock Exchange;

(b) each of the authorized representatives has means to contact all Directors (including the non-executive Director and the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:

(i) each Director will provide his/her contact details (including phone number and email address) to the authorized representatives;

(ii) each Director will provide his/her phone numbers or means of communication to the authorized representatives when he/she is travelling; and

(iii) each Director has provided his/her mobile phone number, office phone number and email address to the Hong Kong Stock Exchange;

(c) in compliance with Rule 3A.19 of the Hong Kong Listing Rules, we have retained Guotai Junan Capital Limited to act as our compliance advisor, who will act as an additional channel of communication between the Hong Kong Stock Exchange and our Company for the period commencing on the Listing Date and ending on the date that our Company publishes our financial results for the first full financial year after the Listing Date pursuant to Rule 13.46 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, we shall ensure that the compliance advisor will have access at all times to our authorized representatives, our Directors and other officers. We shall also ensure that our authorized representatives, Directors and other officers will provide promptly such information and assistance as the compliance advisor may need or may reasonably require in connection with the performance of the compliance advisor's duties as set forth in Chapter 3A of the Listing Rules. We shall ensure that there are adequate and efficient means of communication among our Company, our authorized representatives, our Directors and other officers and the compliance advisor, and will keep the compliance advisor fully informed of all communications and dealings between us and the Hong Kong Stock Exchange;

(d) our Company will inform the Hong Kong Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance advisor;

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that each of them possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period; and

(f) we will retain a Hong Kong legal advisor to advise us on the application of the Hong Kong Listing Rules and other applicable Hong Kong laws and regulations after our Listing.

WAIVER IN RELATION TO JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Hong Kong Listing Rules, our company secretary must be an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. The Hong Kong Stock Exchange considers the following academic or professional qualifications to be acceptable:

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

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

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

Note 2 to Rule 3.28 of the Hong Kong Listing Rules further provides that in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

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

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

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules (i.e. not less than 15 hours of relevant professional training in each financial year); and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhang, who is an executive Director, as one of our joint company secretaries. Although Mr. Zhang does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Hong Kong Listing Rules, we would like to appoint him as our joint company secretary due to his past management experience within our Group and his thorough understanding of the internal administration and business operations of our Group. In addition, we have appointed Ms. Cheung, who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, to act as our other joint company secretary and to assist Mr. Zhang to acquire all qualifications and experience as the company secretary of our Company required under Rule 3.28 of the Hong Kong Listing Rules. See "Directors, Supervisors and Senior Management" for further information regarding the qualifications and experience of Mr. Zhang and Ms. Cheung.

Apart from discharging her functions in her role as one of our joint company secretaries, Ms. Cheung will assist Mr. Zhang in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Hong Kong Listing Rules and to become familiar with the requirements of the Hong Kong Listing Rules and other applicable Hong Kong laws. In addition, Mr. Zhang will also attend relevant professional training during each financial year as required under Rule 3.29 of the Hong Kong Listing Rules.

We have applied for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance of Rules 3.28 and 8.17 of the Hong Kong Listing Rules in respect of the appointment of Mr. Zhang as one of our joint company secretaries pursuant to Chapter 3.10 of the Guide for New Listing Applicants on the following conditions:

(a) Mr. Zhang must be assisted by Ms. Cheung, who possesses the qualifications and experience required under Rule 3.28 of the Hong Kong Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver;

(b) the waiver is valid for an initial period of three years commencing from the Listing Date and will be revoked immediately if Ms. Cheung ceases to provide such assistance or if there are material breaches of the Hong Kong Listing Rules by our Company; and

(c) before the end of the three-year period, the qualifications and experience of Mr. Zhang and the need for on-going assistance of Ms. Cheung will be further evaluated by our Company. Our Company will then endeavor to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. Zhang, having had the benefit of the assistance of Ms. Cheung for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. Our Company understands that the Hong Kong Stock Exchange may revoke the waiver if Ms. Cheung ceases to provide assistance to Mr. Zhang during the three-year period.

WAIVER AND EXEMPTION IN RELATION TO THE 2023 SHARE OPTION SCHEME

Rule 17.02(1)(b) of the Hong Kong Listing Rules requires our Company to disclose, among other things, full details of all outstanding options and awards granted under the 2023 Share Option Scheme upon the Listing. Paragraph 27 of Appendix D1A to the Hong Kong Listing Rules requires our Company to disclose particulars including the consideration for which the options were or will be granted and the price and duration of the options, and the names and addresses of the grantees under the 2023 Share Option Scheme.

Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it was given.

As of the Latest Practicable Date, our Company had granted outstanding options under the 2023 Share Option Scheme to a total of 162 eligible participants, including four Directors (three of whom are also senior management members of our Company) and twelve other connected persons of our Company, and 146 other employees of our Group, which corresponded to 5,295,000 underlying A Shares in aggregate, representing 0.80% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised) on the terms set out in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV.

We have applied to the Stock Exchange and SFC, respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, on the ground, that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(a) given that 162 grantees are involved under the 2023 Share Option Scheme, strict compliance with such disclosure requirements in setting out full details of all the grantees under the 2023 Share Option Scheme in this prospectus would be costly and unduly burdensome for our Company in light of a significant increase in cost and timing for information compilation and prospectus preparation.

(b) the grant and exercise in full of the options under the 2023 Share Option Scheme will not cause any material adverse impact to the financial position of our Company;

(c) non-compliance with the above disclosure requirements would not prevent our Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Company; and

(d) material information relating to the options under the 2023 Share Option Scheme will be disclosed in this prospectus, including a summary of the major terms under the 2023 Share Option Scheme, the total number of Shares subject to the 2023 Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the 2023 Share Option Scheme. The Directors consider that the information that is reasonably necessary for potential investors to make an informed assessment in their investment decision making process has been included in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interest of the investing public.

The Stock Exchange has agreed to grant to our Company a waiver under the Listing Rules on condition that:

(a) on an individual basis, full details of the options granted under the 2023 Share Option Scheme to each of the Directors, senior management and connected persons of our Company will be disclosed in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV, including all the particulars required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted under the 2023 Share Option Scheme to the remaining grantees (other than those set out in (a) above), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being: 1 to 10,000 Shares, 10,001 to 100,000 Shares and 100,001 to 160,000 Shares. For each categorized lot of Shares, the following disclosure will be made on an aggregate basis: (1) the aggregate number of grantees and number of Shares underlying the options under the 2023 Share Option Scheme, (2) the consideration paid (if any) for the grant of the options under the 2023 Share Option Scheme and (3) the exercise period and the exercise price of the options granted under the 2023 Share Option Scheme, in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV to this prospectus;

(c) aggregate number of Shares underlying the options granted under the 2023 Share Option Scheme and the percentage to our Company's total issued share capital represented by such number of Shares as of the Latest Practicable Date will be disclosed in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV to this prospectus;

(d) the potential dilution effect and impact on earnings per Share upon the full exercise of the options under the 2023 Share Option Scheme will be disclosed in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV to this prospectus;

(e) a summary of the major terms of the 2023 Share Option Scheme will be disclosed in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV to this prospectus;

(f) the particulars of the waiver will be disclosed in this prospectus;

(g) a full list of all the grantees (including the persons referred to in (a) above) under the 2023 Share Option Scheme containing all the particulars as required under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A of the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be made available for public inspection as set out in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus; and

(h) the grant of a certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting our Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on condition that:

(a) full details of the options granted by the Company under the 2023 Share Option Scheme to each of the Directors, senior management and connected persons of our Company will be disclosed in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV to this prospectus and such details to include all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(b) in respect of the options granted by the Company under the 2023 Share Option Scheme to the remaining grantees (other than those set out in (a) above), disclosure will be made, on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grantee, being: 1 to 10,000 Shares, 10,001 to 100,000 Shares and 100,001 to 160,000 Shares. For each categorized lot of Shares, the following disclosure will be made on an aggregate basis: (1) the aggregate number of grantees and number of Shares underlying the options under the 2023 Share Option Scheme, (2) the consideration paid (if any) for the grant of the options under the 2023 Share Option Scheme and (3) the exercise period and the exercise price of the options granted under the 2023 Share Option Scheme, in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV to this prospectus;

(c) a full list of all the grantees (including the persons referred to in (a) above) who have been granted the options to subscribe for Shares under the 2023 Share Option Scheme, containing all the details as required in paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection as set out in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus; and

(d) the particulars of the exemption will be disclosed in this prospectus, and this prospectus will be issued on or before October 22, 2024.

Further details of the 2023 Share Option Scheme are set out in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV.

WAIVER AND EXEMPTION IN RELATION TO THE MATERIAL CONTRACT

Rule 11.06 of the Listing Rules requires this listing document to contain all specific items of information set out in Appendix D1A. Under paragraph 53(2) to Appendix D1A of the Listing Rules, all material contracts (not being entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the issue of the listing document shall be published on the Stock Exchange's website and the Company's website for a reasonable period of time (being not less than 14 days).

By paragraph 10 to Chapter 6.6 of the Guide for New Listing Applicants, copies of material contracts certified as true copies by approved certifiers with their recognized digital signatures, together with other required documents shall be submitted to the Stock Exchange for application for the authorisation of the registration of this Prospectus.

Under paragraph 17 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Company is required to include a statement that there has been delivered to the Registrar of Companies for registration of a copy of every material contract, not being a contract entered into in the ordinary course of the business carried on or intended to be carried on by the company or a contract entered into more than 2 years before the date of issue of this Prospectus. Section 342C(3)(b)(i) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires a copy of all material contracts stated in this Prospectus shall be delivered to the Registrar of Companies together with this Prospectus and other required documents for registration of this Prospectus.

The Lopal Times Transfer Agreement entered into by our Company, Yichun Times and Lopal Times on October 28, 2022 in relation to the transfer of 70% equity interests in Lopal Times to our Company at the consideration of RMB1 is one of the material contracts as disclosed in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts." The Lopal Times Transfer Agreement contains terms on, among other things, business operation between our Group and Yichun Times involving provision of processing services by Lopal Times to Yichun Times and/or its parent company to produce lithium carbonate products (the "**Provision of Processing Services by Lopal Times to CATL Group**"). For details of the Lopal Times Transfer Agreement, see also "History and Development — Our Strategic Cooperation — Acquisition of Lopal Times in 2022."

We have applied to (i) the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 11.06 of, and paragraph 53(2) of Appendix D1A to, the Listing Rules and paragraph 10 to Chapter 6.6 of the Guide for New Listing Applicants and (ii) the SFC for, and the SFC has granted, a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with the requirements under paragraph 17 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and section 342C(3)(b)(i) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, so that information relating to details of pricing calculation mechanism for the Provision of Processing Services by Lopal Times to CATL Group be redacted from the Lopal Times Transfer Agreement (the "**Sensitive Commercial Information**") to be published on the websites of the Stock Exchange and our Company and be submitted for registration of this Prospectus for the following reasons:

(a) the Sensitive Commercial Information would not affect potential investors in assessing the assets, liabilities, financial position, profits and losses and prospects of our Company. The Sensitive Commercial Information is highly technical and it does not provide potential investors meaningful information in assessing the financial impact of the transactions contemplated under the Lopal Times Transfer Agreement on our Group. Specifically, the Sensitive Commercial Information includes complex formulas in calculating the price for the Processing Services by Lopal Times to CATL Group. The formulas are complicated, not in simple or plain language and comprise of industry-specific and technical terminologies and jargons. Thus, the disclosure of the Sensitive Commercial Information will not enhance the general investing public's understanding of the transactions contemplated under the Lopal Times Transfer Agreement and the disclosure of the Sensitive Commercial Information is unnecessary. As the material terms of the Lopal Times Transfer Agreement had already been summarized into everyday language and disclosed in the Prospectus as illustrated in paragraph (c) below, investing public will have sufficient information on the Lopal Times Transfer Agreement and be able to assess the impact of the Lopal Times Transfer Agreement essential for an informed decision. Therefore, only making the redacted version of Lopal Times Transfer Agreement available on display and be submitted for registration purpose is unlikely to mislead the investing public regarding the facts and circumstances, knowledge of which is essential for the informed assessment of the Group;

(b) given the competitive nature of the industries in which our Group operates, the Sensitive Commercial Information, being details of pricing calculation mechanism for the Provision of Processing Services by Lopal Times to CATL Group, is in nature commercially sensitive and is core trade secret for contracting parties that is exclusive and customized to each party. The disclosure of the Sensitive Commercial Information may enable our competitors to anticipate our pricing strategies which may jeopardize our ability to negotiate pricing terms with our suppliers and customers, and may therefore materially and adversely affect our financial performance in the future. For instance, if the Sensitive Commercial Information is publicly disclosed, our competitors may tailor specific pricing mechanism and offer more competitive pricing term to CATL Group and thereby affect our ability to negotiate pricing terms with CATL Group. Also, our customers may also require us to offer them exact same terms as the Sensitive Commercial Information and thereby limit our ability to negotiate pricing terms with these customers. Therefore, the disclosure of the Sensitive Commercial Information is inappropriate and competitively harmful to us as a whole;

(c) the terms of the Lopal Times Transfer Agreement which are material to investors' assessment on our Group as well as the reasons and benefits for entering into the Lopal Times Transfer Agreement have been summarized and disclosed in the Prospectus, see "History and Development — Our Strategic Cooperation — Acquisition of Lopal Times in 2022." Besides, following completion of the transfer of equity interests in Lopal Times under the Lopal Times Transfer Agreement, Lopal Times since then became a subsidiary of our Group, its financial results had been consolidated into the financial statements of our Group which had been disclosed in this Prospectus. Further, after the Listing, the Provision of Processing Services by Lopal Times to CATL Group will become continuing connected transactions of our Company and will be governed by the CATL Purchase Framework Agreement. See also "Connected Transactions — Our Enhanced Business Cooperation with CATL Group." As such, the mere fact that only the redacted version of the Lopal Times Transfer Agreement will be available on display and submitted for registration purpose would not result in the omission of any material information or mislead the Shareholders or the investing public with regard to any facts knowledge of which is essential for an informed assessment of our Group; and

(d) the Sensitive Commercial Information relates to the detailed pricing calculation mechanism for the Provision of Processing Services of Lopal Times to CATL Group which are services provided by our Group to CATL Group in our ordinary and usual course of business. If such pricing calculation mechanism were included in separate agreement instead of incorporating such terms in the Lopal Times Transfer Agreement akin to arrangements customary to transaction of this type, such separate agreement would be a contract entered into in the ordinary course of business of our Group and therefore would not be regarded as a material contract for the purpose of paragraph 52 to Appendix D1A of the Listing Rules and paragraph 17 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. As such, the disclosure of the Sensitive Commercial Information would be unnecessary, and only the redaction version of the Lopal Times Transfer Agreement will be made available on display and be submitted for registration purpose does not contradict the intended purpose of making material contracts available on display and submitting material contracts for registration.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application would not prejudice the interest of the investing public.

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance granting a partial exemption from strict compliance with paragraph 17 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of our obligation to include a statement that a copy of every material contract has been delivered to the Registrar of Companies for registration and section 342C(3)(b)(i) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of our obligation that a copy of every material contract has been delivered to the Registrar of Companies for registration on the following conditions that:

(a) this Prospectus contains the statement that a copy of every material contracts referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus (subject, in case of Lopal Times Transfer Agreement, to the omission of the Sensitive Commercial Information) has been delivered to the Registrar of Companies for registration;

(b) a copy of every material contract referred to in "Statutory and General Information — B. Further Information about our Business — 1. Summary of Material Contracts" in Appendix IV to this prospectus in the form delivered to the Registrar of Companies for registration are made available on display in accordance with "Documents Delivered to the Registrar of Companies and Available on Display — B. Documents Available on Display" in Appendix V to this prospectus; and

(c) the particulars of the exemption will be disclosed in this prospectus, and this prospectus will be issued on or before October 22, 2024.

CONTINUING CONNECTED TRANSACTIONS

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

ALLOCATION OF H SHARES TO EXISTING MINORITY SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

Rule 10.04 of the Listing Rules requires that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of the issuer either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Listing Rules are fulfilled. It is provided in Rule 10.03(1) of the Listing Rules that no securities may be offered to existing shareholders on a preferential basis and no preferential treatment may be given to them in the allocation of the securities; and in Rule 10.03(2) that the minimum prescribed percentage of public shareholders required by Rule 8.08(1) must be achieved.

Paragraph 5(2) of Appendix F1 to the Listing Rules provides that no allocations will be permitted to the existing shareholders of the applicant or their close associates, whether in their own names or through nominees, in the Global Offering unless the conditions set out in Rules 10.03 and 10.04 of the Listing Rules are fulfilled.

Chapter 4.15 of the Guide for New Listing Applicants provides that the Stock Exchange will consider giving consent and granting waiver from Rule 10.04 of the Listing Rules to an applicant's existing shareholders or their close associates to participate in an initial public offering if any actual or perceived preferential treatment arising from their ability to influence the applicant during the allocation process can be addressed.

Prior to the Listing, our Company's share capital comprises entirely A Shares listed on the Shanghai Stock Exchange. We have a large and widely dispersed public A Share shareholder base.

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant us, a waiver from strict compliance with the requirements under Rule 10.04 and consent under Paragraph 5(2) of Appendix F1 to the Listing Rules to permit H Shares in the International Offering to be placed to certain existing minority Shareholders who (i) hold less than 5% of the voting rights of our Company prior to the completion of the Global Offering and (ii) are not and will not become (upon the completion of the Global Offering) core connected persons of our Company or the close associates of any such core connected person (together, the "**Existing Minority Shareholders**"), subject to the conditions as follows:

(i) the Joint Sponsors confirm that each Existing Minority Shareholder to whom our Company may allocate the H Shares in the International Offering holds less than 5% of the voting rights of our Company before Listing;

(ii) the Joint Sponsors confirm that each Existing Minority Shareholder is not a core connected person of our Company or any close associate of any such core connected person immediately prior to the Global Offering;

(iii) the Joint Sponsors confirm that none of the Existing Minority Shareholders have the right to appoint a Director and/or have any other special rights;

(iv) the Joint Sponsors confirm that allocation to the Existing Minority Shareholders or their close associates will not affect our ability to satisfy the public float requirement as prescribed by the Stock Exchange under Rule 8.08 of the Listing Rules or otherwise approved by the Stock Exchange;

(v) the Joint Sponsors confirm to the Stock Exchange in writing that based on (i) their discussions with our Company and the Overall Coordinators; and (ii) the confirmations provided to the Stock Exchange by our Company and the Overall Coordinators (confirmations (vi) and (vii) mentioned below), and to the best of their knowledge and belief, they have no reason to believe that any of the Existing Minority Shareholders or their close associates received any preferential treatment, or is in a position to exert influence on the Company to obtain actual or perceived preferential treatment in the allocation as a placee by virtue of their relationship with our Company, and details of the allocation will be disclosed in this prospectus and/or the allotment results announcement, as the case may be;

(vi) our Company will confirm to the Stock Exchange in writing that no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates, nor is the Existing Minority Shareholder in a position to exert influence on the Company to obtain actual or perceived preferential treatment, by virtue of their relationship with our Company in any allocation in the placing tranche;

(vii) the Overall Coordinators will confirm to the Stock Exchange that, to the best of their knowledge and belief, no preferential treatment has been, nor will be, given to the Existing Minority Shareholders or their close associates by virtue of their relationship with our Company in any allocation in the placing tranche.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information with regard to us. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

CSRC FILING

On January 18, 2024, the CSRC has issued a notification on our Company' completion of the PRC filing procedures for the listing of our H Shares on the Stock Exchange and the Global Offering. As advised by our PRC Legal Advisor, our Company has completed all necessary filings with the CSRC in the PRC in relation to the Global Offering and the Listing.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to us and the Sponsor-OCs (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. The International Offering is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or around the Price Determination Date.

If, for any reason, the Offer Price is not agreed among us and the Sponsor-OCs (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, see "Underwriting" for further details.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the H Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROCEDURES FOR APPLICATION FOR THE HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set forth in "How to Apply for Hong Kong Offer Shares."

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in "Structure of the Global Offering."

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in "Structure of the Global Offering."

RESTRICTIONS ON OFFERS AND SALES OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her/its acquisition of Offer Shares to, confirm that he/she/it is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered and sold, directly or indirectly, in the PRC.

UNDERWRITING

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters subject to the terms and conditions of the Hong Kong Underwriting Agreement. The International Offering is expected to be fully underwritten by the International Underwriters, subject to the agreement on the Offer Price between the Sponsor-OCs (for themselves and on behalf of the Underwriters) and us. For further details on the Underwriters and the underwriting arrangements, see "Underwriting."

APPLICATION FOR LISTING OF THE H SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including the H Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by or on behalf of the Hong Kong Stock Exchange.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence on Wednesday, October 30, 2024. The H Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 2465. Except as otherwise disclosed in this prospectus and the A Shares that have been listed on the Shanghai Stock Exchange, no part of our share or debt securities is listed on or deal in on the Hong Kong Stock Exchange or any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made to enable the H Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the H Shares or exercising any rights attaching to the H Shares. We emphasize that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Overall Coordinators, the Capital Market Intermediaries, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the H Shares or your exercise of any rights attaching to the H Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All of the H Shares issued pursuant to applications made in the Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited. Our principal register of members will be maintained by us at our legal address in mainland China.

Dealings in our H Shares registered on our H Share Registrar will be subject to Hong Kong stamp duty.

DIVIDENDS PAYABLE TO HOLDERS OF H SHARES

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders as recorded on the H Share register of our Company in Hong Kong and sent by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars at a specified rate. Unless we indicate otherwise, the translations of Renminbi into Hong Kong dollars and vice versa have been made at the rate of RMB1.00 to HK$1.098998. No representation is made that any amount in Renminbi or Hong Kong dollars can be or could be, or have been, converted at the above rate or any other rate or at all.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and its Chinese translation, this prospectus shall prevail, provided that if there is any inconsistency between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translations, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities or enterprises are provided for identification purposes only.

OTHER

Unless otherwise specified, all references to any shareholdings in our Company following the completion of the Global Offering assume that the Over-allotment Option and the options granted under the 2023 Share Option Scheme are not exercised.

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Shi Junfeng (石俊峰)	Room 101, Building 50 No. 1 Wending Road Qixia District, Nanjing Jiangsu Province PRC	Chinese
Mr. Lu Zhenya (呂振亞) (former name: Lu Zhenya (呂貞亞))	Room 1005, Unit 3, Building 5 No. 2 Jinyao Road Qixia District, Nanjing Jiangsu Province PRC	Chinese
Mr. Qin Jian (秦建)	Room 604, Unit 2, Building 6 Zuoyou Yangguang Community Qixia District, Nanjing Jiangsu Province PRC	Chinese
Mr. Shen Zhiyong (沈志勇)	Room 302, Unit 1, Building 3 No.18 Yaojia Road Qixia District, Nanjing Jiangsu Province PRC	Chinese
Mr. Zhang Yi (張羿)	Room 304, Unit 2, Building 1 Jinlingjiuyuan Heyuan No. 56 Dashugen Xuanwu District, Nanjing Jiangsu Province PRC	Chinese

Name	Residential Address	Nationality
Non-Executive Director		
Ms. Zhu Xianglan (朱香蘭)	Room 101, Building 50 No. 1 Wending Road Qixia District, Nanjing Jiangsu Province PRC	Chinese
Independent Non-Executive Directors		
Mr. Li Qingwen (李慶文).	10F, Unit 3, Building No. 8 Landianchang Qingboyuan Haidian District, Beijing PRC	Chinese
Mr. Ye Xin (葉新)	Room 4–1602, Phase 1 Yajule Binjiang Guoji Pukou District, Nanjing Jiangsu Province PRC	Chinese
Ms. Geng Chengxuan (耿成軒). .	Room 406, Building 3 Sifang New Village Eighth Village Guanghua Road Qinhuai District, Nanjing Jiangsu Province PRC	Chinese
Mr. Hong Kam Le (康錦里). . . .	Flat B, 17/F, Block 9 Braemar Hill Mansion 31 Braemar Hill Road North Point Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Name	Residential Address	Nationality
Mr. Xue Jie (薛傑)	Room 504, Building 3 Lulong Shanzhuang No.178 Jianning Road Gulou District, Nanjing Jiangsu Province PRC	Chinese
Mr. Zhou Lin (周林)	Room 1101, Unit 1 Building 26, Cuipingchengyuan No. 33 Mozhou East Road Jiangning District, Nanjing Jiangsu Province PRC	Chinese
Ms. Chang Huihong (常慧紅). . .	Room 2306, Unit 3, Building 4 Jiang Yuerun Mansion Qixia District, Nanjing Jiangsu Province PRC	Chinese

Further information about our Directors, Supervisors and other senior management members are set out in "Directors, Supervisors and Senior Management."

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

Halcyon Capital Limited
11/F, 8 Wyndham Street
Central
Hong Kong

Joint Global Coordinators and Overall Coordinators	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	Halcyon Securities Limited 11/F, 8 Wyndham Street Central Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
Capital Market Intermediaries, Joint Bookrunners and Joint Lead Managers	**Guotai Junan Securities (Hong Kong) Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
	Halcyon Securities Limited 11/F, 8 Wyndham Street Central Hong Kong
	ICBC International Securities Limited 37/F, ICBC Tower 3 Garden Road Hong Kong
	BOCI Asia Limited 26/F Bank of China Tower 1 Garden Road Central Hong Kong
	CCB International Capital Limited 12/F CCB Tower 3 Connaught Road Central Central Hong Kong

ABCI Capital Limited
(Only as a Joint Bookrunner)
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited
(Only as a Joint Lead Manager)
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45th Floor
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3 Garden Road
Central
Hong Kong

TradeGo Markets Limited
Room 3405, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

Livermore Holdings Limited
Unit 1214A, 12/F, Tower II
Cheung Sha Wan Plaza
833 Cheung Sha Wan Road
Kowloon
Hong Kong

Legal Advisors to Our Company	*As to Hong Kong law:* **Han Kun Law Offices LLP** Rooms 4301–10 43/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
	As to PRC Law: **Grandall Law Firm (Shanghai)** 27/F, Garden Square 968 West Beijing Road Shanghai PRC
	As to Indonesia law: **Hanafiah Ponggawa & Partners** Wisma 46 — Kota BNI, 32nd & 41st Floors Jl. Jend. Sudirman Kav. 1 Jakarta 10220 Indonesia
	As to Singapore law: **Avant Law LLC** 10 Anson Road #10–02 International Plaza Singapore 079903
Legal Advisors to the Joint Sponsors and the Underwriters	*As to Hong Kong law:* **Fangda Partners** 26/F, One Exchange Square 8 Connaught Place Central Hong Kong
	As to PRC Law: **Jingtian & Gongcheng** 45/F, K. Wah Centre 1010 Huaihai Road (M) Xuhui District Shanghai PRC

Reporting Accountants	**Moore CPA Limited** *Certified Public Accountants and Registered Public Interest Entity Auditor* 801–806 Silvercord, Tower 1 30 Canton Road, Tsimshatsui Kowloon Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai 200040 China
Receiving Banks	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong
	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Central Hong Kong

Registered Office and Headquarters in the PRC	No. 6 Hengtong Avenue Nanjing Economic and Technological Development Zone PRC
Head Office and Principal Place of Business in Hong Kong	46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Company's Website	**www.lopal.com.cn** (*Note: the information on this website does not form part of this prospectus*)
Joint Company Secretaries	Mr. Zhang Yi (張羿) Room 304, Unit 2, Building 1 Jinlingjiuyuan Heyuan No. 56 Dashugen Xuanwu District, Nanjing Jiangsu Province PRC Ms. Cheung Lai Ha (張麗霞) (*HKACG, ACG*) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	Mr. Zhang Yi (張羿) Room 304, Unit 2, Building 1 Jinlingjiuyuan Heyuan No. 56 Dashugen Xuanwu District, Nanjing Jiangsu Province PRC Ms. Cheung Lai Ha (張麗霞) (*HKACG, ACG*) 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Audit Committee	Ms. Geng Chengxuan (耿成軒) (*Chairlady*) Mr. Ye Xin (葉新) Mr. Hong Kam Le (康錦里)

Remuneration and Evaluation Committee	Mr. Li Qingwen (李慶文) (*Chairman*) Ms. Geng Chengxuan (耿成軒) Mr. Lu Zhenya (呂振亞)
Nomination Committee	Mr. Ye Xin (葉新) (*Chairman*) Ms. Geng Chengxuan (耿成軒) Mr. Shi Junfeng (石俊峰)
Strategy Committee	Mr. Shi Junfeng (石俊峰) (*Chairman*) Mr. Zhang Yi (張羿) Mr. Li Qingwen (李慶文)
H Share Registrar	**Computershare Hong Kong Investor Services Limited** Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Advisor	**Guotai Junan Capital Limited** 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	**China Merchants Bank Co., Ltd., Nanchang Road Branch** No. 40 Nanchang Road Nanjing PRC
	Industrial and Commercial Bank of China Limited, Nanjing Zidong Branch Building B, Financial and Trading Building Xingang Industrial Zone No. 89 Xingang Avenue Qixia District, Nanjing PRC

The information and statistics set out in this section and other sections of this prospectus were extracted from different official government publications, available sources from public market research and other independent sources, and from the independent industry report prepared by Frost & Sullivan. We believe that the sources of such information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information from official government sources has not been independently verified by us, the Joint Sponsors, the Overall Coordinators, the Capital Market Intermediary, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, representatives, affiliates, employees, advisers or agents, or any other persons or parties involved in the Global Offering, and no representation is given as to the accuracy or completeness of such information and statistics. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no material adverse changes in the industry since the date of the Frost & Sullivan Report which would qualify, contradict or have a material impact on the information set out in this section.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on the LFP cathode material and automotive specialty chemical industries and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB580,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables. The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and mainland China is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

In respect of market position disclosure, the Joint Sponsors (i) conducted the due diligence interview with Frost & Sullivan to understand the methodology adopted by them in determining the overall market size of the industries in which the Group operates and the number of market players in the relevant industries and identifying the top market players and collection of these players' background information and financial/operating data, and (ii) discussed with Frost & Sullivan on the assumptions made and compared with the assumptions made in other similar projects carried out by Frost & Sullivan. Based on the above, the Joint Sponsors did not notice any matter of which will cast doubt on the reasonableness of such assumptions.

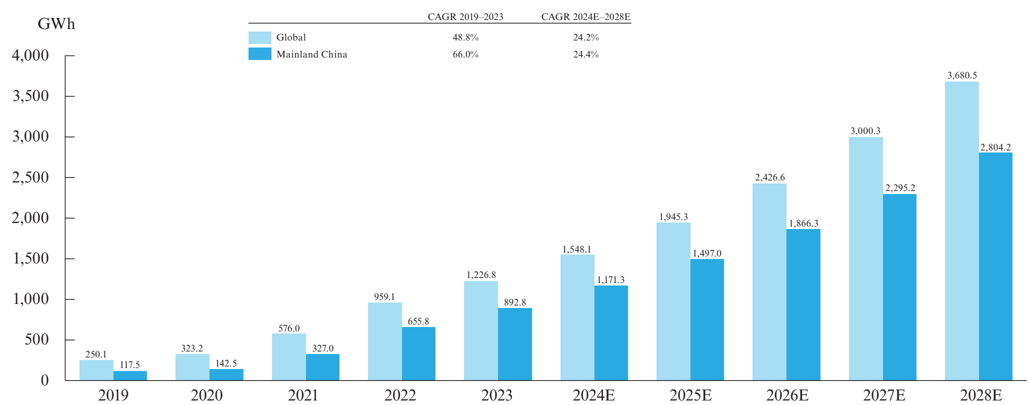
OVERVIEW OF LITHIUM-ION BATTERY INDUSTRY

A lithium-ion battery is rechargeable and undergoes the charging and discharging process by the movement of lithium ions between the cathode and anode. When compared to rechargeable alkaline batteries, lithium-ion batteries exhibit higher energy density, generate less pollution, and better safety performance.

Lithium-ion batteries primarily comprise cathode materials, separators, anode materials, and electrolytes, among which the cathode material plays a pivotal role in determining the battery's energy density and safety. The cost of cathode materials accounts for approximately 55% of the overall cost of lithium-ion batteries. Lithium-ion batteries can be categorized based on cathode materials, such as Lithium Iron Phosphate (LFP), Nickel Cobalt Manganese (NCM), Lithium Manganese Oxide (LMO), and Lithium Cobalt Oxide (LCO) batteries. Among these types, LFP and NCM batteries are considered the mainstream options for lithium-ion batteries.

The global lithium-ion battery industry experienced substantial growth in shipment volume, increasing from 250.1 GWh in 2019 to 1,226.8 GWh in 2023, with a CAGR of 48.8%. Projections indicate that global shipment volume of lithium-ion batteries will reach 3,680.5 GWh in 2028, demonstrating a CAGR of 24.2% from 2024 to 2028. The lithium-ion battery market in mainland China has also witnessed rapid expansion due to factors such as the rising adoption of renewable energy and robust supply chain practices. From 2019 to 2023, mainland China market experienced significant growth, increasing from 117.5 GWh to 892.8 GWh, at a CAGR of 66.0%. It is anticipated that the market size of the lithium-ion battery industry in mainland China will further escalate from 1,171.3 GWh in 2024 to 2,804.2 GWh in 2028, demonstrating a CAGR of 24.4%.

Market Size of Lithium-ion Battery Industry by Shipment Volume (Global and Mainland China), 2019–2028E



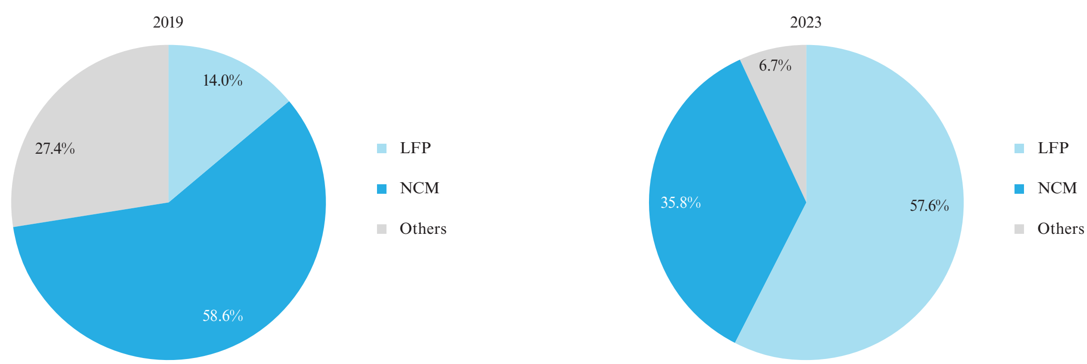
Source: Frost & Sullivan Report

OVERVIEW OF LFP CATHODE MATERIAL INDUSTRY

LFP cathode material remains the most extensively used cathode material for lithium-ion batteries, playing a crucial role in their electrochemical performance. When compared to other cathode materials, particularly NCM, LFP cathode material exhibits numerous advantages in terms of cycle life, safety features, and temperature tolerance. LFP cathode material's exceptional cycle life ensures long-lasting performance, while its enhanced safety features effectively mitigate the risks associated with thermal runaway and short circuit. Furthermore, LFP cathode material demonstrates higher tolerance for extreme temperatures, enabling reliable operation in a broader range of environments. Although there are several emerging new technology paths for batteries such as sodium-ion batteries, those are still in the early development stage and there remains gaps to realize mass production and commercialization. For example, sodium-ion batteries still have major functionality limitations such as low energy density and safety concerns under water exposure. As such lithium-ion batteries will continue to dominate the NEV battery market in the near future.

The principal raw materials of LFP cathode material, lithium carbonate and iron phosphate, are more cost-effective and readily available as compared to those used in NCM materials. In 2023, the global price of LFP cathode material was approximately RMB72.2 thousand per ton, which was less than half that of NCM materials. These characteristics position LFP cathode material as the preferred choice for new energy vehicles (NEV), energy storage systems (ESS)[Note], and critical power backup systems. From 2019 to 2023, the market share of LFP cathode material in the global cathode material industry, based on shipment volume, significantly grew from 14.0% to 57.6%. With continuous advancements in LFP cathode material, its application scope is expected to expand further in the future.

Breakdown of Lithium-ion Battery Industry by Cathode Materials by Shipment Volume (Global), 2019 and 2023



Source: Frost & Sullivan Report

Note:

The Chinese ESS industry is highly competitive and exhibits significant market concentration, with the top five manufacturers accounting for around 60% of the entire Chinese ESS industry in 2022, primarily dominated by top-tier lithium-ion battery companies with substantial market share and outstanding capabilities. Most players in this sector are battery manufacturers who have strategically diversified from NEV and consumer battery sectors into the energy storage business, leveraging multiple advantages such as capital, technology, and resources.

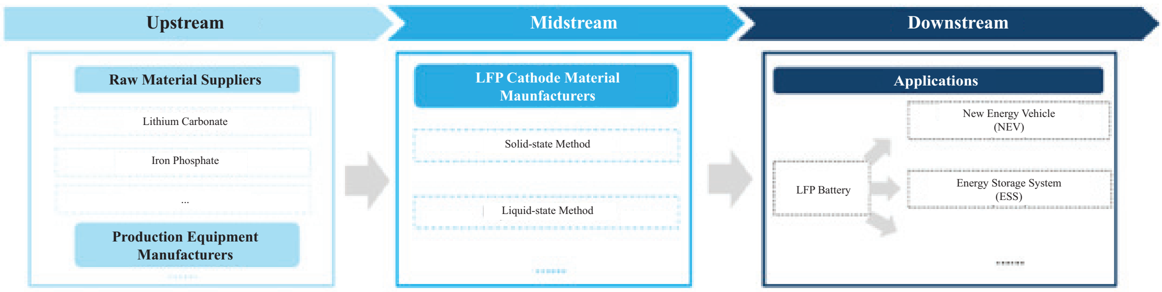
Value Chain Analysis of LFP Cathode Material Industry

The upstream segment of the LFP cathode material industry includes raw material suppliers and production equipment manufacturers. Raw material suppliers play a vital role in the supply chain by furnishing essential components required for the production of LFP cathode material, such as lithium carbonate and iron phosphate. On the other hand, production equipment manufacturers provide the machinery and equipment necessary for the manufacturing process of LFP cathode material. At present, a growing number of LFP cathode material manufacturers are broadening their engagement in the upstream segment of the LFP cathode material industry to manufacture their own raw materials.

The midstream segment encompasses battery cathode material manufacturers who employ two main manufacturing techniques: solid-state and liquid-state methods. Under the liquid-state method, elements of the finished products, i.e., the lithium carbonate and iron phosphate, are more evenly mixed, leading to a higher consistency of the finished products, but the preparation process is more complicated. In contrast, manufacturers utilizing the solid-state method have a technological advantage that allows them to scale up production efficiently to meet the substantial downstream demand due to its relative simplicity, efficiency, and scalability. The production process utilizing the solid-state method is more straightforward (mainly involving mixing raw materials, ball milling for homogeneity, calcination to form the LFP structure, followed by crushing and sieving to desired particle sizes), less capital and equipment-intensive, and can be automated more easily than the liquid-state method, which requires dissolving raw materials, co-precipitation of precursors, and intensive washing and filtering to remove impurities. Additionally, by eliminating liquid losses, the solid-state method yields higher energy efficiency and material utilization. As the most crucial segment in the industry value chain, cathode material manufacturers play a pivotal role. They are responsible for producing high-quality LFP cathode material, ensuring production scalability and efficiency, maintaining stringent quality control measures, driving innovation, and effectively connecting both ends of the supply chain.

The downstream segment of the LFP cathode material industry involves the utilization of the produced cathode material. The primary application of LFP cathode material lies in the production of LFP batteries. These batteries find wide usage in NEV and ESS industries. In the NEV market, LFP batteries offer a safe and reliable automotive energy storage solution, while in the ESS market, they enable efficient storage of renewable energy to combat climate change.

Diagram of LFP Cathode Material Industry Value Chain



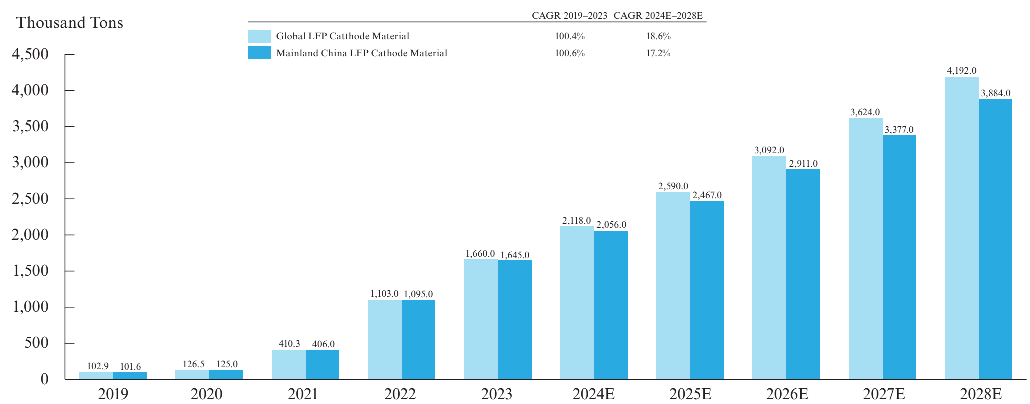
Source: Frost & Sullivan Report

Market Size of LFP Cathode Material Industry

The sales volume of the global LFP cathode material industry increased remarkably at a CAGR of 100.4% from 2019 to 2023. This growth was primarily driven by increased demand from the NEV and ESS sectors, advancements in battery technology and thermal management systems, and the inherent cost advantage of LFP batteries. Moving forward, due to strong downstream demand and the cost-effectiveness of LFP batteries, the global LFP cathode material industry is expected to sustain its growth trajectory and reach a volume of 4,192.0 thousand tons by 2028, representing a CAGR of 18.6% from 2024.

In 2023, market in mainland China accounted for approximately 99% of global LFP cathode materials in terms of sales volume. The majority of leading manufacturers of LFP cathode materials are based in mainland China, driving the global growth trend in this sector. Similar to the global market, the sales volume of LFP cathode materials in mainland China experienced significant growth from 2019 to 2023, with a comparable CAGR of 100.6%. In the future, more prominent LFP cathode material corporations in mainland China are expected to establish production capacity abroad to expand their overseas market presence and reduce transportation costs. By 2028, the sales volume of LFP cathode materials in mainland China is projected to reach 3,884.0 thousand tons, demonstrating a CAGR of 17.2% from 2024. Nonetheless, it is anticipated that the market share of LFP cathode materials in mainland China in terms of global LFP cathode material will shift from 97.1% in 2024 to 92.7% in 2028. This shift presents opportunities for the growth and emergence of other regions globally.

Market Size of LFP Cathode Materials by Sales Volume (Global and Mainland China), 2019–2028E



Source: Frost & Sullivan Report

Market Drivers and Trends of LFP Cathode Material Industry

Overseas expansion drives the international growth of companies across the lithium-ion battery value chain

In recent times, manufacturers along the lithium-ion battery value chain have been gradually expanding their focus from mainland China to international markets as part of their globalization strategy, aiming to attain early-mover advantages during expansion. It is expected that the market share of LFP cathode materials in sales volume outside of mainland China will rise from 2.9% in 2024 to 7.3% in 2028. Among the overseas destinations, Indonesia offers several key advantages, including its comprehensive NEV industry value chain, investment-friendly policies, and favorable geographical location. To begin with, leading companies within the lithium-ion battery value chain have developed detailed investment plans in Indonesia, resulting in the establishment of a comprehensive layout of the lithium-ion battery value chain in the country. Specifically, several leading global lithium-ion battery manufacturers and NEV manufacturers have announced plans to establish manufacturing facilities in Indonesia, attracted by rapid market growth, the localization incentives, and proximity to raw material sources. These major industry players are expected to invest billions of dollars over the next few years to set up integrated production capacities spanning from upstream mining and raw material manufacturing to midstream battery material supply and downstream lithium-ion battery manufacturing and recycling. Their ambitious expansion strategies and projected capital investments also attest to the promising market potential of Indonesia as a hub for the electric vehicle ecosystem and lithium cathode material value chain. The Indonesian government has also successively promulgated policies to promote industry growth by reducing taxes and increasing the proportion of local raw materials for NEVs. For example, in the Presidential Regulation No.55/2019, Indonesia has prioritized the domestic NEV industry and set local content requirements for NEVs produced in Indonesia to reach 40% by 2023, 60% by 2029, and 80% by 2030. Further, in the Government Regulation No. 74/2021, battery electric vehicle, a type of NEV, is exempted from sales tax on luxury goods. In law No. 1/2022, title transfer and ownership fee and vehicle tax towards NEVs will start exemption in 2025. Besides, the domestic LFP battery annual production capacity only accounts for less than 5% of the demand for NEV battery in Indonesia and Indonesia has set out its target to export 200,000 NEVs by 2025 and achieve 2.2 million electric vehicles on the roads by 2030, representing considerable growth potential, both domestically and overseas, thus providing market spaces and attracting foreign investment on local LFP industry value chain. Meanwhile, Indonesia, being a nation that supplies raw materials and serves as a maritime hub connecting mainland China with other countries of raw material origin, offers various advantages. These include convenient transportation of raw materials, and reduced shipment costs. Thus, leading companies in mainland China throughout the lithium-ion batteries value chain have initiated investments in overseas regions, specifically in Indonesia, to capitalize on these favorable factors. By shifting their production operations to Indonesia, LFP cathode material companies based in mainland China can leverage the country as a strategic platform to support their global strategies.

Upstream expansion of LFP cathode materials manufacturers enables stable income

Currently, a prevailing trend in the lithium-ion battery value chain is the expansion of LFP cathode materials manufacturers towards upstream raw material manufacturing. Through expansion, LFP cathode material manufacturers aim to achieve both stable cost and supply of raw materials, which is particularly vital in view of the significant price fluctuation in recent years. The global price of lithium carbonate has fluctuated greatly from approximately RMB71.0 thousand per ton in 2019 to RMB272.3 thousand in 2023. Meanwhile, the price of iron phosphate has increased from approximately RMB12.4 thousand per ton in 2019 to approximately RMB14.0 thousand per ton in 2023. Consequently, LFP cathode material manufacturers which are capable of producing lithium carbonate and iron phosphate themselves can maintain a relatively consistent cost range for LFP cathode materials while ensuring a reliable supply of the necessary raw materials. This strategic move is expected to ultimately enhance their profitability. Moreover, by reducing their dependence on external suppliers, LFP cathode material manufacturers gain greater control over the balance between supply and demand. This control contributes to the overall safety and stability of corporations within the industry. Lithium carbonate, in particular, plays a crucial role as it is a key raw material in producing LFP cathode materials, providing the necessary lithium for the electrochemical properties that give LFP batteries their high stability, long cycle life, and safety. As of 2023, lithium carbonate represents over 80% of the raw material costs, making its stable supply vital for LFP cathode material manufacturers. This upstream expansion encourages dynamic collaboration across the lithium-ion battery value chain, fostering a more integrated and resilient industry.

Development of downstream markets boost demand for LFP cathode materials

Since 2020, the NEV market has experienced significant growth in demand, with mainland China leading the trend with NEV sales volume increasing from 1.4 million units in 2020 to 9.4 million units in 2023. Following the rapid growth trend of NEVs and lithium-ion batteries in the NEV industry, being the upstream among the NEV value chains, the production capacity and sales volume of LFP cathode material has grown significantly to meet downstream demand. In the future, NEVs are expected to account for more market share, gradually replacing ICE vehicles. Additionally, NEVs and lithium-ion battery manufacturers are expected to switch their pursuits from high energy density to safety, cost-performance, and the life cycle for each battery, boosting the demand for LFP cathode material with high cost-effectiveness, reliability, safety and resource availability. Another downstream market for LFP cathode material is the ESS market which has expanded rapidly to adjust the balance between electricity power supply and demand. Following supporting policies and subsidies, the global market of ESS battery has grown significantly from 21.3 GWh in 2019 to 240.5 GWh in 2023, representing a CAGR of 83.3%. LFP cathode materials have profound advantages on safety, life cycle and cost-effectiveness that perfectly fit the demand of the ESS market. Therefore, the penetration rate of LFP cathode material will continue to rise as the favorable material for ESS manufacturers. As mainland China accounts for more than 80% of the global ESS battery market, the support from government in mainland China on "New Energy Storage" and demand from downstream application will boost the demand of LFP cathode materials in both mainland China and the world.

Policy supports the investment and expansion in LFP cathode materials

In mainland China, LFP cathode material industry is officially included in the encouraged industries in the "Industrial Structure Adjustment Catalog (2019 Edition)". At the same time, from the perspective of downstream industries, "The 14th Five-Year Plan New Energy Storage Development Implementation Plan" have vigorously promoted the development of ESS including the electrochemical energy storage, thereby strengthening the advantage of LFP cathode material. Additionally, with the initiatives to achieve "carbon peak" and "carbon neutrality", governments continue to implement favorable policies to accelerate the growth of NEVs and energy storage facilities both domestically and globally, which in turn drives the growing demand on LFP cathode materials. In the United States, the federal government will transform its fleet into the largest zero-emission vehicle fleet in the nation, reaching 100 percent zero-emission vehicle acquisitions by 2035. Also in the U.S., the Environmental Protection Agency increased limits on vehicle exhaust emissions in April 2023, aiming to ensure that U.S. NEV sales account for 67% of its new passenger car sales in 2032. As a result of favorable policies to promote the advancement of battery module technology, LFP has become increasingly popular among the NEV and ESS fields. Therefore, supporting policies will continue to assure the development and persistent investment on LFP cathode materials.

New technology boost potential market demand for LMFP cathode materials

As the latest category of battery cathode material, lithium manganese iron phosphate (LMFP) cathode material is an upgraded sub-category of LFP cathode material that includes manganese, mainly deploying in NEV battery and ESS battery. For LMFP, it has a crystal structure similar to LFP cathode material, and it also possesses the characteristics of stable chemical properties and excellent safety performance. Meanwhile, the manganese elements doped in LMFP can increase the charging voltage of the material, raising it from the 3.4V of LFP cathode material to 4.1V. This increases the theoretical energy density of LMFP batteries by 15–20%, further extending the driving range. LMFP's safety performance is superior to NCM, while its energy density is higher than LFP cathode material. In terms of temperature resistance, at –20 degrees Celsius, the capacity retention rate of LMFP batteries can reach nearly 80%, while that of LFP batteries is 60%~70%. From a raw material supply perspective, LMFP exhibits low dependence on rare metals, such as cobalt, which provides it with a price advantage in comparison to NCM cathode materials. After the addition of manganese, both the diffusion rate of lithium-ion and the electronic conductivity of the material decrease, achieving better battery performance.

LFP cathode material manufacturers are well-positioned to transition their production to LMFP by utilizing their established connections with existing suppliers of lithium carbonate and iron phosphate, in addition to their customer base in the NEV and ESS sectors. Manufacturers using solid-state production methods for LFP cathode materials are particularly well-positioned for this transition, given the similar production processes for LFP and LMFP. This allows for an efficient switch in production focus. While there are still certain technical challenges associated with using LMFP as the sole component in batteries, such as large specific surface area, moisture absorption in electrode sheets, low compaction density, and high internal resistance, leading manufacturers of LFP cathode materials are already in the process of transitioning towards LMFP production. Meanwhile, NEV and ESS battery companies are beginning to embrace the technological transition by incorporating LMFP cathode materials in their products. Despite being in its early stages, the LMFP industry in China is highly competitive, with major players vying for dominance. LMFP technology is becoming a key focus among leading battery manufacturers.

In the future, LMFP cathode materials are projected to become a major development path for manufacturers, with global sales reaching 1,577.7 thousand tons by 2028, and an expected CAGR of 199.9% between 2023 and 2028. Similarly, LMFP cathode material sales in mainland China are expected to reach 1,490.9 thousand tons for the same period, with an expected CAGR of 196.6% between 2023 and 2028.

Entry Barriers to LFP Cathode Material Industry

Resource barrier

The production of LFP cathode materials requires many raw materials including lithium, iron, phosphorus, and carbon, each of which come from different sources. These raw materials account for approximately 80% to 85% of the total cost of LFP cathode material production. Therefore, a stable supply of raw materials at reasonable cost is a key to entering the market. Since only large producers can secure stable and quality supply, other competitors face unstable supply at higher prices due to their relatively small purchasing volumes, thus forming the resource barrier for new entrants.

Capital barrier

The production of LFP cathode materials requires a large amount of capital investment, including factory construction, research and development, production, etc. With capital advantages, leading LFP cathode material manufacturers are able to utilize economies of scale to lower production cost, expand their production capacity and sustain their research and development investments on latest LFP cathode material products. New entrants with insufficient capital to purchase those expensive production facilities are hard to compete with existing LFP cathode material industry participants. Therefore, existing leaders are able to produce better LFP cathode materials with higher power density, lower cost, better performance and more reliable quality, thus forming the capital barrier for new entrants.

Client recognition barrier

The quality of cathode materials has a direct impact on the quality of lithium-ion batteries, which in turn affects the end products, in particular the safety of the end products which is considered as the top priority concern of the downstream customers. Therefore, lithium-ion battery manufactures are highly selective with respect to suppliers and generally have stringent entry thresholds and rigorous screening mechanisms for suppliers. Once a supplier satisfies the requirements of accredited suppliers, customers rarely make any substantial changes or replacements. For example, leading battery manufacturers need to inspect the production lines of the new LFP cathode material suppliers before accepting them as qualified suppliers, an inspection process that often takes months or even a year. In addition, leading manufacturers along the LFP battery value chain have also begun to collaborate with their downstream customers in the expansion of overseas lithium-ion battery production. By establishing overseas production capabilities, LFP cathode material manufacturers will be able to satisfy the demands of the overseas market while reducing potential costs and risks. As a result, these factors form a client recognition barrier in both mainland China and overseas markets.

Threats and Challenges of LFP Cathode Material Industry

The global and mainland China LFP cathode material industries encounter various challenges common to midstream industries along the lithium-ion battery value chain. These challenges include managing fluctuating prices of raw materials, periods of oversupply due to periodic demand adjustments, and evolving policies that affect downstream industries. Raw material price volatility can compress profit margins for LFP cathode material manufacturers. Periodic destocking behavior of battery manufacturers can temporarily reduce demand and lead to overcapacity. This can disrupt the supply chain and limit pricing power for LFP cathode material producers before demand catches up. Nevertheless, with the right strategies, leading LFP cathode material manufacturers can weather short-term fluctuations while capitalizing on the considerable growth opportunities in the LFP cathode material industry.

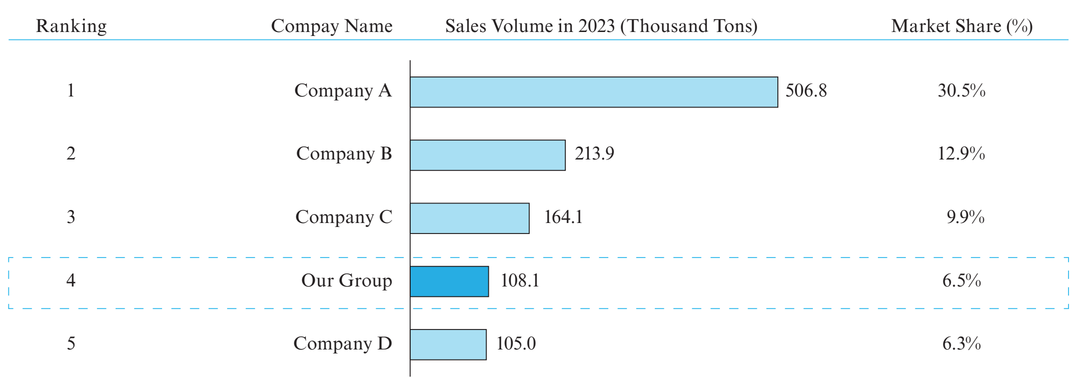
With respect to evolving policies that affect downstream industries, despite long term supportive policies that underpin the long term development and growth of the LFP cathode material industry, such as the Industrial Structure Adjustment Catalog (2019 Edition) which officially includes the LFP cathode material industry as an encouraged industry and "The 14th Five-Year Plan New Energy Storage Development Implementation Plan" which vigorously promotes the development of ESS, evolving policies that affect downstream industries could have short-term effects and cause growth to temporarily slowdown. For instance, China's termination of direct purchase subsidies for NEVs in December 2022 led to reduced demand for NEV batteries and related components such as LFP cathode materials, temporarily slowing growth in the downstream LFP cathode material industry in the first half of 2023.

Besides policy changes in mainland China, global policy changes and upcoming measures, including bills such as the U.S. "Inflation Reduction Act", the European Union's "Critical Raw Materials Act", and investigations by U.S. Department of Commerce and European Commission into whether Chinese lithium-ion battery manufacturers are engaging in unfair trade practices, may also reduce the bargaining power of LFP cathode material manufacturers that are based in mainland China as well as leading NEV and ESS battery companies. The "Inflation Reduction Act" stated that in order for NEV to apply for tax credits, the vehicles must not contain any battery components manufactured by foreign sensitive entity companies (including the mainland China) in 2024, and must not contain any battery components extracted, processed or recycled by foreign sensitive entity companies, companies that are owned, controlled, regulated or directed by foreign governments including China, Russia, Iran and North Korea, in 2025. Meanwhile, the "Critical Raw Materials Act" proposes that at least 40% of the consumption of raw materials that are important for key strategic technologies such as green development must be processed in the EU. Therefore, the above-mentioned bill and investigations may negatively impact the LFP cathode material industry in mainland China, resulting in threats and challenges of LFP cathode material industry.

Competitive Landscape Analysis of LFP Cathode Material Industry

In 2023, the sales volume of global LFP cathode material reached 1,660.0 thousand tons. Our Group achieved the position of the fourth-largest global manufacturer of LFP cathode material by sales volume. In 2023, our sales volume reached 108.1 thousand tons, accounting for 6.5% of the entire market. The LFP cathode materials market is highly concentrated, with the top five global manufacturers accounting for around 66.7% of the whole market in 2023. The global top five LFP cathode material manufacturers are the same as the top five manufacturers in mainland China, as mainland China market represents around 99% of the global LFP cathode material market in 2023. As a result, our Group is also the fourth largest LFP cathode material manufacturer by sales volume in mainland China.

Top Five Companies of LFP Cathode Material Industry by Sales Volume (Global), 2023



Source: Frost & Sullivan Report

Notes:

Established in 2016, Company A is a listed company on the Shenzhen Stock Exchange. It is the global leading supplier of lithium-ion battery cathode materials, focusing on the research and development, production, and sales of lithium-ion battery cathode materials. The company's main products include LFP cathode materials, NCM cathode materials and other lithium-ion battery cathode materials. In 2023, Company A's sales revenue exceeded RMB41.3 billion.

Established in 2007, Company B is a listed company on the Shenzhen Stock Exchange. It is the global leading enterprise dedicated to the research and development, production, and sales of cathode materials for lithium-ion batteries. The company's core products are LFP cathode materials. In 2023, Company B's sales revenue exceeded RMB16.9 billion.

Established in 2010, Company C is a listed company on the Shanghai Stock Exchange. It is one of the earliest enterprises that engaged in the production and research and development of cathode materials for lithium-ion batteries, mainly producing LFP cathode materials and precursors for lithium-ion NEV batteries and ESS batteries. In 2023, Company C's sales revenue exceeded RMB12.1 billion.

Established in 2016, Company D is a global leading innovator of lithium-ion battery basic materials. The company is dedicated to the research and development, production, and sales of various advanced cathode materials, especially LFP cathode materials. In 2023, Company D started its LFP cathode material and iron phosphate production line in Neijiang, Sichuan.

Average Price Analysis of LFP Cathode Material

Raw materials and products

Lithium carbonate and iron phosphate are the primary raw materials for LFP cathode materials. To produce one ton of LFP cathode material, between 0.2 and 0.25 tons of lithium carbonate and between 0.95 and 1.0 tons of iron phosphate are required. Lithium carbonate constitutes approximately 21% to 25% of the mass of the final LFP cathode material product.

The price of lithium carbonate heavily relies on imported lithium, mainly sourced from South America and Australia. The price of lithium carbonate in China has undergone two major cyclical fluctuations over the past decade driven by supply-demand dynamics in the lithium-ion battery industry. In 2014, the average price of lithium carbonate reached RMB67.4 thousand per ton and increased to RMB124.5 thousand per ton in 2018 as shipment volume of NEV and ESS batteries increased rapidly from approximately 6 GWh in 2014 to 70.2 GWh in 2018. Lithium carbonate prices then dropped to an average of RMB48.0 thousand per ton in 2020 as production capacity of lithium carbonate expanded to meet demand.

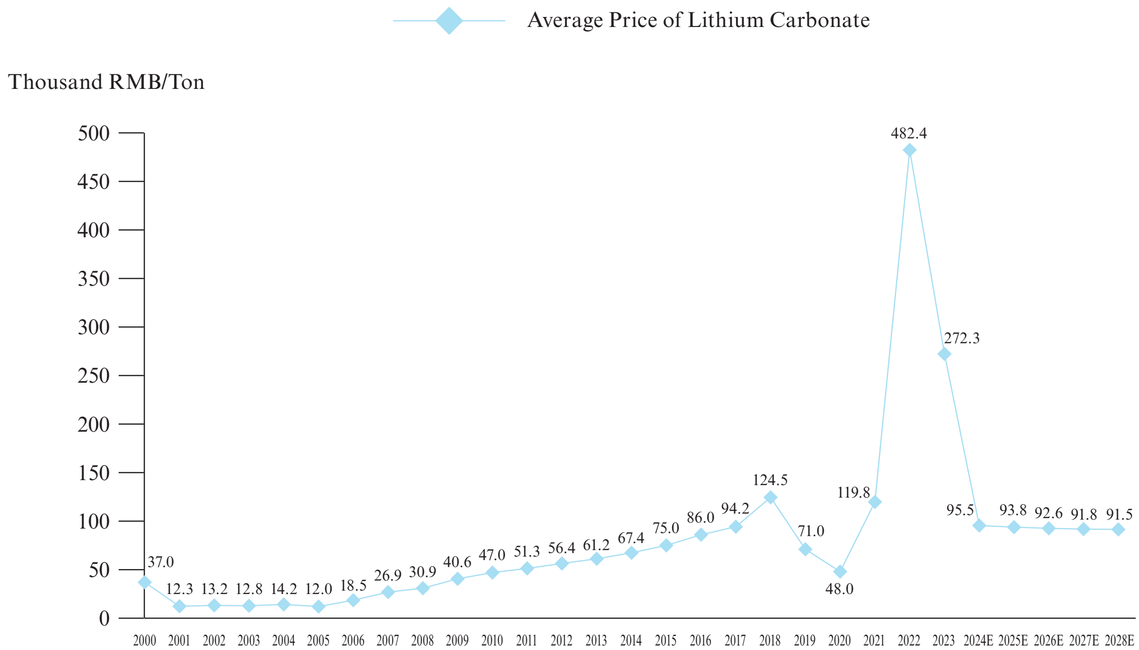
The second cycle emerged as demands from the NEV and ESS sectors accelerated again. The combined shipment volumes for these batteries increased from 96.2 GWh in 2018 to 610.0 GWh in 2022. The price of lithium carbonate experienced significant growth between 2020 and 2022, escalating from RMB48.0 thousand per ton to over RMB482.4 thousand per ton. This growth was also attributable to limited and slow-growing production capacity, which failed to meet the rising demand. Then the price of lithium carbonate dropped to RMB272.3 thousand per ton in 2023 mainly due to the balancing between supply and demand as lithium carbonate supply increased coupled with slowdown of production in downstream industries. Specifically, according to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), lithium carbonate production soared by approximately 21.0% year-on-year, escalating from 343 thousand tons in 2022 to 415 thousand tons in 2023. Meanwhile, the NEV battery industry resorted to destocking activities in response to falling lithium carbonate prices in hopes of reducing their exposure to price fluctuations.

The price of iron phosphate is relatively stable compared to lithium carbonate, with the price increasing from RMB10.4 thousand per ton in 2020 to RMB20.8 thousand per ton in 2022. Similarly, the price of iron phosphate decreased to RMB14.0 thousand per ton in 2023.

As the supply and demand for lithium carbonate and iron phosphate achieve balances, both raw materials experienced a decrease in price in 2023. In the near term, the prices of lithium carbonate and iron phosphate are expected to further decrease due to softening demand sentiments, coupled with the broader global economic slowdown. These factors have negatively impacted the downstream lithium-ion battery market, as well as the NEV and ESS industries. As a result, it is anticipated that the price of lithium carbonate will drop to RMB95.5 thousand per ton in 2024, while the price of iron phosphate will decline to RMB10.2 thousand per ton during the same period. However, with the development of the Guangzhou Futures Exchange, the introduction of lithium carbonate futures, and improvements in the market mechanism, it is anticipated that both raw materials will achieve a balance between supply and demand, resulting in price fluctuations within a reasonable range. Based on the foregoing, the price of lithium carbonate is expected to decline slightly to RMB91.5 thousand per ton by 2028, while the price of iron phosphate is projected to decrease to RMB9.8 thousand per ton during the same period.

The global LFP cathode material industry has witnessed a surge in sales value since 2018, primarily driven by the growing demand from NEV and ESS sectors and rising raw material costs. The average prices of the LFP cathode material globally and in mainland China exhibit a similar trend from 2018 to 2022. Considering the fluctuations in raw material costs, the global price of LFP cathode material decreased from approximately RMB62.7 thousand per ton in 2018 to the lowest yearly average price of around RMB29.8 thousand per ton in 2020. Subsequently, it has grown to around RMB125.0 thousand per ton in 2022. As a result of the drop in price of principal raw materials, the average price of LFP cathode material dropped to RMB72.2 thousand per ton in 2023. In 2024, the price of LFP cathode material is expected to continue declining due to reduced raw material costs and tapered demand in downstream industries. As a result, the price is anticipated to decrease further to RMB35.5 thousand per ton in 2024. Looking ahead, with the balance of raw material prices and the increasing demand from downstream industries, the price of LFP cathode material is projected to stabilize and reach RMB39.5 thousand per ton by 2028. Given China's dominance in this industry, the global average selling price is expected to closely follow these trends.

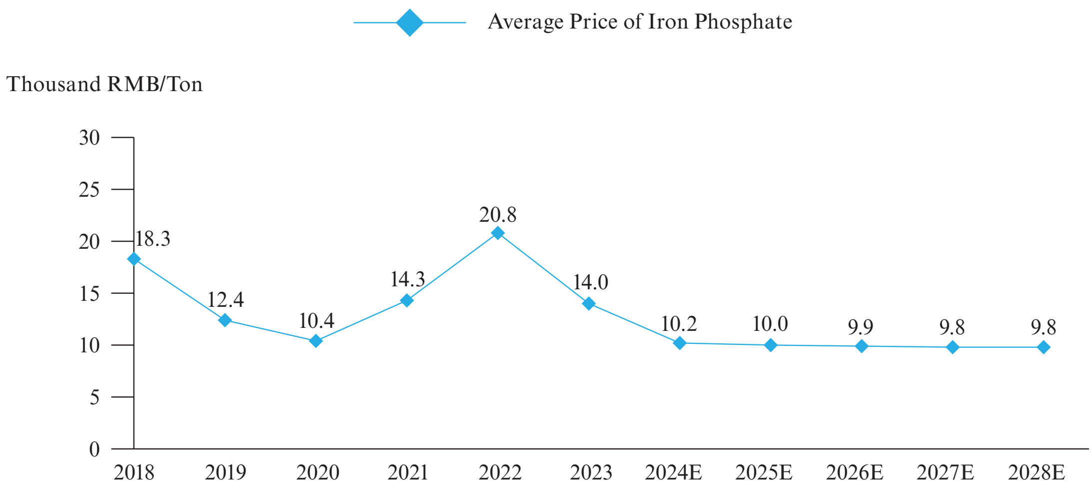
Average Price of Lithium Carbonate, 2000–2028E

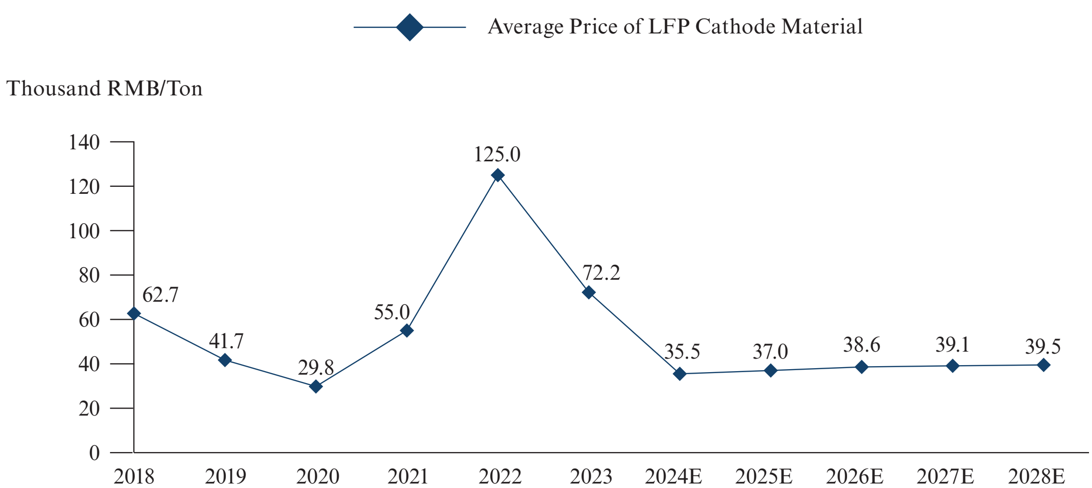


Source: Frost & Sullivan

Note: Due to the lack of comprehensive lithium carbonate pricing data in China prior to 2018, the prices used in this report for the period before 2018 have been derived based on global pricing estimates.

Average Price of Iron Phosphate and LFP Cathode Materials, 2018–2028E





Source: Frost & Sullivan

OVERVIEW OF AUTOMOTIVE SPECIALTY CHEMICAL INDUSTRY

Automotive specialty chemicals are used in the repair and maintenance of automobiles and relevant parts to improve vehicle performance, extend component life, reduce pollution, and save energy. Automotive specialty chemicals mainly include diesel exhaust fluid (DEF), automotive lubricant, coolant, and car maintenance products.

- **Diesel exhaust fluid:** Diesel exhaust fluid converts harmful nitrogen oxides emitted by diesel engines into harmless water vapor and nitrogen, effectively reducing the exhaust emissions of diesel engines. Diesel exhaust fluid is a kind of consumable, with an average consumption of 3–5% of diesel usage.

- **Automotive lubricant:** Lubricant can be categorized into industrial, automotive, and other lubricant products. Automotive lubricants, such as diesel engine oil, gasoline engine oil, transmission oil, and automotive gear oil, are recognized as automotive specialty chemical products due to their various environmental advantages, including extend engine lifespan, enhance fuel efficiency, and conserve energy, ultimately promoting a cleaner and more sustainable automotive sector.

- **Coolant:** Coolant plays a critical role in the thermal management system of vehicles by facilitating efficient heat transfer and precise temperature control. It enhances heat absorption and transfer, enabling vehicles to operate within the optimal temperature range, thereby improving performance, comfort, and ensuring safety.

- **Car maintenance products:** Car maintenance products encompass a wide range of products designed to clean, protect, and maintain various aspects of an automobile's appearance and functionality. Car maintenance products include windshield washer fluid, gasoline additive, automobile wash wax, air conditioner cleaner, tire cleaner and dressing, interior detailing products, engine degreasers, etc.

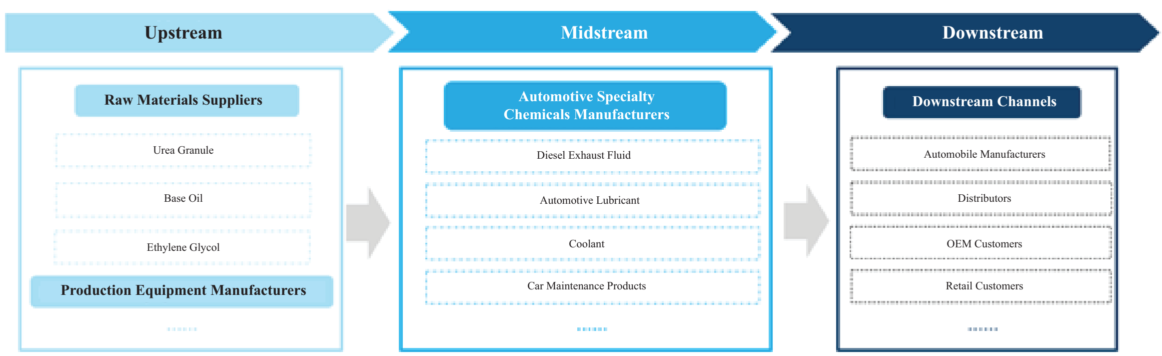
Value Chain Analysis of Automotive Specialty Chemical Industry

The upstream segment comprises raw material suppliers and production equipment manufacturers. Raw material suppliers, such as urea granule manufacturers, base oil companies, and ethylene glycol producers, play a crucial role by providing the primary chemicals and materials needed to produce automotive specialty chemicals. Meanwhile, production equipment manufacturers supply the machinery and equipment necessary for the manufacturing process.

The midstream segment involves manufacturers of diesel exhaust fluid, automotive lubricant, coolant, and car maintenance products. These manufacturers receive the raw materials from upstream suppliers and process and transform them into automotive specialty chemicals. The formulation and composition of these chemicals are key factors in the industry, as companies strive to develop innovative, high-performance, cost-effective, and compliant solutions to gain a competitive advantage in the dynamic market.

The downstream segment focuses on the distribution, sales, utilization, and support services related to automotive specialty chemicals. This includes collaborating closely with automobile manufacturers, distributors, OEM customers, and retail customers to deliver high-quality products and services that meet industry requirements and customer expectations.

Diagram of Automotive Specialty Chemical Industry Value Chain

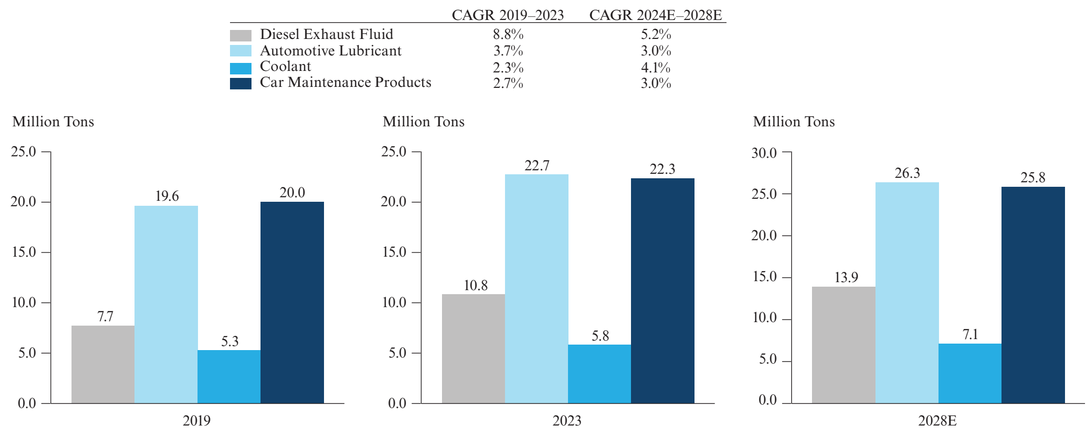


Source: Frost & Sullivan Report

Market Size of Automotive Specialty Chemical Industry

The global automotive specialty chemical industry, which includes diesel exhaust fluid, automotive lubricant, coolant, and car maintenance product sectors, has experienced significant growth due to the expansion of the automotive industry and increasing demand for sustainable solutions. Global automotive ownership has increased to 1,771.5 million units in 2023 from 1,557.7 million units in 2019. With increasing demand from downstream industries, the global market size of diesel exhaust fluid by sales volume has increased from 7.7 million tons in 2019 to 10.8 million tons in 2023, with a CAGR of 8.8%. For global automotive lubricant industry, the market size has increased from 19.6 million tons in 2019 to 22.7 million tons in 2023, representing a CAGR of 3.7%. The global coolant sector has experienced steady growth, with the market size by sales volume rising from 5.3 million tons in 2019 to 5.8 million tons in 2023, exhibiting a CAGR of 2.3%. Additionally, the global market size of car maintenance product industry has increased from 20.0 million tons in 2019 to 22.3 million tons in 2023, with a CAGR of 2.7%. As the global automotive industry is projected to further expand, with an estimated ownership of 1,984.9 million units in 2028, the global automotive specialty chemical industry is expected to grow accordingly. The forecasted CAGR for the period between 2024 and 2028 is 5.2% for diesel exhaust fluid, 3.0% for automotive lubricant, 4.1% for coolant, and 3.0% for car maintenance products, respectively.

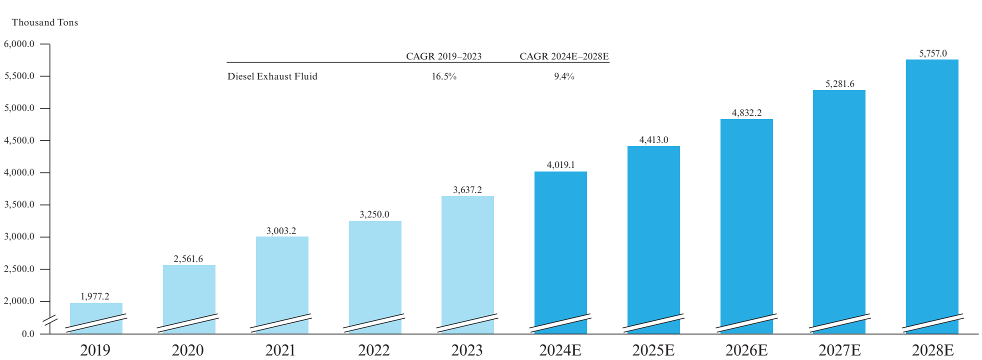
Market Size of Automotive Specialty Chemical Industry by Sales Volume (Global), 2019, 2023 and 2028E



Source: Frost & Sullivan Report

As a result of collaborative efforts by government agencies to reduce harmful pollutant emissions, specifically nitrogen oxide (NOx), the sales volume of diesel exhaust fluid in mainland China has experienced significant growth over the past few years. From 2019 to 2023, the sales volume of diesel exhaust fluid in mainland China increased from 1,977.2 thousand tons to 3,637.2 thousand tons, achieving a CAGR of 16.5%. With the implementation of additional measures in the future and the enforcement of stricter emission standards for all vehicles, it is projected that the sales volume of diesel exhaust fluid in mainland China will reach 5,757.0 thousand tons by 2028, reflecting a CAGR of 9.4% between 2024 and 2028.

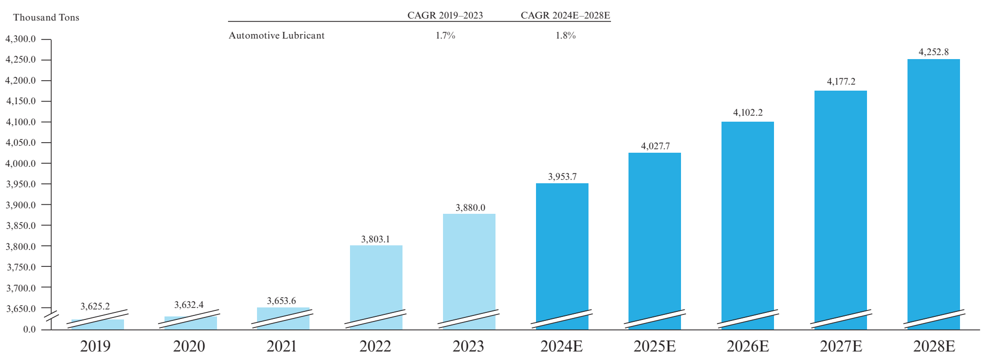
Market Size of Diesel Exhaust Fluid Industry by Sales Volume (Mainland China), 2019–2028E



Source: Frost & Sullivan Report

As the impact of the pandemic subsides, the sales volume of automotive lubricants in mainland China has shown a steady increase from 2022 to 2023, rising by 2.0% from 3,803.1 thousand tons to 3,880.0 thousand tons. With the resurgence of transportation and logistics, along with growth in the automotive industry, it is anticipated that the sales volume of automotive lubricants will reach 4,252.8 thousand tons by 2028, demonstrating a CAGR of 1.8%.

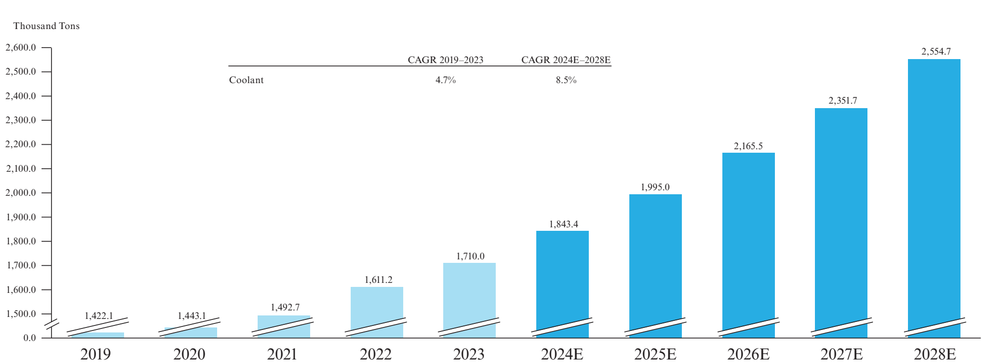
Market Size of Automotive Lubricant Industry by Sales Volume (Mainland China), 2019–2028E



Source: Frost & Sullivan Report

Coolant has always played a crucial role in ensuring the functionality and safety of conventional ICE vehicles. Its primary function is to maintain a stable engine temperature, optimizing performance and providing a comfortable cabin environment for both drivers and passengers. In addition, with the rise in popularity of NEVs among consumers, the demand for coolant in these vehicles is substantially higher than that in ICE vehicles due to the need to maintain a stable temperature for batteries of NEVs. As a result, the sales volume of coolant in mainland China has experienced growth from 1,422.1 thousand tons in 2019 to 1,710.0 thousand tons in 2023, reflecting a CAGR of 4.7%. As the number of NEVs being sold in mainland China continues to rise, it is expected that the sales volume of coolant will reach 2,554.7 thousand tons by 2028, with a projected CAGR of 8.5% between 2024 and 2028.

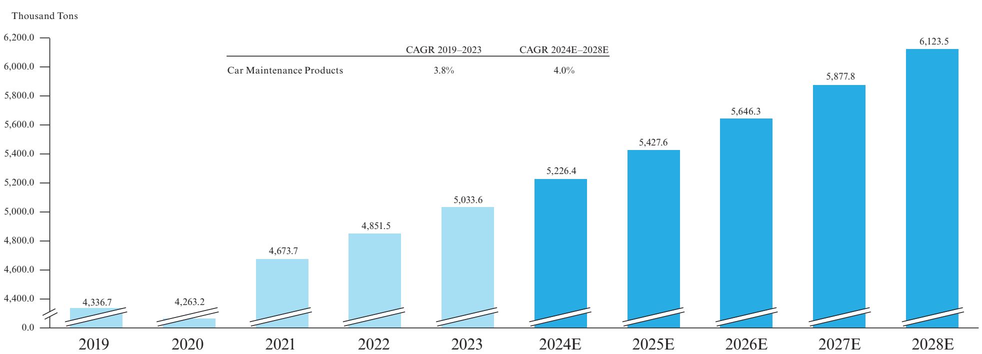
Market Size of Coolant Industry by Sales Volume (Mainland China), 2019–2028E



Source: Frost & Sullivan Report

Car maintenance products encompass a wide array of products specifically designed to clean, protect, and maintain different aspects of an automobile's appearance and functionality. These products play a critical role in the automotive industry. The sales volume of car maintenance products in mainland China has witnessed a rise, increasing from 4,336.7 thousand tons in 2019 to 5,033.6 thousand tons in 2023, reflecting a CAGR of 3.8%. As the number of automobiles owned in mainland China continues to grow, the demand for car maintenance products is expected to escalate. It is projected that the sales volume of car maintenance products will reach 6,123.5 thousand tons by 2028, with a projected CAGR of 4.0% between 2024 and 2028.

Market Size of Car Maintenance Product Industry by Sales Volume (Mainland China), 2019–2028E



Source: Frost & Sullivan Report

Market Drivers and Trends of Automotive Specialty Chemical Industry

Expanding automotive industry drives demand for automotive specialty chemicals

The growing automotive industry provides huge demand for automotive specialty chemicals. Global automobile ownership increased from 1,557.7 million units in 2019 to 1,771.5 million units in 2023, and it is expected to reach 1,984.9 million units in 2028, at a CAGR of 2.2% between 2024 and 2028. Mainland China, as the largest and fastest-growing automotive market, has seen its automobile ownership increase from 260.0 million units in 2019 to 336.3 million units in 2023, at a CAGR of 6.6%, outpacing the global CAGR of 3.3% during the same period. It is further estimated that automobile ownership in mainland China will reach 430.5 million units by 2028, at a CAGR of 5.0% between 2024 and 2028. Due to the growth of the automotive sectors, there is anticipated to be an increase in the need for automotive specialty chemicals on both a global and domestic scale. This significant growth in demand has led to the development of automotive specialty chemical products, including diesel exhaust fluid, automotive lubricant, coolant, and car maintenance products.

Stricter regulations drive increased demand for diesel exhaust fluid

In recent years, the Chinese regulatory bodies have continued to issue environmental protection related rules and regulations which exert great influence on the automobile manufacturing industry as well as the downstream and upstream industries thereof. Tighter regulations will reinforce the entry barrier in terms of regulatory compliance for the automotive specialty chemical industry and boost demand for sustainable products that are able to keep abreast with the latest regulatory adjustments. For example, the demand for diesel exhaust fluid has significantly increased due to the enforcement of stricter emissions regulations aimed at reducing NOx emissions. NOx poses risks to health and the environment, causing respiratory issues, sensory impairments, and damage to vegetation, leading to reduced crop yields and hindered growth. The implementation of the "Limits and measurement methods for emissions from light-duty vehicles (CHINA VI)" by Ministry of Ecology and Environment in 2020 established notably stricter NOx emission limits for light vehicles, resulting in a 42.9% reduction in NOx emissions from light vehicles in mainland China between 2018 and 2021. Consequently, diesel exhaust fluid sales have more than doubled in the past few years as a direct outcome of these stringent regulatory measures. Furthermore, the nationwide implementation of the "Limits and measurement methods for emissions from diesel fueled heavy-duty vehicles (CHINA VI)" phase, effective from July 1, 2023, has imposed significantly stricter NOx emission standards for heavy-duty diesel vehicles compared to the previous "CHINA V" standards. This policy is accompanied by a ban on producing, importing, and selling vehicles that do not meet the "CHINA VI" standard. As the anticipation of future policy issuances continues, the demand for diesel exhaust fluid is expected to persistently increase in the future.

Growing demand for coolant due to emergence of NEV

The growing demand for coolant in the automotive industry can be attributed to the emergence of NEVs. In addition to the traditional cabin and powertrain thermal management systems found in ICE vehicles, NEVs require specialized thermal management for their batteries. The temperature requirements for NEV batteries are crucial for their optimal functioning. Extreme temperatures can have detrimental effects on battery performance. When temperatures drop below zero degrees Celsius, the electrochemical reactions within the battery slow down, resulting in decreased power, acceleration, and driving range. Conversely, temperatures above 40 degrees Celsius can lead to irreversible damage and initiate a destructive chain reaction known as thermal runaway. Therefore, maintaining the appropriate temperature range is essential for ensuring the longevity and optimal performance of NEV batteries. The rise of NEVs is expected to drive the future growth of the coolant industry and contribute to the overall development of automotive specialty chemical industry.

Entry Barriers to Automotive Specialty Chemical Industry

Customer recognition barrier

The automotive specialty chemical industry faces a significant customer recognition barrier. Automobile manufacturers, being major customers in this industry, have stringent requirements and rigorous product screening processes that can last for months or even years. Chemical manufacturing companies must fulfill these requirements to obtain approval, as defective automotive specialty chemical products not only negatively impact the quality of automobiles but also harm the reputation of the automobile brand, posing potential safety risks to its customers. On the other hand, automotive specialty chemical companies accumulate their automobile manufacturer customers over a long-term customer development process. Once a partnership is formed, automobile manufacturer customers exhibit strong loyalty to qualified suppliers and are not easily swayed to make changes. This stringent evaluation process creates a high barrier for customer recognition in the automotive specialty chemical industry. New entrants lacking long-established brand reputation and customer base find it challenging to compete with existing companies in the industry. Building trust and establishing a strong reputation becomes crucial for these newcomers, as it influences their ability to gain recognition and secure partnerships with automobile manufacturers.

Sales and distribution channel barrier

In the retail market sector, as it directly targets end consumers, the breadth, depth, and stability of sales and distribution channels are among the most critical factors influencing industry competitiveness. With the development and changes in the automotive aftermarket, consumers have multiple channels to choose automotive specialty chemical products, including repair stations, supermarkets/retail stores, 4S dealership stores, gas stations, e-commerce platforms, and aftermarket servicing centers. This necessitates the establishment of large-scale, widely covered, and influential sales and distribution channels by companies. The sales and distribution channel barriers in the automotive specialty chemical industry involve the construction of efficient distributor networks and the ability to meet seasonal demand fluctuations with elastic supply capabilities. Establishing a nationwide sales and distribution network takes a considerable amount of time to acquire local distributor teams' recognition and establish a robust supply chain infrastructure. Simultaneously, efficient management of sales and distribution channels is crucial in effectively responding to sudden increases in consumer demand in specific seasons and regions. New entrants face intense competition from well-established companies that have already invested significant time in building a nationwide sales and distribution channel, thereby creating substantial sales and distribution channel barriers for newcomers in the automotive specialty chemical industry.

Eligibility barrier

The automotive specialty chemical industry faces a high eligibility barrier, as proper certification is required for companies to operate within this sector. Several certifications play a crucial role in ensuring compliance with quality, environmental, automotive industry, occupational health and safety, and intellectual property management standards. These certifications include ISO 9001:2015 for quality management system certification, ISO 14001:2015 for environmental management system certification, IATF 16949:2016 for automotive industry quality management system certification, ISO 45001:2018 for occupational health and safety management system certification, GB/T23001–2017 for integration of informatization and industrialization management system certification, and GB/T 29490–2013 for enterprise intellectual property management certification. Furthermore, it is essential for the laboratory to obtain CNAS ISO/IEC 17025 certification, which ensures that the laboratory meets the necessary competence and quality requirements for testing and calibration. These eligibility barriers ensure that companies in the automotive specialty chemical industry adhere to high-quality standards, environmental regulations, safety measures, and intellectual property protection. Compliance with these certifications and standards not only ensures the legality of operations but also instills confidence in customers and stakeholders regarding the reliability and quality of the products and services provided by these companies.

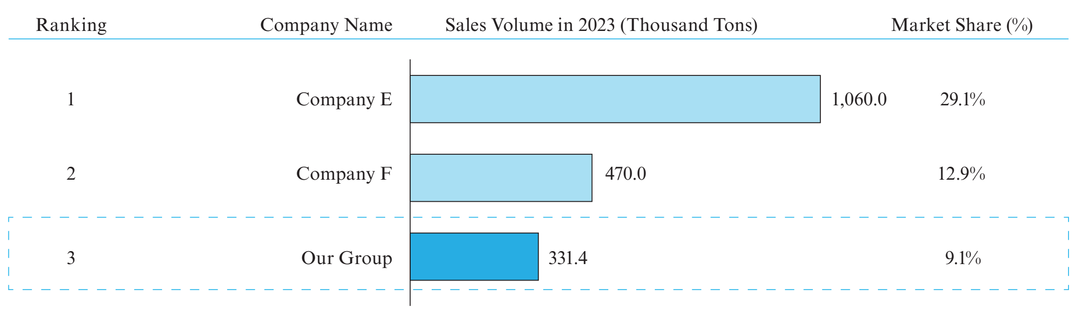
Threats and Challenges of Automotive Specialty Chemical Industry

The automotive specialty chemical industry highlights three primary challenges: increasingly stringent regulatory requirements, fierce market competition, and fast-changing consumer preferences. Firstly, increasingly stringent regulatory requirements pose a significant challenge, requiring adherence to safety standards, quality control measures, and staying updated with regulations. To overcome this challenge, manufacturers should establish robust compliance management systems, collaborate with regulatory authorities, and prioritize quality control processes. Secondly, automotive specialty chemical industry faces fierce market competition, especially for private companies facing barriers to entry due to the dominance of large government-owned companies. Private companies must differentiate themselves, forge strong partnerships, and leverage their agility and innovation to gain recognition and market share. Lastly, evolving consumer demands create technological challenges. Manufacturers must invest in research and development to stay ahead of technological advancements, anticipate changes in consumer preferences, and develop cutting-edge solutions to cater to the fast-changing industry landscape. Staying competitive in the industry necessitates continuous innovation, strategic positioning, and proactive monitoring of emerging technologies and market trends.

Competitive Landscape Analysis of Automotive Specialty Chemical Industry

In 2023, the total market size of diesel exhaust fluid industry in mainland China measured by sales volume was 3,637.2 thousand tons. The top three diesel exhaust fluid companies in mainland China, in terms of sales volume, collectively held a market share of 51.2%. Among all companies, our Group achieved the third position with a sales volume of approximately 331.4 thousand tons, amounting to a market share of 9.1% in the diesel exhaust fluid industry in mainland China in 2023.

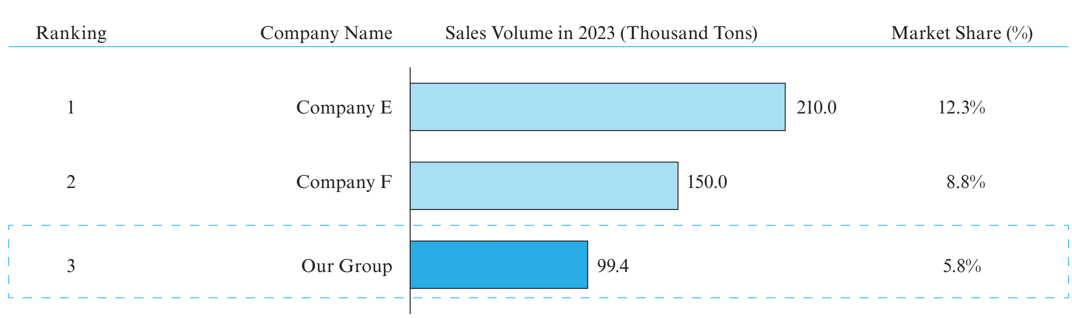
Top Three Companies of Diesel Exhaust Fluid Industry by Sales Volume (Mainland China), 2023



Source: Frost & Sullivan Report

In 2023, the total market size of coolant industry in mainland China measured by sales volume reached 1,710.0 thousand tons. The top three coolant companies in mainland China, in terms of sales volume, collectively held a market share of 26.9%. Among the participants in the industry, our Group secured the third position with a sales volume of 99.4 thousand tons, representing a market share of 5.8% in the coolant industry for the same year.

Top Three Companies of Coolant Industry by Sales Volume (Mainland China), 2023



Source: Frost & Sullivan Report

The automotive lubricant market in China is highly competitive and diverse across state-owned enterprises including Company E and Company F, domestic private enterprises such as our Group, and multinational brands. The top five manufacturers which consisted of state-owned enterprises and multinational foreign enterprises accounted for approximately 30% of the entire Chinese automotive lubricant industry in 2023. The key success factors in this market include having a strong supply chain, leveraging channel advantages, and occupying specific market segments such as OEM, large-scale customers, and the mid-to-high-end consumer market. The rapid economic growth and globalization in the APAC region, particularly in China, have contributed to the market's expansion and evolution, with increasing industrial concentration expected to strengthen the position of leading companies.

The Chinese car maintenance product industry is characterized by a high degree of competition, with both domestic and international players vying for market share. Major market players offer a wide range of car maintenance products, including car wash products, waxes and polishes, and car interior cleaning products. Given the broad range of car maintenance products for different applications offered by different players, the market share is fairly fragmented without a clearly dominant leader for the entire segment and companies generally compete with similar products of other market players on a product-by-product basis. The industry is also characterized by a growing trend towards e-commerce, with more and more consumers purchasing car maintenance products online.

Notes:

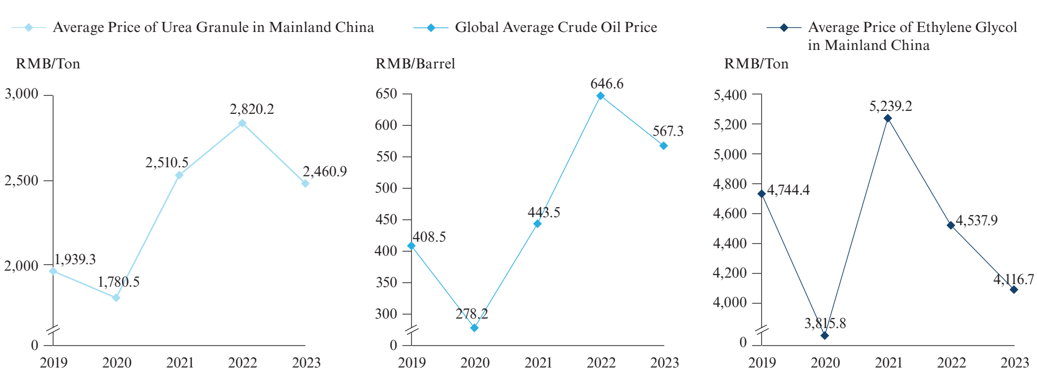
Established in 1998, Company E is a government-owned conglomerate in mainland China that is publicly listed in multiple locations, including Shanghai, Hong Kong and New York. It operates as a comprehensive energy and chemical company. The company's business activities span across petroleum and natural gas exploration, pipeline transportation, oil refining, petrochemical production, sales, and storage of related products. In 2023, Company E's revenue exceeded RMB3.2 trillion.

Established in 1999, Company F is a government-owned holding company in mainland China that is listed in multiple locations including Shanghai and Hong Kong. It is renowned for its significant influence in the global energy sector, offering comprehensive services in the field of oil and gas field engineering, technology, and equipment manufacturing. In 2023, Company F's revenue exceeded RMB3.0 trillion.

Average Price Analysis of Automotive Specialty Chemical Raw Materials and Products

The primary raw materials for automotive specialty chemicals include urea granules, base oil, and ethylene glycol. Between 2019 and 2022, automotive specialty chemicals have experienced significant price variability due to the gradual economic recovery, which the average urea granule prices increased from RMB1,939.3 per ton in 2019 to RMB2,820.2 per ton in 2022. Automotive lubricants, derived from base oil extracted from crude oil, are directly affected by changes in crude oil prices, making them a fundamental factor in price fluctuations. In recent years, the average per barrel price of crude oil rose from RMB408.5 in 2019 to RMB646.6 in 2022. In contrast, the ethylene glycol industry's overcapacity led to a decline in its average price from RMB4,744.4 per ton in 2019 to RMB4,537.9 per ton in 2022. In 2023, China's urea production entered a phase of intensive production, with its capacity increasing by 2.2 million tons from the previous year, reaching a total of 73.81 million tons. Consequently, the average price of urea granules has dropped to RMB2,460.9 per ton in 2023. Meanwhile, the ongoing hikes in interest rates have affected global oil demand. In response to rising inflation, economies worldwide, including those in Europe, Japan, India, and Brazil, have adopted monetary policies featuring interest rate increases and balance sheet contractions. This has resulted in slowed economic growth and a corresponding decline in oil demand, leading to a decrease in crude oil prices to RMB567.3 per barrel in 2023. The price of ethylene glycol, which is also derived from crude oil, decreased to RMB4,116.7 per ton in 2023. This decline was primarily due to a drop in crude oil prices and overcapacity in the market.

Average Price of Urea Granule Crude Oil, and Ethylene Glycol, 2019–2023

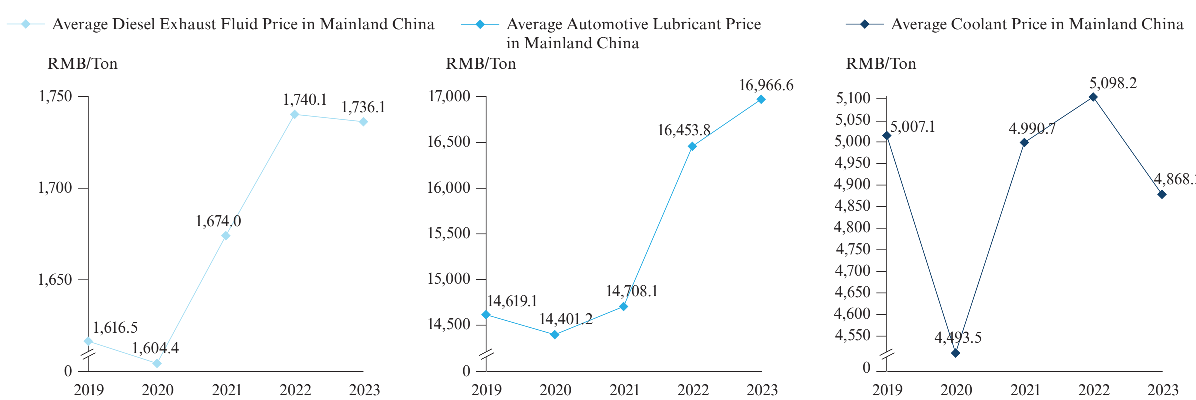


* *Note:* The crude oil price above is the average price between Brent Crude Oil and West Texas Intermediate Crude Oil

Source: Frost & Sullivan Report

The prices of automotive specialty chemical products have exhibited significant fluctuations due to variations in raw material costs and demand. Specifically, the average price of diesel exhaust fluid in mainland China rose from RMB1,616.5 per ton in 2019 to RMB1,740.1 per ton in 2022, before declining to RMB1,736.1 per ton in 2023. Automotive lubricant prices saw an increase from RMB14,619.1 per ton in 2019 to RMB16,453.8 per ton in 2022, with a further rise to RMB16,966.6 per ton in 2023. This recent increase was influenced by the implementation of new consumption tax policies, as detailed in the "Announcement on the Implementation Approach for Consumption Tax Policies for Certain Refined Oil Products", issued on June 30, 2023. Coolant prices also fluctuated, decreasing from RMB5,007.1 per ton in 2019 to RMB4,493.5 per ton in 2020, then rising again to RMB5,098.2 per ton in 2022. In 2023, the price declined to RMB4,868.2 per ton. The easing of geopolitical tensions is expected to stabilize raw material costs further, which in turn should stabilize the prices of these specialty chemical products.

Average Price of Diesel Exhaust Fluid, Automotive Lubricant, and Coolant, 2019–2023



Source: Frost & Sullivan Report

LAWS AND REGULATIONS IN THE PRC

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

Laws and Regulations on Corporation

On December 29, 1993, the Standing Committee of the National People's Congress (the "**SCNPC**") issued the PRC Company Law (《中華人民共和國公司法》) (the "**Company Law**"). The currently effective version was adopted by the SCNPC on October 26, 2018. All companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure, and management of corporate entities in China and classifies companies into limited liability companies and companies limited by shares.

The latest revised version was adopted by the SCNPC on December 29, 2023, and will implement on July 1, 2024. The main amendments involve perfecting the company's capital system, improving the company's establishment and exit system, optimizing the company's organizational structure and strengthening the responsibilities of controlling shareholders and management personnel, etc.

General meeting

According to the Company Law, a general meeting of a company limited by shares shall be constituted by all the shareholders; the general meeting shall be the authority of the company and shall exercise duties and powers in accordance with the provisions of the Company Law.

A general meeting shall be convened once every year. An extraordinary general meeting shall be convened within two months in case of the certain events specified in the Company Law.

The Company Law has no specific provisions on the quorum of shareholders to attend the general meeting.

Under the Company Law, shareholders present at a general meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

Under the Company Law, resolutions of the general meeting shall be passed by more than half of the voting rights held by shareholders (including those represented by proxy) attending the general meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the Articles of Association, which in each case shall be passed by at least two-thirds of the voting rights held by the shareholders (including those represented by proxy) attending the general meeting.

Shareholders may entrust a representative to attend the general meeting, and the representative shall submit a power of attorney to the company and exercise the voting rights within the scope of the authorization.

Transfer of shares

Shares may be transferred in accordance with relevant laws and regulations. Registered shares shall be transferred by means of endorsement or other means prescribed by laws or administrative regulations; after the transfer, the company shall record the name and domicile of the transferee in the register of shareholders of the company. Within 20 days before the general meeting or within five days before the record date of dividend distribution determined by the company, no change to the above-mentioned register of shareholders shall be registered. The transfer of bearer shares shall take effect when the shareholder delivers the shares to the transferee.

Restrictions on shareholding and transfer of shares

Generally, the target investors of H shares offering by domestic companies shall be overseas investors. Where domestic investors subscribe H shares issued by domestic companies, domestic investors shall be compliant with the relevant provisions of cross-border investment, such as qualified domestic institutional investors (QDII), or overseas investment filing (ODI), etc.

Under the Company Law, the shares of the company held by the promoters shall not be transferred within one year from the date of establishment of the company. The directors, supervisors and senior management personnel of the company shall report to the company the shares held by them and their changes, and the shares transferred each year during their term of office shall not exceed 25% of the total shares of the company held by them respectively. The above-mentioned personnel shall not transfer their shares of the company within half a year after their resignation. The Articles of Association may make other restrictive provisions on the transfer of shares held by the directors, supervisors, and senior management personnel of the company.

Variation of class rights

The Company Law has no specific provision relating to variation of class rights. However, the Company Law states that the State Council may formulate separate regulations on companies issuing other types of shares which are not provided in the Company Law.

Relevant regulations and policies for downstream industries

From the perspective of the actual use of products, the Company's LFP cathode material products are mainly used in areas including power batteries and energy storage batteries. As the PRC government has attached increasing importance to energy saving and emission reduction, environmental protection and strategic emerging industries, it has successively launched relevant regulations and policies for NEVs, energy storage technology and power batteries etc.

In August 2023, the Ministry of Industry and Information Technology of the People's Republic of China (the "**MIIT**"), the Ministry of Finance of the People's Republic of China (the "**MOF**"), the Ministry of Transport of the People's Republic of China (the "**MOT**"), the Ministry of Commerce of the People's Republic of China (the "**MOFCOM**"), the General Administration of Customs of the People's Republic of China (the "**GAC**"), the National Energy Administration, and the National Administration of Financial Regulation jointly issued the Work Plan for Stabilizing Growth in the Automotive Industry (2023–2024) (《汽車行業穩增長工作方案(2023–2024年)》), which proposed to support the expansion of NEVs consumption, effectively implement the existing NEV preferential policies such as vehicle and vessel use tax and vehicle acquisition tax, properly carry out work regarding settlement and review of subsidy funds for NEVs, and actively expand the proportion of personal consumption of NEVs. It also proposed to organize and commence the pilot work of the pilot zone for comprehensive electrification of public sector vehicles, accelerate the promotion and application of NEVs in the sections of urban public transportation, taxi, sanitation, postal express, urban logistics and distribution, conduct research on and explore the promotion of regional pilot program on zero-emission of freight trucks, further enhance the level of electrification of public sector vehicles, organize and commence activities for promoting NEVs in rural areas, encourage enterprises to develop more advanced and applicable models, and fully explore the consumption potential of rural areas.

In June 2023, the MOF, the State Taxation Administration and the MIIT jointly issued the Announcement on Continuing and Optimizing the Vehicle Acquisition Tax Reduction and Exemption Policies for New Energy Vehicles (《關於延續和優化新能源汽車車輛購置稅減免政策的公告》), which proposed to exempt NEVs purchased during the period from January 1, 2024 to December 31, 2025 from vehicle acquisition tax, with the amount of tax exemption for each new energy passenger vehicle not exceeding RMB30,000, and reduce vehicle acquisition tax by half on NEVs purchased during the period from January 1, 2026 to December 31, 2027, with the amount of tax reduction for each new energy passenger vehicle not exceeding RMB15,000.

In January 2023, the MIIT, the MOT, the National Development and Reform Commission of the People's Republic of China (the "**NDRC**"), the MOF, the Ministry of Ecology and Environment of the People's Republic of China (the "**MOEE**"), the Ministry of Housing and Urban-Rural Development of the People's Republic of China (the "**MOHURD**"), the National Energy Administration, and the State Post Bureau of the People's Republic of China jointly issued the Notice on Organizing Pilot Work Regarding Pilot Zone of Comprehensive Electrification of Public Sector Vehicles (《關於組織開展公共領域車輛全面電動化先行區試點工作的通知》), which proposed to substantially enhance the level of electrification of vehicles and significantly increase the proportion of NEVs in new and renewed vehicles in pilot areas, and strive to achieve a proportion of 80% in the sectors of urban public transportation, taxi, sanitation, postal express, and urban logistics and distribution.

In September 2022, the MOF, the State Taxation Administration and the MIIT jointly issued the Announcement on Continuing the Policies Regarding the Exemption of New Energy Vehicles from Vehicle Acquisition Tax (《關於延續新能源汽車免徵車輛購置稅政策

的公告》), which proposed to exempt NEVs which are included in the Catalogue of Models of New Energy Vehicles Exempted from Vehicle Purchase Tax (《免徵車輛購置稅的新能源汽車車型目錄》) and purchased during the period from January 1, 2023 to December 31, 2023 from vehicle acquisition tax.

In June 2022, the Ministry of Science and Technology of the People's Republic of China (the "**MOST**"), the NDRC, the MIIT, the MOEE, the MOHURD, the MOT, the Chinese Academy of Sciences, the Chinese Academy of Engineering and the National Energy Administration jointly issued the Implementation Plan for Supporting Carbon Peak and Carbon Neutrality with Science and Technology (2022–2030) (《科技支撐碳達峰碳中和實施方案(2022–2030年)》), which listed energy storage technology as one of the supporting technologies for green and low-carbon energy transformation, and proposed to launch research and development of efficient energy storage technologies, including compressed air energy storage, flywheel storage, liquid- and solid-state lithium-ion battery energy storage, sodium-ion battery storage and fluid-flow battery storage.

In January 2022, the NDRC and the National Energy Administration jointly issued the 14th Five-Year Plan New Energy Storage Development Implementation Plan (《「十四五」新型儲能發展實施方案》), which proposed by 2025, new energy storage shall transform from the initial stage of commercialization to the large-scale development and fulfill the development goal with conditions for large-scale commercial application, and included the improvement of upstream and downstream industrial chain, cultivation and extension of the new energy storage upstream and downstream industries, and active promotion of the development of the whole industrial chain of new energy storage relying on backbone enterprises with independent intellectual property rights and core competitiveness as important elements of steady promotion of the new energy storage industrialization process.

In January 2022, the State Council of the People's Republic of China (the "**State Council**") issued the Comprehensive Work Plan for Energy Conservation and Emission Reduction for the 14th Five-Year Plan Period (《「十四五」節能減排綜合工作方案》), which proposed that the proportion of NEVs used for urban public transportation, taxi, logistics, and sanitation and street sweeping, among others, shall be increased. It also proposed by 2025, the sales volume of NEVs will reach about 20% of the total sales volume of new vehicles.

In December 2021, the MOF, the MIIT, the MOST, and the NDRC jointly issued the Notice on Fiscal Subsidy Policies of 2022 for the Promotion and Application of New Energy Vehicles (《關於2022年新能源汽車推廣應用財政補貼政策的通知》), which proposed that in 2022, the subsidies for NEVs shall be reduced by 30% from the 2021 level; the subsidies for eligible vehicles in urban public transportation, road passenger transportation, taxi (including online ride-hailing), sanitation, urban logistics and distribution, postal express, civil aviation airports as well as the official business of the Party and government bodies shall be reduced by 20% from the 2021 level.

In July 2021, the NDRC and the National Energy Administration jointly issued the Guidance on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》), which proposed that by 2025, the transformation from the initial stage of commercialization to large-scale development of new energy storage shall be achieved, and the installed capacity shall reach more than 30 million kilowatts; and by 2030, the full market-oriented development of new energy storage shall be realized. The installed capacity shall basically meet the corresponding needs of new power systems. New energy storage shall become one of the key supportive measures for carbon peak and carbon neutrality in the energy field.

In December 2020, the MOF, the MIIT, the MOST and the NDRC jointly issued the Notice of Further Improving the Fiscal Subsidy Policies for the Promotion and Application of New Energy Vehicles (《關於進一步完善新能源汽車推廣應用財政補貼政策的通知》), which proposed that in 2021, the subsidies for NEVs shall be reduced by 20% from the 2020 level. In order to promote the utilization of electric vehicles in areas such as public transportation, the subsidies for eligible vehicles in urban public transportation, road passenger transportation, taxi (including online ride-hailing), sanitation, urban logistics and distribution, postal express, civil aviation airports as well as the official business of Party and government bodies shall be reduced by 10% from the 2020 level. To speed up the promotion of the transformation and upgrading of the public transport industry, local governments may continue to provide subsidies for the purchase of new-energy buses.

In October 2020, the State Council issued the New Energy Vehicle Industry Development Plan (2021–2035) (《新能源汽車產業發展規劃(2021–2035年)》), which proposed to carry out research on key core technologies such as anode and cathode materials, electrolyte, separator and membrane electrode, strengthen the research on technologies in weak areas to be developed of power battery and fuel cell system with high strength, light weight, high safety, low cost and long life, and accelerate the research and development and industrialization of solid-state power battery technology.

In September 2020, the NDRC, the MOST, the MIIT and the MOF jointly issued the Guiding Opinions on Expanding Investment in Strategic Emerging Industries and Cultivating and Strengthening New Growth Points and Growth Poles (《關於擴大戰略性新興產業投資培育壯大新增長點增長極的指導意見》), which proposed that breakthroughs shall be made in addressing the challenges facing new energy electricity technologies, such as complementation of wind-solar-hydro power, advanced fuel cells, highly efficient energy storage, and ocean power generation, and infrastructure networks, such as smart grids, micro-grids, distributed energy, new energy storage, hydrogen production and fuelling facilities, and fuel cell systems, etc., shall be established. It also proposed to carry out a comprehensive demonstration of electrification of public sector vehicles, increase the proportion of electrification of vehicles in sectors such as urban public transportation, taxi, sanitation, and urban logistics and distribution, accelerate the construction of charging/battery swap stations for NEVs, and improve the coverage rate of fast charging/battery swap stations in expressway service areas and public parking spaces.

Laws and Regulations on Product Quality

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the "**Product Quality Law**") promulgated on February 22, 1993 and amended on July 8, 2000, August 27, 2009 and December 29, 2018 by the SCNPC, producers and sellers shall establish a sound internal product quality control system, strictly adhere to a job responsibility system in relation to quality standards and quality liabilities, and implement corresponding examination and inspection measures. The forgery or imitation of quality marks such as certification marks is prohibited; falsifying the place of origin of product, and falsifying or imitating the name or address of another factory is prohibited; adulteration of, or mixing of improper elements with products under manufacturing or on sale, passing off the sham as the genuine or passing off the inferior as the superior is prohibited. Any manufacturer or seller who violates the Product Quality Law may be subject to (i) administrative penalties, including suspension of production or sale, ordered correction of illegal activities, confiscation of products subject to illegal production or sale, imposition of fines, confiscation of illegal gains and, in severe cases, revocation of business license; and (ii) criminal liabilities if the illegal activity constitutes a crime.

Laws and Regulations on Production Safety

According to the Production Safety Law of the PRC (《中華人民共和國安全生產法》) latest amended by the SCNPC on June 10, 2021 and came into effect on September 1, 2021, an enterprise shall (i) provide production safety conditions as stipulated in the Production Safety Law of the PRC and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. The inspection and measures taken shall be duly recorded. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with personal protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

According to the Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects (《建設項目安全設施「三同時」監督管理辦法》) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on December 14, 2010 and amended on April 2, 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use simultaneously with the main body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, prepare a dedicated safety design report, submit to the relevant work safety administrative department for examination or filing, complete acceptance of safety facilities and prepare reports for inspection according to requirements. If an enterprise violates the relevant requirements, it may be ordered to make corrections within a specified time limit, discontinue the construction process or suspend its production and business operation for rectification, and imposed a fine.

Laws and Regulations on Fire Prevention

According to the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) promulgated by the SCNPC on April 29, 1998 and last amended on April 29, 2021, the fire prevention design and construction of a construction project must conform to the national fire prevention technical standards for project construction. For construction projects that require fire prevention design in accordance with the national fire prevention technical standards for project construction, the fire prevention design review and acceptance system for construction projects shall be implemented. Upon completion of a construction project that is required to apply for fire control acceptance inspection by the competent department of housing and urban-rural development under the State Council, the construction entity shall apply to the competent department of housing and urban-rural development for fire control acceptance inspection. For construction projects other than those specified in the preceding paragraph, the construction entity shall report to the competent department of housing and urban-rural development for filing after the acceptance, and the competent department of housing and urban-rural development shall conduct spot checks. Construction projects which are subject to fire control acceptance inspection according to law shall not be put into use without fire control acceptance inspection or failing to pass fire control acceptance inspection. Other construction projects which fail to pass the legal spot checks shall cease to be used.

Laws and Regulations on Environmental Protection

According to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) (hereinafter referred to as the "**Environmental Protection Law**") promulgated by the SCNPC on December 26, 1989 and last amended on April 24, 2014, any entity that discharges or will discharge pollutants in the course of operation or other activities must implement effective environmental protection measures to control and properly handle hazardous substances generated in the course of such activities, such as waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation. The State implements a pollutant discharge permit management system in accordance with the law. According to the Environmental Protection Law and the Regulations on the Administration of Pollutant Discharge

Licensing, which was promulgated by the State Council on January 24, 2021 and came into effect on March 1, 2021, enterprises, business units and other producers and operators that are subject to pollutant discharge licensing management shall discharge pollutants according to the requirements of the pollutant discharge permits, and shall not discharge pollutants without obtaining the pollutant discharge permits. The competent environmental protection authorities impose various administrative penalties on individuals or enterprises in violation of the Environmental Protection Law.

Pursuant to the Regulations on the Administration of Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998 and amended on July 16, 2017 and the Interim Measures for Environmental Protection Acceptance Examination Upon Completion of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the former Ministry of Environmental Protection on November 20, 2017, the PRC implements a system to appraise the environmental impact of construction projects. The construction entity shall submit an environmental impact report or an environmental impact statement for approval prior to the commencement of the construction project, or an environmental impact registration form as required by the environmental protection administrative department of the State Council for record. In addition, after the completion of a construction project for which an environmental impact report or an environmental impact statement has been prepared, the construction entity shall, in accordance with the standards and procedures prescribed by the competent administrative department of environmental protection under the State Council, conduct acceptance checks on the supporting environmental protection facilities and prepare an acceptance report. For construction projects that are constructed in phases or put into production or use in phases, the corresponding environmental protection facilities shall be inspected and accepted in phases. The construction project can only be put into production or use after the completed supporting environmental protection facilities have passed the acceptance inspection. Facilities shall not be put into production or use without conducting or passing the acceptance examination.

Prevention and control of pollution

Pursuant to the Regulations on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》), which was promulgated by the State Council on January 24, 2021 and took effect on March 1, 2021, the enterprises, public institutions and other producers and operators (hereinafter referred to as the "**pollutant discharge entities**") included in the classified management catalog of pollutant discharge permits for stationary sources of pollution shall apply for and obtain a pollutant discharge permit within the prescribed time limit; and those not included in the catalog are not required to do so for the time being.

Pursuant to the Classified Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (2019 Edition) (《固定污染源排污許可分類管理名錄(2019年版)》), which was promulgated by the Ministry of Ecology and Environment on December 20, 2019 and became effective on the same day, a pollutant discharge entity subject to registration management is not required to apply for a pollutant discharge permit. It shall fill in the pollutant discharge registration form on the management information platform of state pollutant discharge permits, and register its basic information, pollutant discharge route, pollutant discharge standards implemented, pollution prevention and control measures adopted, and other information.

Laws and Regulations on Import and Export of Goods

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 and last amended on December 30, 2022 and the Notice by the Department of Enterprise Management and Audit-Based Control of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods (《企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知》) issued by the General Administration of Customs of the PRC on January 3, 2023, a consignee or consignor of imported or exported goods who applies for filing shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

According to the Customs Law of the PRC (《中華人民共和國海關法》) promulgated by the SCNPC on January 22, 1987 and last amended on April 29, 2021, unless otherwise stipulated, the declaration of imported or exported goods may be made by the consignees or the consignors, or the entrusted customs brokers. To undergo customs declaration formalities, the consignee or consignor of imported or exported goods and the customs brokers shall file with the Customs in accordance with the law.

According to the Provisions on the Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs on November 19, 2021 and executed on January 1, 2022, the consignee or consignor of imported or exported goods or a customs brokers, as filed with the customs may undergo customs declaration within the customs territory of the PRC. Where a consignee or consignor of imported or exported goods or a customs brokers applies for filing, it shall obtain the qualification of market entities.

Laws and Regulations on Land, Planning and Project Construction

Land

According to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated by the SCNPC on June 25, 1986 and latest amended on August 26, 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998 and latest revised on July 2, 2021, the land in the PRC is either State-owned or collectively-owned. Except for land which is legally owned by the State or has been expropriated as State-owned according to law, all of the land is collectively-owned. The State-owned land use rights may be used by third parties through grant, allocation, lease, capital contribution and other forms. Third parties who have obtained the State-owned land use rights may legally use, profit from and dispose of the State-owned land use rights within the statutory term of use and scope of planned uses.

Planning

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the SCNPC on October 28, 2007 and latest amended on April 23, 2019, if the construction of buildings, structures, roads, pipelines and other projects is carried out in the planned area of a city or a town, the construction entity or individual shall apply to the competent authority of urban and rural planning of the people's government of the city or county or the people's government of the town as determined by the people's government of the province, autonomous region or municipality directly under the Central Government for a construction project planning permit.

Project construction

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by the SCNPC on November 1, 1997 and latest amended on April 23, 2019, prior to the commencement of construction work, the construction entity shall apply to the competent construction administrative authority of the people's government at or above the county level where the project is located for a construction permit in accordance with the relevant provisions of the State, except for small-scale projects under the quota as determined by the construction administrative authority under the State Council. A construction project shall be delivered for use only after it has passed the acceptance examination. A construction project shall not be delivered for use without conducting or passing the acceptance examination.

Laws and Regulations on Property Leasing

According to the PRC Civil Code (《中華人民共和國民法典》), an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. The lessor is entitled to terminate the lease if the lessee subleases the premises without the consent of the lessor. In addition, if the ownership of the leased premises changes during the lessee's possession in accordance with the terms of the lease contract, the validity of the lease contract shall not be affected. Moreover, pursuant to the PRC Civil Code, if the mortgaged property has been leased and transferred for occupation prior to the establishment of the mortgage right, the original tenancy shall not be affected by such mortgage right.

On December 1, 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the competent construction or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed.

Laws and Regulations on Foreign Investment Access

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), which was promulgated by the National People's Congress ("**NPC**") on March 15, 2019 and implemented on January 1, 2020, establishes the management system for pre-access national treatment and negative list for foreign investment in the PRC. "Pre-access national treatment" means that foreign investors and their investments shall be treated no less favorably than domestic investors and their investments at the stage of investment access; "negative list" refers to the special administrative measures for access of foreign investment in specific fields as prescribed by the PRC. The PRC gives national treatment to foreign investment outside the negative list. In addition, the Regulation for Implementing the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**Implementation Regulations**"), which came into effect on January 1, 2020, further stipulates that the PRC shall, according to the needs of national economic and social development, formulate a catalogue of encouraged foreign-invested industries, and specify the specific industries, fields and regions in which foreign investors are encouraged and guided to invest.

The NDRC and the MOFCOM jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (the "**2021 Negative List**") on December 27, 2021, to replace the previous encouraging catalog and negative list thereunder. Pursuant to the Foreign Investment Law, the Implementation Regulations and the 2021 Negative List, foreign investors shall not make investments in prohibited industries as specified in the negative list, while foreign investments must satisfy certain conditions stipulated in the negative list for investment in restricted industries. Industries not listed in the negative list are generally deemed "permitted" for foreign investments.

Regulations on Overseas Investment

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on March 16, 2009 and amended on September 6, 2014, the MOFCOM and the commerce departments at provincial levels shall conduct filing or confirmation management depending on different circumstances of overseas investments of enterprises. Overseas investments involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investments under other circumstances shall be subject to filing management.

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) which was issued by the NDRC on December 26, 2017 and became effective on March 1, 2018, an enterprise in the territory of the PRC (the "**Investor**") carrying out overseas investments shall undergo formalities including the examination or filing for an overseas investment project (the "**project(s)**"), report the relevant information, and cooperate in supervisory inspection. Sensitive projects conducted by Investors directly or through overseas enterprises controlled by them shall be subject to confirmation management. Non-sensitive projects conducted by Investors directly, namely, non-sensitive projects involving Investors' direct contribution of assets, equity or provision of financing or guarantees, shall be subject to filing management. The aforementioned sensitive projects include projects involving a sensitive country or region or a sensitive industry. The Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018年版)》) promulgated by the NDRC became effective on March 1, 2018, which listed out the sensitive industries in detail.

Laws and Regulations on Overseas Offering and Listing

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five relevant guidelines, which came into force on March 31, 2023. According to the Trial Measures, (i) PRC domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and submit relevant information to the CSRC; if a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, it may be subject to administrative penalties, such as order to rectify, warnings and fines, and its controlling shareholders, de facto controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines; (ii) direct overseas offering and listing by domestic companies refers to the overseas offering and listing of the companies limited by shares registered and established in the PRC; and (iii) any companies limited by shares registered and established in the PRC are required to file with the CSRC within three business days after its application document of overseas listing is submitted. Failure to complete the filing under the Trial Measures may subject a PRC domestic company to a rectification order issued by the CSRC, warnings, and a fine of RMB1 million to RMB10 million. As advised by our PRC Legal Advisor, our offering and Listing is a direct overseas offering and listing by domestic company under the Trial Measures and we have submitted the filing application to the CSRC within three business days after our submission of the application of listing to the Stock Exchange. Our Group will comply with the filing requirements under the Trial Measures. As advised by our PRC Legal Advisor, we do not fall under any of the prohibited circumstances that would disallow an overseas listing as stipulated in the Trial Measures. The CSRC published a notice on our completion of the filing procedures for our offering and Listing on January 18, 2024.

Besides, domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned asset management, industry regulation, overseas investment, cybersecurity, data security, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. A domestic company that conducts overseas offering and listing shall (i) formulate its articles of association, improve its internal control system and standardize its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to fulfil its confidentiality responsibility, shall not divulge any state secret or the work secrets of state organs, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC if it is involved in the overseas provision of personal information and important data. In addition, the Trial Measures also list out the circumstances where overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) that constitutes a threat to or endangers national security; (iii) the PRC domestic company, or its controlling shareholder(s) and de facto controller(s), have committed relevant crimes such as corruption, bribery, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the domestic company is currently under investigations for alleged criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over the equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or de facto controller(s).

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

Regulations on Internet Information Security and Privacy Protection

Regulations on Internet information security

On July 1, 2015, the SCNPC promulgated the National Security Law of the PRC (《中華人民共和國國家安全法》), which became effective on the same day, pursuant to which the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investments, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "**Cybersecurity Law**"), which became effective on June 1, 2017 and is applied to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfill the obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data, and network operators shall not collect the personal information irrelevant to the services provided, or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On June 10, 2021, the SCNPC promulgated the Data Security Law of PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**"), which became effective on September 1, 2021. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency response system. In addition, the Data Security Law clarifies the data security protection obligations of organizations and individuals carrying out data activities and implements data security protection responsibilities.

On November 14, 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the "**CAC**") issued the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draft Regulations on Data Security**"), which stipulates that, among others, data processors seeking for listing in Hong Kong that affects or may affect national security must report to the CAC for a cybersecurity review. However, the Draft Regulations on Data Security provides no further explanation or interpretation of "affects or may affect national security". As of the Latest Practicable Date, the Draft Regulations on Data Security has not become effective, and is therefore subject to further changes and interpretations. As advised by our PRC Legal Advisor, in the event that the Draft Regulations on Data Security becomes effective in its current form, we will have to fulfill corresponding obligations, including "conducting data security assessment once a year on our own or by entrusting a data security search institution, and submitting the previous year's data security assessment report to the municipal network information department divided into districts before January 31 of each year" and "formulating data security training plans and organizing data security education and training for all employees every year", etc. Nevertheless, the Regulations on the Administration of Cyber Data Security (Draft for Comments) will not have a material adverse impact on the Group's business operations and the Listing (assuming the Draft Regulations on Data Security is implemented in its current form).

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**"), which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that purchase network products and services or network platform operators that engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the relevant regulatory authorities may initiate cybersecurity review if such regulatory authorities determine that the enterprise's network products or services, or data processing activities affect or may affect national security.

Regulations on Privacy protection

Pursuant to the PRC Civil Code (《中華人民共和國民法典》), personal information of a natural person shall be protected by the law. Any organization or individual that needs to obtain personal information of the others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of the others, or illegally purchase or sell, provide, or make public personal information of the others.

Further, the Ninth Amendment to the Criminal Law of the PRC (《中華人民共和國刑法修正案(九)》), which was issued by the SCNPC on August 29, 2015 and became effective on November 1, 2015, stipulates that any network service provider that fails to fulfill the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) illegally sells or provides personal information to the others or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors shall truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed, and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that shall be notified as required by laws and administrative regulations. Based on the processing purposes and processing methods of personal information, types of personal information, impacts on personal rights and interests, and possible security risk, etc., personal information processors shall also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organizing the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfill the personal information protection obligations thereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined for not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, impose a fine of less than RMB50 million or less than 5% of the previous year's turnover, order the suspension of relevant business or suspend business for rectification and notify the relevant competent authority to revoke the relevant permits or business license; impose a fine of not less than RMB100,000 but not more than RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior management and person in charge of personal information protection of related companies within a certain period of time.

Laws and Regulations on Labor, Social Insurance and Housing Provident Fund

According to the Labor Law of the PRC (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994 and last amended on December 29, 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) amended by the SCNPC on June 29, 2007 and took effect on January 1, 2008 and amended on December 28, 2012 and took effect on July 1, 2013, and the Implementing Regulations of the Labor Contracts Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and took effect on September 18, 2008, employers must strictly abide by state standards and provide relevant trainings to its employees, protect their labor rights and perform its labor obligations. Labor relationships between employers and employees must be executed in written form. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. The remuneration payable by employers to its employees shall not be less than local minimum wage. Employers must establish a system for labor safety and sanitation, and strictly comply with national standards and provide relevant education to its employees. Violations of the above labor and social protection laws may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and last amended on December 29, 2018 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and effective on March 24, 2019, a domestic enterprise shall pay premium for pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance for its employees at an appropriate percentage based on the amounts stipulated by the laws. If the relevant payment is not paid in full and on time to the relevant local administrative agency, the employer may be ordered to make up the gap or pay a fine. Meanwhile, the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》), the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》) and other laws and regulations contain specific clauses on different types of social insurance. Employers governed by such laws and regulations shall pay corresponding insurance premiums for their employees.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, employers shall make deposit registration for housing provident fund at the housing provident fund management center and set up housing provident fund accounts for its employees. Employers should pay the housing provident fund in full and on time. Employers failing to make payment of housing provident fund within the time limit or in full will be ordered by the housing provident fund management center to make the payment or make up the shortfall within the prescribed time limit; otherwise, the housing provident fund management center may apply for compulsory enforcement with the people's court.

Laws and Regulations on Intellectual Property

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982 and last amended on April 23, 2019, the Trademark Office of the administrative department for industry and commerce under the State Council shall be responsible for the registration and administration of trademarks in the PRC. The administrative department for industry and commerce under the State Council shall establish a Trademark Review and Adjudication Board to be responsible for handling trademark disputes. The registration of a trademark shall be valid for ten years from the date of approval. If there is a continued need for the use of trademark, a renewal shall be made in accordance with the requirements within twelve months before the expiry of the trademark registration. If the renewal is not made within the stipulated period, the valid period may be extended for six months. Each renewal of registration of trademark shall be valid for ten years from the date of the expiry of the previous trademark registration. If no renewal application has been filed before the expiry date, the registered trademark shall be deregistered. The administrative department for industry and commerce lawfully investigate any infringement of the exclusive right under a registered trademark. Any alleged criminal offense, shall be timely referred to a judicial authority and decided according to law.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984 and last amended on October 17, 2020, inventions refer to new technical solutions for a product, method or its improvement. Utility models refer to new technical solutions for the shape, structure or the combination of both shape and structure of a product, which is applicable for practical use. Designs refer to new designs of the shape, pattern or the combination of shape and pattern, or the combination of the color, shape and pattern of the whole or part of a product with esthetic feeling and industrial application value. The validity period of patent for inventions, utility models and designs is 20 years, 10 years and 15 years, respectively, all starting from the date of application.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990 and last amended on November 11, 2020, citizens, legal persons or other organizations in the PRC shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software created in writing or oral or other forms. A copyright holder shall enjoy a number of rights, including the right of publication, the right of authorship and the right of reproduction.

Domain names

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective on November 1, 2017, domain name root servers and domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions established in the PRC shall obtain permission from the MIIT or the communications administration bureau of the province, autonomous region or municipality directly under the Central Government. The applications for the establishment of domain name root servers and domain name root server operation institutions and domain name registration management institutions shall be submitted to the MIIT. The applications for the establishment of domain name registration service institutions shall be submitted to the communications administration bureau of the province, autonomous region or municipality directly under the Central Government. The permissions of domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions are valid for five years.

Laws and Regulations on Foreign Exchange

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) (the "**Foreign Exchange Administration Regulations**"), which was promulgated by the State Council on January 29, 1996 and came into effect since April 1, 1996, the Foreign Exchange Administration Regulations classify all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to such approval. The Foreign Exchange Administration Regulations were subsequently amended on January 14, 1997 and August 1, 2008, and came into effect on August 5, 2008. The latest amendment to the Foreign Exchange Administration Regulations clearly states that the PRC will not impose any restriction on international current payments and transfers.

On December 26, 2014, the SAFE issued the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), pursuant to which a domestic company shall, within 15 business days from the closing date of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation; and the proceeds from an overseas listing of a domestic company may be remitted to a dedicated domestic account or deposited in a dedicated overseas account, but the use of the proceeds shall be consistent with the content of the prospectus and other public disclosure documents.

According to the Notice of the State Administration of Foreign Exchange on Policies for Reforming and Regulating the Control over Foreign Exchange Settlement under the Capital Account (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on June 9, 2016, domestic institutions may settle their foreign exchange receipts under the capital account (including repatriated funds raised through overseas listing) entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. The tentative percentage of discretionary settlement of foreign exchange receipts under the capital account of domestic institutions is 100%, subject to the adjustment of the SAFE in due time based on international revenue and expenditure situations.

Laws and Regulations on Taxation

Enterprise income tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was promulgated by the SCNPC and was latest amended on December 29, 2018, and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was promulgated by the State Council and was latest amended in April 23, 2019 (collectively referred to as the "**EIT Law**"), a uniform 25% enterprise income tax rate is imposed to both foreign invested enterprises and domestic enterprises, except where tax incentives are granted to special industries and projects. The enterprise income tax rate is reduced to 20% for qualifying small low-profit enterprises. The high-tech enterprises that need full support from the PRC government will enjoy a reduced tax rate of 15% for enterprise income tax.

Value-added tax

Pursuant to the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the State Council and was latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》), which was promulgated by the Ministry of Finance and was latest amended on October 28, 2011 and effective from November 1, 2011, entities and individuals engaging in selling goods, providing processing, repairing or replacement services or importing goods within the territory of the PRC are taxpayers of the value-added tax.

According to the Notice of the Ministry of Finance and the State Taxation Administration on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) effective in May 1, 2018, the value-added tax rates of 17% and 11% on sales and imported goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》) promulgated on March 20, 2019 and effective from April 1, 2019, the value-added tax rates of 16% and 10% on sales and imported goods shall be adjusted to 13% and 9%, respectively.

Dividends distribution

The principal laws, rules and regulations governing dividend distributions by foreign-invested enterprises in the PRC are the Company Law and the Foreign Investment Law and its Implementing Regulations. Under these requirements, foreign-invested enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A PRC company is required to allocate at least 10% of its respective accumulated after-tax profits each year, if any, to fund statutory capital reserve fund until the aggregate amount of that reserve fund have reached 50% of the registered capital of the enterprise. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from the prior fiscal year may be distributed together with distributable profits from the current fiscal year.

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018, and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018, dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaties.

Pursuant to the EIT Law and the Regulations on the Implementation of the Enterprise Income Tax Law of the PRC, since January 1, 2008, an enterprise income tax rate of 10% will normally be applicable to dividends declared to a non-PRC resident investor which does not have an establishment or place of business in the PRC, or which has such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC, unless any such non-PRC resident investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a preferential withholding arrangement.

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with Hong Kong, Macau, and a number of countries and regions including Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the PRC tax authorities.

LAWS AND REGULATIONS IN INDONESIA

Overview

Our Group commenced its business activity in Indonesia on February 22, 2023 by setting up its indirectly owned subsidiary, PT LBM Energi Baru Indonesia as a foreign invested company in Indonesia.

The business scope of PT LBM Energi Baru Indonesia, which mainly involves the manufacture of LFP cathode material products for lithium-ion batteries, falling into the scope of manufacturing operations of battery for electric motor vehicle under the Indonesia law, will be subject to the relevant laws and regulations in Indonesia. These include, but are not limited to, laws and regulations relating to foreign investment and incorporation, labor, environment, protection of trade secrets, intellectual property rights, importation and exportation of goods, competition law and tax law in Indonesia.

Business and Foreign Investment in Indonesia

In general, businesses and foreign investments in Indonesia are governed by several regulations, mainly Law No. 40 of 2007 on Limited Liability Companies as lastly amended by Law No. 6 of 2023 on the Determination of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation as a Law (the "**Job Creation Law**") (the "**Company Law**"), Law No. 25 of 2007 on Investment as lastly amended by the Job Creation Law (the "**Investment Law**"), and Presidential Regulation of the Republic of Indonesia No. 10 of 2021 on Investment Business Field as lastly amended by Presidential Regulation of the Republic of Indonesia No. 49/2021 (the "**Positive Investment List**").

The Investment Law mandates foreign investment to be in the form of a limited liability company under the Company Law and domiciled within the territory of the Republic of Indonesia unless stipulated otherwise by the law.

If a foreign individual or foreign entity intends to have share participation in a domestic-owned limited liability company, the domestic company would need to change its status to a foreign invested company ("**PMA**") and will be regarded as foreign capital. Generally, the subscribed capital and paid-up capital of a PMA, such as PT LBM Energi Baru Indonesia, must be at least IDR10 billion. As such, a PMA will be considered as a large-scale enterprise.

Article 2 of the Positive Investment List provides that all business fields are open to investment, except for: (i) business activities that are declared closed for investment; or (ii) activities that can only be carried out by the central government.

Under the Positive Investment List, the scope of business of PT LBM Energi Baru Indonesia, i.e. battery industry for electric motor vehicle, does not fall under the criteria of: (a) business closed for investment and (b) business that can only be carried out by the central government, and therefore is 100% open for foreign investment.

Environmental Protection in Indonesia

Environmental protection in Indonesia is governed by various laws, regulations, and decrees, including Law No. 32 of 2009 on Environmental Protection and Management and its amendments set out under the Job Creation Law (the "**Environmental Law**") and Government Regulation No. 22 of 2021 on Implementation of Environmental Protection and Management ("**GR No. 22/2021**").

The Environmental Law stipulates that any business activity that significantly impacts the environment must obtain an environmental feasibility decree issued by the central or regional government based on the Environmental Impact Analysis ("**AMDAL**"). The environmental feasibility decree is a pre-requisite for issuing a business license — the environmental approval.

If the business actor is located in an industrial estate that already has an AMDAL, the business actor must secure a Detailed Environmental Management Plan ("**RKL**") and Detailed Environmental Monitoring Plan ("**RPL**") (together, "**RKL-RPL Rinci**") as its environmental approval. For the case of PT LBM Energi Baru Indonesia, since it is located in Kendal Industrial Park, PT LBM Energi Baru Indonesia is only required to have RKL-RPL Rinci as its environmental approval before commencing its operation/production.

GR No. 22/2021 regulates the management of hazardous waste, from identification and minimization to storage, transportation, utilization, processing, disposal, risk mitigation, emergency response, and penalties for violations.

Specifically, if any hazardous waste is produced, PT LBM Energi Baru Indonesia must obtain environmental approval and a license in hazardous waste processing. To obtain such environmental approval, PT LBM Energi Baru Indonesia must first obtain hazardous waste management technical approval per the requirements of GR No. 22/2021. As PT LBM Energi Baru Indonesia has yet to enter the operation/production stage as of the Latest Practicable Date, environmental approval and a license in hazardous waste processing are not required.

Pursuant to Article 82A of the Environmental Law, business actors that operate without environmental approval are subject to administrative sanctions in the forms of written warnings, enforcement by the government, administrative fines, suspension of business licenses and/or revocation of business licenses.

Labor Protection and Social Security and Occupational Safety in Indonesia

According to Law No. 13 of 2003 on Manpower, as lastly amended by the Job Creation Law (the "**Manpower Law**"), employment shall be based on employment contracts, which can be fixed-term or permanent. Permanent contracts have no specific duration, while fixed-term contracts can be initiated and renewed for a maximum of five years. According to Article 90 of the Manpower Law, employers are prohibited from paying wages in an amount lower than the prevailing minimum wage.

If PT LBM Energi Baru Indonesia intends to hire foreign workers, PT LBM Energi Baru Indonesia must fulfill the requirements for hiring foreign workers. These requirements include obtaining approval of foreign workers' utilization plan from the Ministry of Manpower and from Indonesian companion(s)/employee(s), paying to the expertise and skills development fund, and obtaining the required stay permit. Indonesian law prohibits any company from utilizing foreign workers in positions that handle a personnel or human resources department.

Law No. 24 of 2011 on Social Security Agency, as lastly amended by the Job Creation Law ("**BPJS**") covers all health insurance programs and insurance programs on accident, pension plan, pension guarantee, life insurance, and job loss insurance. Pursuant to Law 24/2011, a company as an employer is required to register itself and its employees as participants in BPJS. Apart from employers, everyone including workers and contribution assistance recipients who meet the requirements as participants in the BPJS, must register themselves and their family members as a participant in BPJS under the BPJS program that is followed. The company as the employer is obliged to pay its contributions to BPJS and collect the payment of contribution to BPJS borne by their employees, and then deposit the payment to BPJS.

Trade Secret Protection in Indonesia

Trade secret protection is regulated under Law No. 30 of 2000 on Trade Secrets ("**Law 30/2000**") which defines trade secrets as information in the field of technology and/or business that is not known by the public and has economic value as it is useful in business activities, and the confidentiality of which is maintained by its owner.

Based on Article 13 of Law 30/2000, an infringement of trade secrets takes place when a person deliberately discloses the trade secrets or breaks the agreement or the obligations, either written or not, to maintain the confidentiality of the relevant trade secrets and a person shall be deemed to have infringed trade secrets of another party if he obtains or possesses the trade secrets in a manner that is contrary to the prevailing laws and regulations. In general, PT LBM Energi Baru Indonesia must obtain the relevant trade secrets owner's consent to use and/or disclose any information pertaining to the trade secret.

Intellectual Property Right Protection in Indonesia

Under Indonesian laws and regulations, all types of intellectual property are supervised by the Directorate General of Intellectual Property ("**DGIP**"), including (a) mark, (b) patent, (c) industrial design, (d) copyright, (e) geographical indication, (f) trade secret, and (g) layout design of integrated circuit. Each type of these intellectual property is governed by a different set of laws and regulations in Indonesia. The intellectual properties may be transferred, and the owner of the intellectual properties may also grant a license to a third party based on a license agreement in accordance with the prevailing regulations in Indonesia.

As of the Latest Practicable Date, PT LBM Energi Baru Indonesia does not own any intellectual property rights in Indonesia.

The penalties for an infringement or violation of intellectual property are set out in different laws and regulations depending on the type of intellectual property. In general, the infringement of intellectual property may include: (a) the use of intellectual property without the approval of the owner; and/or (b) the use of a third party's intellectual property which has been registered under the DGIP. Such infringements may result in criminal sanctions, imprisonment, and/or fines.

Import and Export Licensing

Import and export licensing in Indonesia are mainly governed under Government Regulation No. 5 of 2021 on Implementation of Risk-Based Licensing ("**GR 5/2021**"), Minister of Trade ("**MOT**") Regulation No. 36 of 2023 on Import Policies and Arrangements as amended by MOT Regulation No. 8 of 2024 ("**MOT Regulation 36/2023**"), MOT Regulation No. 18 of 2021 on Goods Prohibited from Being Exported and Goods Prohibited from Being Imported as amended by MOT Regulation No. 22 of 2023 on Goods Prohibited from Being Exported (which is lastly amended by MOT Regulation No. 20 of 2024) ("**MOT Regulation 18/2021**").

GR 5/2021 requires PT LBM Energi Baru Indonesia to own a Business Identification Number ("**NIB**"), which, amongst others, also applies as an import identification number as referred to in laws and regulations on import identification number and customs access rights as referred to in the prevailing regulations in the customs sector. The NIB, which has an import identification number, can only be used either for a general import identification number (for import activities of traded goods), or a producer import identification number (for import activities of goods that are self-used as capital goods, raw materials, auxiliary materials, and/or materials to support the production process).

It is to be noted that MOT Regulation 36/2023 further regulates that for the import activities of certain goods, importers are obligated to secure additional business licensing in the import sector from MOT before the goods enter the Indonesian customs territory. However, principal raw materials that PT LBM Energi Baru Indonesia will use to produce LFP cathode materials, i.e., iron phosphate precursor and lithium carbonate salt, do not fall under any category of certain goods that require additional business licensing in MOT Regulation 36/2023, and therefore can be imported with an NIB.

In this regard, PT LBM Energi Baru Indonesia has obtained its NIB and has registered its scope of business as battery industry for electric motor vehicles, and LFP cathode materials do not fall under any category of the banned goods for import and export under MOT Regulation 18/2021.

Competition Law in Indonesia

The Competition Law is governed under Law No. 5 of 1999 on Prohibition of Monopolistic Practices and Unfair Competition, as amended by the Job Creation Law ("**Law 5/1999**").

Law 5/1999 generally prohibits various agreements and business behaviors that may cause monopolistic practices and unfair business competition. Specifically, Law 5/1999 prohibits certain agreements such as price fixing, market division, boycotts, cartels, and vertical agreements that limit competition. It also prohibits monopolistic business activities and the abuse of dominant market positions through mergers or acquisitions, interlocking directorates, or major equity stakes. Certain exemptions also exist under Law 5/1999 for agreements relating to intellectual property, technical standards, research cooperation, international treaties, export-oriented activities and small businesses.

Failure to comply with Law 5/1999 may lead to administrative and criminal sanctions, including fines or imprisonment, depending on the nature and extent of the non-compliance with Law 5/1999.

Taxation Registration in Indonesia

All companies incorporated or running their business activities in Indonesia are subject to Indonesian taxation, including foreign invested companies, foreign companies carrying out business activities through a permanent establishment in Indonesia, and corporate organizations incorporated overseas receiving or accruing income from Indonesia. In addition to the main taxpayer identification number using the company's address, separate taxpayer identification numbers may also be obtained for the other business activities of a company, including a branch office.

Generally, a company of taxable goods or services must collect VAT (as defined below) from the buyer. Before obtaining the confirmation as a Taxable Entrepreneur, a taxpayer must fulfill the requirements and pass the survey conducted by the tax office. The taxpayer will obtain the taxable entity confirmation number after being confirmed as a Taxable Entrepreneur. Based on prevailing regulations, any entrepreneur is obliged to be confirmed as a Taxable Entrepreneur if, up to one month in the financial year, the gross calculation amount and/or gross revenue exceeds IDR4.8 billion.

Types of Tax in Indonesia

Value-added tax ("VAT")

The delivery of goods and services in Indonesia is generally subject to VAT. However, certain goods and services are exempt from VAT under Law No. 42 of 2009 on Value Added Tax, as lastly amended by the Job Creation Law (the "**VAT Law**"), mainly including food and beverages served in hotels, restaurants, eateries, food stalls, and similar establishments or government services. The current VAT rate is 11% starting from April 1, 2022. The VAT rate will increase to 12% beginning on January 1, 2025. Export of taxable goods and/or services for consumption outside of Indonesian customs territory are typically not subject to VAT.

VAT liabilities are typically settled by using an input-output mechanism, whereby the vendor charges and the buyer pays VAT on the sale of taxable goods or services. VAT is classified from the vendor's perspective as output tax and from the buyer's perspective as input tax. To the extent that the goods or services are necessary for running the buyer's business, the input tax can be credited against the buyer's output tax. If output tax exceeds input tax in a particular month, the difference must be settled by the applicable VAT return filing deadline. If input tax exceeds output tax, the overpaid VAT can be carried forward to future months or refunded at year-end.

Corporate income tax

Corporate income tax applies to corporate taxpayers, including limited liability companies, limited partnerships, firms, joint ventures, foundations, or other entities established or domiciled in Indonesia. A tax treatment equivalent to corporate taxpayers also applies to permanent establishments.

Resident corporate taxpayers and permanent establishments are subject to a tax rate of 22%. Public companies with at least 40% of paid-up shares traded on the Indonesia Stock Exchange and meeting specific requirements are eligible for a 3% tax reduction.

Further, small and medium enterprises ("**SMEs**") with annual revenue of not exceeding IDR50 billion may be entitled to a 50% tax reduction according to Article 31E of the Law No. 7 of 1983 on Income Tax as lastly amended by Job Creation Law (the "**Income Tax Law**"), that is proportionally imposed on the taxable income of a fraction of the gross turnover of up to IDR4.8 billion.

Withholding tax

Indonesia imposes withholding tax on certain types of income, such as salaries, interests, dividends, etc., which are subject to withholding, where the payer is required to calculate, withhold, and remit the withholding tax to the tax authorities periodically. Withholding tax may be final tax or non-final tax. In the case of the latter, non-final withholding tax may be used as a tax credit against tax payable. Main withholding tax articles in Indonesia include:

— Article 21 on employment, services, or activities income for resident individual taxpayers;

— Article 22 on imports, state-owned enterprise purchases and luxury goods;

— Article 23 on dividends, interest, royalties, bonuses, rents or compensation with respect to technical services, management services, consultation services and other services;

— Article 4(2) on income from properties, interests, sale of shares, etc.; and

— Article 26 on income paid or payable to non-resident taxpayers with a tax rate of 20%, subject to tax treaties.

Tax policies in Kendal Industrial Park

Since PT LBM Energi Baru Indonesia is located in Kendal Industrial Park, a special economic zone under Government Regulation No. 40 of 2021 on Implementation of Special Economic Zone, it is entitled to certain tax incentives subject to the terms and conditions under Government Regulation No. 40 of 2021 and Minister of Finance Regulation No. 237/PMK.010/2020 of 2020 concerning Tax, Customs, and Excise Treatment in KEK as amended by Minister of Finance Regulation No. 33/PMK.010/2021 of 2021, including but not limited to reduction on corporate income tax, accelerated depreciation of tangible fixed assets, accelerated amortization of intangible assets and reduction in income tax on dividends.

Foreign Exchange

The general provisions on foreign exchange in Indonesia are mainly regulated by Law No. 7 of 2011 on Currency as amended by Law No. 4 of 2023 on the Development and Strengthening of the Financial Sector, Regulation of Bank Indonesia ("**BI**") No. 17/3/PBI/2015 on Mandatory Use of Rupiah in the Territory of the Republic of Indonesia (the "**Mandatory Use of IDR Regulation**").

BI is constitutionally mandated to function as the central bank responsible for maintaining the stability of the IDR, including determining the reference exchange rate. However, in the case of international agreements, the Indonesian party and foreign party are at liberty to choose the foreign exchange rate presented by BI or other institutions.

IDR shall be used in any transaction conducted within Indonesian territory. This obligation may be exempted for the following conditions according to the Mandatory Use of IDR Regulation: (a) certain transactions for the implementation of the state budget; (b) revenue and/or grants from or to overseas; (c) international commercial transactions; (d) bank deposits in the form of foreign currencies; or (e) international finance transactions.

The exemption to use IDR above also applies to investors that transfer and repatriate in foreign currencies for, among others, capital, profits, interest, and dividends according to Article 8 paragraph (3) of the Investment Law.

Failure to comply with the Mandatory Use of IDR Regulation to use IDR for the transaction that requires the use of IDR is subject to sanctions as follows: (a) imprisonment for up to one year and a fine of IDR200 million; and (b) written warnings, fines, and prohibition from participation in payment transactions.

OVERVIEW

We are principally engaged in the production and sale of LFP cathode materials and automotive specialty chemicals. The history of our Group can be traced back to 2003, when our Company was established by Mr. Shi, Mr. Shi Baoshan (Mr. Shi's elder brother) and Mr. Qin Jian. To this day, Mr. Shi remains as one of our Controlling Shareholders, and he is the chairman of our Board and an executive Director.

In the early years, our business was mainly focused on the automotive specialty chemicals segment, which included the production of lubricants and engine coolants. Through strategic growth over the years, we successfully expanded and strengthened our product portfolio to also include diesel exhaust fluids and car maintenance products. We expanded into the daily chemical products segment with the establishment of Jiangsu Green Melon in July 2020. Since 2020, we started to sell LFP cathode materials. Having considered the technical advantages and market lead of Tianjin Beiterui Nano and Jiangsu Beiterui Nano and in line with our long-term development strategies formulated in response to developments in the automotive industry, on June 11, 2021, our Company acquired 100% equity interest in Tianjin Beiterui Nano and 100% equity interest in Jiangsu Beiterui Nano through our subsidiary, Changzhou Liyuan, from BTR Group, which further expanded our LFP cathode materials business. We expanded into the hydrogen energy segment in 2022 through the organic development of Jiangsu Boyuan. Under Mr. Shi's leadership together with our other senior management members, we achieved strong growth from 2021 to 2022 whereby our revenue increased by 247.1% from RMB4,053.5 million for the year ended December 31, 2021 to RMB14,071.6 million for the year ended December 31, 2022 although we recorded gross loss in 2023 primarily driven by unprecedented volatility in lithium carbonate market prices. Despite the challenges we faced, we witnessed signs of improvement in the first half of 2024, we recorded gross profit of RMB344.0 million in the first half of 2024 as compared to gross loss of RMB241.4 million for the same period in 2023.

Since April 10, 2017, our A Shares have been listed on the Shanghai Stock Exchange (stock code: 603906).

OUR BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Year	Milestone
2003	Our Company was established in March 2003 under the laws of the PRC.
2004	We were awarded Well-known Trademark of Nanjing (南京市著名商標) by the Nanjing Administration of Industry and Commerce (南京市工商行政管理局).
2006	Our testing center in Nanjing was awarded CNAS certification by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會).
2013	We expanded into the diesel exhaust fluid segment with the acquisition of Jiangsu Kelas.
2015	We were awarded Well-known Trademark of China (中國馳名商標) by the Trademark Office of the State Administration for Industry and Commerce (國家工商行政管理總局商標局). We were awarded 2014 Nanjing Mayor Quality Award (南京市市長質量獎) by the Nanjing People's Government.
2016	We were awarded Jiangsu Quality Award (江蘇省質量獎) by the Jiangsu People's Government.
2017	Our A Shares were listed on the Shanghai Stock Exchange in April 2017.
2018	We acquired 70% equity interest in Jiangsu Ruilifeng, thus indirectly acquired control of Zhangjiagang TEEC, a subsidiary of Jiangsu Ruilifeng. Through Zhangjiagang TEEC, we have further enhanced our strengths in the production and sales of coolants and car maintenance products.
2020	We expanded into the daily chemical products segment with the establishment of Jiangsu Green Melon in July 2020. We started to sell LFP cathode materials.

Year	Milestone
2021	We established Changzhou Liyuan in May 2021 together with other investors to further develop our LFP cathode materials business. We, through Changzhou Liyuan, acquired Tianjin Beiterui Nano and Jiangsu Beiterui Nano from BTR Group in June 2021, and since then, we commenced production of LFP cathode materials. In October 2021, Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保税港區問鼎投資有限公司), a wholly-owned subsidiary of CATL, and Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥企業(有限合夥)), became investors of Changzhou Liyuan. CATL is a company listed on the Shenzhen Stock Exchange (stock code: 300750).
2022	We acquired 70% equity interest in Lopal Times and agreed to cooperate with Yichun Times in the construction of a production plant for lithium carbonate to be owned and operated by Lopal Times. We expanded into the hydrogen energy segment through the organic development of Jiangsu Boyuan.
2023	We commenced preparation for our Indonesia Plant in February 2023 by setting up PT LBM Energi Baru Indonesia through our subsidiary Changzhou Liyuan.

ESTABLISHMENT AND MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Establishment and Major Shareholding Changes of Our Company Prior to January 2014

Our Company, then known as Jiangsu Lopal Petrochemicals Co., Ltd. (江蘇龍蟠石化有限公司), was established in the PRC on March 11, 2003 as a limited liability company with an initial registered capital of RMB5 million. At the time of establishment, our Company was owned as to 80%, 10% and 10% by Mr. Shi, Mr. Shi Baoshan and Mr. Qin Jian (together, the "**Founders**"), respectively. For details of the background of Mr. Shi and Mr. Qin Jian, see "Directors, Supervisors and Senior Management." Mr. Shi Baoshan is Mr. Shi's elder brother and a technical consultant of Jiangsu Kelas. The initial registered capital of our Company was funded by the Founders in proportion to their respective holdings in our Company. Mr. Shi funded his portion of the registered capital using his personal resources. Mr. Shi Baoshan's portion of the registered capital was paid up by Nanjing Lopal Lubricants Co., Ltd. (南京龍蟠潤滑油有限責任公司) (which changed its name to Nanjing Fulima Lubricants Co., Ltd. (南京富利瑪潤滑油有限責任公司)) ("**Nanjing Lopal Lubricants**"), as it then owed Mr. Shi Baoshan certain debts. Mr. Qin Jian's portion of the registered capital was funded by Nanjing Lopal Lubricants, as it then owed Mr. Qin

Jian certain debts, and with funds borrowed from Mr. Shi. As of the Latest Practicable Date, Mr. Qin Jian had fully settled his debt to Mr. Shi relating to payment of the registered capital. Nanjing Lopal Lubricants was deregistered in October 2013. Prior to its deregistration, Nanjing Lopal Lubricants was owned as to 80%, 10% and 10% by Ms. Qin Juan, Mr. Xue Lingjian and Mr. Qin Jian. Ms. Qin Juan is Mr. Qin Jian's younger sister. Mr. Xue Lingjian is Ms. Qin Juan's husband.

On April 14, 2009, Mr. Shi Baoshan transferred all his 10% equity interest in our Company to Ms. Shi Shuhong at the consideration of RMB500,000, and Mr. Qin Jian transferred all his 10% equity interest in our Company to Ms. Zhu at the consideration of RMB500,000. The considerations of the said transfers were determined with reference to the then registered capital of our Company. Upon the completion of the transfers, our Company was owned as to 80%, 10% and 10% by Mr. Shi, Ms. Zhu and Ms. Shi Shuhong, respectively. Ms. Shi Shuhong is Mr. Shi's elder sister and Ms. Zhu is Mr. Shi's wife. For details of the background of Ms. Zhu, see "Directors, Supervisors and Senior Management."

Between April 2009 and November 2013, our Company underwent several rounds of increases in registered capital and equity transfer. As of November 29, 2013, our Company's registered capital was RMB63,888,849, which was owned as to approximately 67.62%, 7.51%, 8.35% and 16.52% by Mr. Shi, Ms. Zhu, Nanjing Bailey and Jiantou Jiachi (Shanghai) Investment Co., Ltd. (建投嘉馳(上海)投資有限公司) ("**Jiantou Jiachi**"), respectively. For details of the background of Nanjing Bailey, see "— Corporate Structure — Corporate Structure as of the Latest Practicable Date" below. For details of the background of Jiantou Jiachi, see "— Conversion into a Joint Stock Company in January 2014" below.

Conversion into a Joint Stock Company in January 2014

On January 23, 2014, our Company was converted into a joint stock company with a registered capital of RMB156 million and was renamed as Jiangsu Lopal Tech. Co., Ltd. (江蘇龍蟠科技股份有限公司). RMB156,000,000 of the audited net assets of our Company as of November 30, 2013 was converted into 156,000,000 Shares with a nominal value of RMB1.00 each.

The shareholding structure of our Company immediately after the completion of the conversion into a joint stock company was as follows:

Shareholder	Number of Shares held	Approximate percentage of shareholding
		(%)
Mr. Shi(1)	105,487,200	67.62
Ms. Zhu(1)	11,715,600	7.51
Nanjing Bailey(1)	13,026,000	8.35
Jiantou Jiachi(2)	25,771,200	16.52
Total	**156,000,000**	**100.00**

Notes:

(1) Mr. Shi and Ms. Zhu are spouses. For details of the background of Mr. Shi and Ms. Zhu, see "Directors, Supervisors and Senior Management."

As of the Latest Practicable Date, Lopal International was the general partner of Nanjing Bailey, and the partnership interest of Nanjing Bailey was held as to approximately 56.99% by Ms. Zhu, approximately 1.16% by Lopal International, while the remainder was held by 33 subsisting or former employees of our Group whose percentage of partnership interest ranged from approximately 1.08% to 2.02% each. As of the Latest Practicable Date, Lopal International was owned as to 90% and 10% by Mr. Shi and Ms. Zhu, respectively.

(2) Jiantou Jiachi, an Independent Third Party, is a limited liability company established in the PRC and as of the Latest Practicable Date, it was wholly-owned by Jiantou Investment Co., Ltd. (建投投資有限責任公司), which was in turn wholly-owned by China Jianyin Investment Co., Ltd. (中國建銀投資有限責任公司), which was in turn wholly-owned by Central Huijin Investment Co., Ltd. (中央匯金投資有限責任公司), which was in turn wholly-owned by China Investment Corporation (中國投資有限責任公司), a state-owned enterprise of the PRC. Jiantou Jiachi was a financial investor of our Company.

A Share Offering and Listing on the Shanghai Stock Exchange in April 2017

As approved by the CSRC, our Company completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange (stock code: 603906) on April 10, 2017. Immediately following this offering, our share capital was increased to 208,000,000 A Shares with a nominal value of RMB1.00 each, and the shareholding structure of our Company was as follows:

Shareholder[(1)]	Number of A Shares held	Approximate percentage of shareholding
		(%)
Mr. Shi	105,487,200	50.72
Ms. Zhu	11,715,600	5.63
Nanjing Bailey	13,026,000	6.26
Jiantou Jiachi	20,571,200	9.89
National Council for Social Security Fund (全國社會保障基金理事會)[(2)]	5,200,000	2.50
Other Shareholders	52,000,000	25.00
Total	208,000,000	100.00

Notes:

(1) See notes in "— Establishment and Major Shareholding Changes of Our Company — Conversion into a Joint Stock Company in January 2014" above.

(2) As advised by our PRC Legal Advisor, as Jiantou Jiachi was a PRC state-owned enterprise, according to then subsisting relevant PRC Law, it was required to transfer such number of A Shares that was equivalent to 10% of the total number of A Shares offered at the initial public offering to National Council for Social Security Fund (全國社會保障基金理事會).

As of the Latest Practicable Date, our Company was listed on the Shanghai Stock Exchange, and our Directors confirmed that, save as the Verbal Warning disclosed in "Business — Legal Proceedings and Compliance — Non-compliance — Verbal warning by the Shanghai Stock Exchange", we had no instances of non-compliance with the rules of the Shanghai Stock Exchange in any material respects since our listing on the Shanghai Stock Exchange and, to the best knowledge of our Directors after having made all reasonable enquiries, there was no matter that should be brought to the attention of potential investors of our Company in relation to our compliance record on the Shanghai Stock Exchange. Based on the filings on the website of the Shanghai Stock Exchange and the information available in the public domain, our PRC Legal Advisor is of the view that since our listing on the Shanghai Stock Exchange, we had no instances of material non-compliance with the rules of the Shanghai Stock Exchange, and there is no matter that should be brought to the attention of potential investors of our Company. Based on the independent due diligence conducted by the Joint Sponsors and our PRC Legal Advisor's view above, nothing has come to the Joint Sponsors' attention that would cause them to disagree with our Directors' confirmation with regard to the compliance records of our Company on the Shanghai Stock Exchange.

Share Capital Changes in 2018

In January 2018, our Company granted 3,720,000 restricted A Shares to 60 employees of our Group pursuant to its 2017 restricted share scheme (the "**2017 Restricted Share Scheme**"). Pursuant to the terms of the 2017 Restricted Share Scheme, the 2017 Restricted Share Scheme has expired and no further restricted A Shares will be granted under the scheme. Since April 2, 2021, the restriction on disposal of all the restricted A Shares granted under the 2017 Restricted Share Scheme has been released.

At the Board meeting held in April 2018 and the annual general meeting of our Company held in May 2018, we resolved to issue 42,344,000 A Shares as bonus shares to our then Shareholders with reference to a total of 211,720,000 issued A Shares immediately before the bonus issue. Upon completion of the bonus issue in June 2018, our share capital was increased to 254,064,000 A Shares with a nominal value of RMB1.00 each.

Share Capital Changes in 2019

At the Board meeting held in April 2019 and the annual general meeting of our Company held in May 2019, we resolved to issue 50,779,200 A Shares as bonus shares to our then Shareholders with reference to a total of 253,896,000 issued A Shares immediately before the bonus issue. During 2019, we repurchased and cancelled a total of 2,230,080 restricted A Shares granted under the 2017 Restricted Share Scheme. As of December 31, 2019, our share capital was 302,613,120 A Shares with a nominal value of RMB1.00 each.

Share Capital Changes in 2020

During 2020, we repurchased and cancelled a total of 185,760 restricted A Shares granted under the 2017 Restricted Share Scheme.

On April 23, 2020, we issued 4,000,000 units of convertible bonds with a par value of RMB100 each and an aggregate principal amount of RMB400 million, which were listed on the Shanghai Stock Exchange on May 19, 2020. The convertible bonds were for a term of six years commencing from April 23, 2020 at an annual interest rate of 0.50% for the first year, 0.80% for the second year, 1.80% for the third year, 3.00% for the fourth year, 3.50% for the fifth year and 4.00% for the sixth year. The initial conversion price was RMB9.61 per A Share, which was later revised to RMB9.48 per A Share with effect from June 4, 2020. As of December 10, 2020, the relevant bondholder converted the relevant convertible bonds into 41,940,886 A Shares, and we redeemed all of the outstanding convertible bonds.

As of December 31, 2020, our share capital was 344,368,246 A Shares with a nominal value of RMB1.00 each.

Share Capital Changes in 2021

At the Board meeting held in March 2021 and the annual general meeting of our Company held in April 2021, we resolved to issue 137,740,386 A Shares as bonus shares to our then Shareholders with reference to a total of 344,350,966 issued A Shares immediately before the bonus issue. During 2021, we repurchased and cancelled a total of 17,280 restricted A Shares granted under the 2017 Restricted Share Scheme. As of December 31, 2021, our share capital was 482,091,352 A Shares with a nominal value of RMB1.00 each.

Share Capital Changes in 2022

In May 2022, we underwent a non-public offering of 82,987,551 A Shares at an offer price of RMB26.51 per A Share. We raised RMB2,199,999,977.01 in gross proceeds from the non-public offering, and the net proceeds (after deduction of the underwriting commissions and other offering related expenses of RMB24,468,856.18) was RMB2,175,531,120.83. As of the Latest Practicable Date, we had utilized RMB1,575.6 million of such net proceeds. The following table sets forth the status of the use of proceeds from the said non-public offering:

Intended use of proceeds	Percentage of intended use of net proceeds	Intended use of net proceeds from the non-public offering	Utilized net proceeds as of the Latest Practicable Date	Unutilized net proceeds as of the Latest Practicable Date	Original proposed timeframe of unused balance and current expected timeframe of unused balance
	(%)	(in RMB millions)	(in RMB millions)	(in RMB millions)	
To expand the scale and production of our NEV power and energy storage cathode material	59.3	1,290.0	672.9	617.1	by the second quarter of 2025
600,000 tons diesel exhaust fluid production expansion project[(1)(2)]	11.7	255.6	256.2	—	—
40,000 tons per annum lithium carbonate production facility construction project[(2)]	6.0	129.9	142.0	—	—
Working capital and other general corporate purposes	23.0	500.0	504.5	—	—
Total	100.0	2,175.5	1,575.6	617.1	—

Notes:

1. On June 13, 2022, our Board has resolved to change the entity to implement the expansion projects for administrative convenience and the entities involved prior and after the change are both wholly-owned subsidiaries of our Group.

2. On February 20, 2024, as the 600,000 tons diesel exhaust fluid production expansion project had been completed, the shareholders of our Company had resolved to apply the remaining proceeds from the non-public offering of approximately RMB129.9 million to 40,000 tons per annum lithium carbonate production facility construction project.

3. To the extent that the net proceeds from the non-public offering are not immediately required for the above purposes and without affecting the use of such net proceeds as intended, our Company may utilize idle unutilized net proceeds from the offerings of (i) not exceeding RMB600 million from the non-public offering to supplement our working capital temporarily for a period not exceeding 12 months from April 25, 2024, and by the end of such 12-month period, such utilized cash shall be deposited to the designated account of our Company in full; and (ii) not exceeding RMB760 million (comprising RMB720 million from the non-public offering and RMB40 million from the issue of the convertible bonds of the Company in 2020) and not exceeding RMB2,800 million of our own idle cash to invest in wealth management products for the period from the annual general meeting of the Company for the year 2023 until the annual general meeting of the Company for the year 2024. The interest generated from such investment in wealth management products will be applied to supplement our working capital. As of the Latest Practicable Date, (i) the amount of net proceeds from the non-public offering used to supplement our working capital temporarily and remained outstanding is RMB500 million; and (ii) the aggregate amount of net proceeds from the non-public offering used to invest in wealth management products and remain outstanding is RMB130 million.

As of December 31, 2022, our share capital was 565,078,903 A Shares with a nominal value of RMB1.00 each, and the shareholding of our Company was as follows:

Shareholder[Note]	**Number of A Shares held**	**Approximate percentage of shareholding**
		(%)
Mr. Shi	212,662,195	37.63
Ms. Zhu	23,618,649	4.18
Nanjing Bailey	3,025,208	0.54
Jiantou Jiachi	4,449,487	0.79
Other Shareholders	321,323,364	56.86
Total	565,078,903	100.00

Note: See notes in "— Establishment and Major Shareholding Changes of Our Company — Conversion into a joint stock company in January 2014" above.

On August 30, 2022, we announced our Board's proposal to issue convertible bonds with an aggregate principal amount of no more than RMB2.1 billion ("**Proposed 2022 CB Issuance**"). The Proposed 2022 CB Issuance was subject to, among others, the approval by the relevant governmental authorities in the PRC. In October 2022, our Company submitted the relevant application and documents in relation to the Proposed 2022 CB Issuance to CSRC for consideration. Following the change in applicable laws and regulations in the PRC in February 2023, the Proposed 2022 CB Issuance was subject to review by the Shanghai Stock Exchange and fulfillment of relevant procedures relating to issuance registration with the CSRC. On March 1, 2023, we received notice of acceptance from the Shanghai Stock Exchange confirming that the documents provided were complete, in compliance with requisite formality and eligible for review. In November 2022 and March 2023, we have received written comments as well as subsequent follow up comments from the CSRC and the Shanghai Stock Exchange in respect of the Proposed 2022 CB Issuance, respectively, and have responded to their comments in December 2022, May 2023 (with updates and revisions submitted in June 2023), respectively. On June 30, 2023, after considering, among other factors, our Company's strategic development and capital operation plans and the reasons set out in "— Reasons for the Termination of the Proposed 2022 CB Issuance and the Listing on the Stock Exchange" below, our Board and our Supervisory Committee resolved to terminate the Proposed 2022 CB Issuance voluntarily.

As of the Latest Practicable Date and to the best of our Directors' knowledge, our Company did not receive any further enquiries from the relevant regulatory authorities and there were no outstanding enquiries from relevant regulatory authorities with respect to the Proposed 2022 CB Issuance. During the preparation of the Proposed 2022 CB Issuance, we did not encounter disagreements with relevant professional parties, CSRC nor Shanghai Stock Exchange.

To the best of their knowledge, our Directors confirm that they are not aware of (i) any other matters relating to the Proposed 2022 CB Issuance which should be reasonably highlighted in this prospectus for investors to form an informed assessment of our Company; and (ii) any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to the Proposed 2022 CB Issuance. Having considered that the proceeds from the Proposed 2022 CB Issuance were primarily intended to use for building new production lines of different phases in Hubei, major phase of which has been completed in view of our prevailing production needs, our Directors are of the view that the termination of the Proposed 2022 CB Issuance did not have any material adverse impact on our Company's prevailing production and operational activities.

Reasons for the Termination of the Proposed 2022 CB Issuance and the Listing on the Stock Exchange

Our Directors believe that the termination of the Proposed 2022 CB Issuance and the Listing will be in the interest of our Group's business development strategies, and would be beneficial to us and our Shareholders as a whole for the following reasons:

(i) our Group considered equity financing namely the Listing is a more attractive option than debt financing namely the Proposed 2022 CB Issuance under prevailing conditions to fund our future business operations and expansion plans as the Listing will provide us the necessary and immediately available funds offshore to finance our overseas expansion. On the other hand, if we proceed with the Proposed 2022 CB Issuance, which is a debt financing exercise to support our operations and expansion plans, our financial performance and liquidity may be negatively affected due to principal and interest payments in debt financing interest payments. Thus, our Directors consider the Proposed 2022 CB Issuance is not an ideal option in the long run; and

(ii) the trading performance of our A Shares has been decreasingly active in the second half of 2022 and first half of 2023, during which the trading volume and closing price were volatile. On the other hand, as the Stock Exchange is a leading player of the international financial markets, it does not only offer us direct access to international capital markets to enhance our fund raising capabilities and shareholder base but also offer us a better platform to promote our international presence that favours the development of our international business and overseas business plans. Thus, our Directors believe that the Listing on the Stock Exchange will enhance the value of our Shares, boost investors' confidence and enhance shareholders' return in the long run.

2023 SHARE OPTION SCHEME

The 2023 Share Option Scheme was adopted by our Shareholders at the extraordinary general meeting held on September 22, 2023. The purposes of the 2023 Share Option Scheme are, among others, to incentivize the management personnel and employees, attract and retain management talents and key personnel, prevent loss of talents, and enhance cohesiveness and competitiveness of our Company. As of the Latest Practicable Date, 162 eligible participants have been granted outstanding options under the 2023 Share Option Scheme in respect of an aggregate of 5,295,000 A Shares, representing approximately 0.80% of the total issued Shares immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised). For details of the 2023 Share Option Scheme, see "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV.

OUR PRINCIPAL SUBSIDIARIES

As of the Latest Practicable Date, we held twelve principal subsidiaries. The following table sets forth the detailed information of these principal subsidiaries which made a material contribution to our total assets, revenue and/or profit before tax during the Track Record Period[(1)]:

Name of subsidiary	Date of incorporation/ establishment	Place of incorporation/ establishment	Equity interest attributable to our Group[(2)]	Authorized share capital/registered capital	Principal activities
Jiangsu Kelas . . .	August 20, 2009	PRC	100%	RMB435,531,144	Production and sales of diesel exhaust fluids; and sales of coolants and car maintenance products
Lopal Lubrication	March 27, 2013	PRC	100%	RMB265,000,000	Production and sales of lubricants
Zhangjiagang TEEC	May 20, 1996	PRC	39.91%	USD30,000,000	Production and sales of coolants and car maintenance products
Changzhou Liyuan.	May 12, 2021	PRC	64.03%	RMB778,614,662	Sales of LFP cathode materials
Sichuan Liyuan .	October 21, 2020	PRC	64.03%	RMB500,000,000	Production and sales of LFP cathode materials
Jiangsu Beiterui Nano.	January 28, 2021	PRC	64.03%	RMB300,000,000	Production and sales of LFP cathode materials
Shandong Liyuan	September 10, 2021	PRC	64.03%	RMB160,000,000[(3)]	Production and sales of LFP cathode materials and production of iron phosphate
Hubei Liyuan. . .	December 2, 2021	PRC	64.03%	RMB410,000,000	Production and sales of LFP cathode materials
Tianjin Beiterui Nano.	December 28, 2015	PRC	64.03%	RMB100,000,000	Production and sales of LFP cathode materials
Lopal Times. . . .	March 2, 2022	PRC	70%	RMB1,000,000,000	Production of lithium carbonate
Lopal New Material.	January 4, 2023	PRC	100%	RMB145,000,000	Research and development, production and sales of environmentally friendly chemicals for vehicles
Shandong Kelas .	December 30, 2020	PRC	100%	RMB100,000,000	Production and sales of urea for vehicles

Notes:

(1) A subsidiary of our Company is considered a principal subsidiary if it contributed 10% or more to the total assets or revenue of our Group in any year during the three years ended December 31, 2023 or to the profit before tax of our Group in any year during the two years ended December 31, 2022, or 5% or more to the total assets or revenue or gross profit our Group during the six months ended June 30, 2024, considering that we recorded gross loss and loss before tax for the year ended December 31, 2023 and recorded loss before tax for the six months ended June 30, 2024.

(2) Such equity interest may be held indirectly by our Company through its subsidiaries as of the Latest Practicable Date. For details, see "— Corporate Structure — Corporate Structure as of the Latest Practicable Date" below.

(3) On September 27, 2024, the sole shareholder of Shandong Liyuan has resolved to increase the registered capital of Shandong Liyuan from RMB160,000,000 to RMB410,000,000. As of the Latest Practicable Date, the said capital increase has not been completed.

OUR STRATEGIC COOPERATION

Acquisition of Jiangsu Ruilifeng in 2018

Jiangsu Ruilifeng was established in the PRC as a limited liability company on September 17, 2009. On June 27, 2018, our Company and 15 then equity holders of Jiangsu Ruilifeng (the "**Ruilifeng Transferors**") entered into an equity transfer agreement (the "**Ruilifeng Transfer Agreement**"), whereby the Ruilifeng Transferors agreed to transfer in aggregate 70% of the equity interest in Jiangsu Ruilifeng to our Company at the aggregate consideration of RMB302,910,000 (the "**Ruilifeng Consideration**"), which was fully settled on May 14, 2021. The consideration was determined with reference to a valuation report issued by an independent valuer. Upon completion of the said equity transfers on July 27, 2018 and up to the Latest Practicable Date, Jiangsu Ruilifeng was owned as to 70%, 20%, 9% and 1% by our Company, Zhangjiagang Zhaorui Corporate Management Partnership (Limited Partnership) (張家港兆瑞企業管理合夥企業(有限合夥)) ("**Zhangjiagang Zhaorui**"), Wang Zhaoyin (王兆銀) and Qian Xuefen (錢雪芬), respectively. For details of Zhangjiagang Zhaorui, Wang Zhaoyin (王兆銀) and Qian Xuefen (錢雪芬), see "— Corporate Structure — Corporate Structure as of the Latest Practicable Date." At the time of our acquisition of 70% equity interest in Jiangsu Ruilifeng, Jiangsu Ruilifeng already held 57.01% equity interest in Zhangjiagang TEEC. As such, through the acquisition of Jiangsu Ruilifeng, we acquired a controlling interest in Zhangjiagang TEEC.

The following sets out a summary of some of the major terms of the Ruilifeng Transfer Agreement:

Governance of Jiangsu Ruilifeng:	The board of directors of Jiangsu Ruilifeng shall comprise five directors, out of which our Company has the right to nominate three candidates and the other equity holders of Jiangsu Ruilifeng have the right to nominate two candidates. The chairman of Jiangsu Ruilifeng shall be nominated by our Company. Unless otherwise provided in the articles of Jiangsu Ruilifeng as of the date of the Ruilifeng Transfer Agreement, the Ruilifeng Transferors shall ensure that certain agreed matters relating to Zhangjiagang TEEC and required to be voted on by the directors of Zhangjiagang TEEC nominated by Jiangsu Ruilifeng at the board meetings of Zhangjiagang TEEC shall first be approved by a majority of board of directors of Jiangsu Ruilifeng.
Profit guarantee:	The profit guarantee period shall be the years 2018, 2019 and 2020 (the "**Ruilifeng PG Period**"). The Ruilifeng Transferors guarantee that during the Ruilifeng PG Period, the annual audited net profit of Zhangjiagang TEEC for each of the years shall not be less than 103% of the annual audited net profit of the previous year (the "**Guaranteed Profit**"). The annual audited net profit in this clause means the lower of (i) the net profit, and (ii) the net profit after deducting non-recurring profit or loss items, as shown in the audit report issued by a professional auditor. If the annual audited net profit of Zhangjiagang TEEC in any of the years during the Ruilifeng PG Period is lower than the annual audited net profit in 2017, the Ruilifeng Transferors shall be jointly and severally liable to compensate our Company an amount calculated according to the following formula by cash: Total compensation for the relevant year = Absolute value of (Guaranteed Profit for the year – 2017 annual audited net profit)/Sum of the Guaranteed Profit for each of the years during the Ruilifeng PG Period × Ruilifeng Consideration

Compensation for the relevant year payable by each Ruilifeng Transferor = Total compensation for the relevant year as calculated above × Amount of equity interest transferred by the relevant Ruilifeng Transferor to our Company/Total amount of equity interest transferred by all of the Ruilifeng Transferors to our Company

If the annual audited net profit of Zhangjiagang TEEC in any of the years during the Ruilifeng PG Period is greater than the annual audited net profit in 2017 but lower than the Guaranteed Profit for the year, the Ruilifeng Transferors shall be jointly and severally liable to compensate our Company an amount calculated according to the following formula by cash:

Total compensation for the relevant year = Absolute value of (Guaranteed Profit for the year – Annual audited net profit for the previous year)

Compensation for the relevant year payable by each Ruilifeng Transferor = Total compensation for the relevant year as calculated above × Amount of equity interest transferred by the relevant Ruilifeng Transferor to our Company/Total amount of equity interest transferred by all of the Ruilifeng Transferors to our Company

However, the total compensation payable by the Ruilifeng Transferors shall not exceed 50% of the Ruilifeng Consideration.

The Guaranteed Profit under the Ruilifeng Transfer Agreement had been met for each of the years during the Ruilifeng PG Period, and no compensation was payable in respect thereof.

Establishment of Changzhou Liyuan in 2021 and Subsequent Capital Increases

Changzhou Liyuan was established in the PRC as a limited liability company on May 12, 2021 to further develop our LFP cathode materials business. At the time of its establishment, Changzhou Liyuan was owned as to approximately 73.33%, 11.11%, 10.00% and 5.56% by our Company, Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥)) ("**Changzhou Youbeili**"), BTR Group and Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥)) ("**Nanjing Jinbeili**"), respectively. For details on Changzhou Youbeili, BTR Group and Nanjing Jinbeili, see "— Corporate Structure — Corporate Structure as of the Latest Practicable Date."

On July 19, 2021, Changzhou Liyuan, our Company, BTR Group, Changzhou Youbeili, Nanjing Jinbeili, Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership) (常州金壇泓遠創業投資合夥企業(有限合夥)) ("**Jintan Hongyuan**") and Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥)) ("**Nanjing Chaoli**") entered into a capital increase agreement, pursuant to which the registered capital of Changzhou Liyuan was increased from RMB315,000,000 to RMB357,000,000 by RMB42,000,000, of which RMB35,000,000 was subscribed by Jintan Hongyuan and RMB7,000,000 was subscribed by Nanjing Chaoli. Upon completion of the said capital increase on July 20, 2021, Changzhou Liyuan was owned as to approximately 64.71%, 9.80%, 9.80%, 8.82%, 4.90% and 1.96% by our Company, Changzhou Youbeili, Jintan Hongyuan, BTR Group, Nanjing Jinbeili and Nanjing Chaoli, respectively. For details on Jintan Hongyuan and Nanjing Chaoli, see "— Corporate Structure — Corporate Structure as of the Latest Practicable Date."

On October 18, 2021, Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保稅港區問鼎投資有限公司) ("**Wending Investment**"), Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥企業(有限合夥)) ("**Times Mindong**", and together with Wending Investment are referred to as the "**Liyuan New Investors**"), our Company, BTR Group, Changzhou Youbeili, Nanjing Jinbeili, Jintan Hongyuan, Nanjing Chaoli and Changzhou Liyuan entered into a capital increase agreement (the "**Liyuan Second Capital Increase Agreement**"), pursuant to which the registered capital of Changzhou Liyuan was increased from RMB357,000,000 to RMB481,113,281 by RMB124,113,281, of which RMB46,019,531 was subscribed by Wending Investment at the consideration of RMB165,000,000, RMB50,203,125 was subscribed by Times Mindong at the consideration of RMB180,000,000 and RMB27,890,625 was subscribed by our Company at the consideration of RMB100,000,000. Upon completion of the said capital increase on December 16, 2021 (the "**Liyuan Completion Date**"), Changzhou Liyuan was owned as to approximately 53.81%, 10.43%, 9.57%, 7.27%, 7.27%, 6.55%, 3.64% and 1.45% by our Company, Times Mindong, Wending Investment, Changzhou Youbeili, Jintan Hongyuan, BTR Group, Nanjing Jinbeili and Nanjing Chaoli, respectively. For details on Wending Investment and Times Mindong, see "— Corporate Structure — Corporate Structure as of the Latest Practicable Date."

The following sets out a summary of some of the major terms of the Liyuan Second Capital Increase Agreement:

Composition of the board of directors:	The board of directors of Changzhou Liyuan shall comprise five directors, out of which Wending Investment shall have the right to nominate one candidate, BTR Group shall have the right to nominate one candidate and our Company shall have the right to nominate three candidates.
Composition of the supervisory committee:	The supervisory committee of Changzhou Liyuan shall comprise three supervisors, out of which Wending Investment shall have the right to nominate one candidate.

Business cooperation: CATL shall enjoy priority in the supply of 75% of the LFP cathode materials produced by Changzhou Liyuan (including Tianjin Beiterui Nano, Jiangsu Beiterui Nano and Sichuan Liyuan), and if Changzhou Liyuan establishes any new subsidiaries in the future, CATL shall have the right to negotiate with Changzhou Liyuan on the proportion of the product supply to be secured for CATL by such new subsidiaries.

For a period of five years from the date of the Liyuan Second Capital Increase Agreement, CATL will distribute 30% of the LFP cathode materials produced by Changzhou Liyuan (including Tianjin Beiterui Nano, Jiangsu Beiterui Nano and Sichuan Liyuan).

Liquidation preference: In the event of statutory liquidation such as liquidation, dissolution or termination of business, or any deemed liquidation as provided for in the Liyuan Second Capital Increase Agreement, of Changzhou Liyuan, out of the remaining balance of proceeds from the disposal of assets of Changzhou Liyuan after payment of liquidation fees, wages, social security fees and statutory compensations, outstanding tax liabilities and outstanding debts in accordance with the applicable laws (the "**Distributable Liquidation Proceeds**"), the Liyuan New Investors shall have liquidation preference to obtain the higher of the following:

(1) the total investment amount of the Liyuan New Investors (which means the initial cost of investment corresponding to the equity interest in Changzhou Liyuan held by the Liyuan New Investors at the time) plus interest at an annual rate of 10% counting from the date of actual payment of the investment moneys by the Liyuan New Investors;

(2) the amount of Distributable Liquidation Proceeds that is proportionate to the equity holding percentage of the Liyuan New Investors in Changzhou Liyuan at the time.

Repurchase right: In the event of any of the following, the Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by the Liyuan New Investors:

(1) our Company fails to make an announcement on the spin-off and qualified listing (as defined in the Liyuan Second Capital Increase Agreement) of Changzhou Liyuan within four years after the Liyuan Completion Date, or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Completion Date, and the Liyuan New Investors and our Company are unable to reach a consensus on the progress of the qualified listing (failure to complete a qualified listing within five years after the Liyuan Completion Date as a result of the related party transactions between Changzhou Liyuan and the Liyuan New Investors excepted);

(2) the product quality or supply of Changzhou Liyuan (including the subsidiaries of Changzhou Liyuan) fails to meet the standards as required under the Liyuan Second Capital Increase Agreement, and such failure cannot be remedied within a specified period as reasonably requested;

(3) any key employee of Changzhou Liyuan as provided for in the Liyuan Second Capital Increase Agreement resigns or no longer provides services to Changzhou Liyuan, materially impacting the production and operation of Changzhou Liyuan;

(4) our Company or Changzhou Liyuan materially breaches the Liyuan Second Capital Increase Agreement.

	If the Liyuan New Investors exercise the repurchase right, the repurchase price shall be the higher of the following: (1) the equity holding of the Liyuan New Investors in Changzhou Liyuan at the time multiplied by the valuation of Changzhou Liyuan at the time, which is to be determined in accordance with the fair value assessed by a qualified third party valuer mutually agreed by our Company and the Liyuan New Investors, and such fair value assessment shall take into account the reasonable valuation of other comparable listed companies (including our Company) at the time (the "**Fair Value Assessment Method**"); or (2) the amount of capital injected corresponding to the equity interest held by the Liyuan New Investors at the time plus an investment gain at an annual rate of 10% (calculated from the date of actual payment of the capital) (the "**IRR Method**" and the resultant repurchase price, the "**Liyuan New Investors Repurchase Price**"). The Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest by cash (provided that such repurchase shall not cause any material impact on the cash flow of our Company), or by issuing new shares of our Company to the Liyuan New Investors.
Other shareholders' rights:	The Liyuan Second Capital Increase Agreement contains other terms such as transfer restrictions, right of first refusal, anti-dilution and tag-along right.
Termination:	The Liyuan Second Capital Increase Agreement may be terminated in the event of, among others, any of the following: (i) the parties mutually agree to terminate the Liyuan Second Capital Increase Agreement in writing; or (ii) if any force majeure event (as defined in the Liyuan Second Capital Increase Agreement) occurs which has rendered the performance of the Liyuan Second Capital Increase Agreement impossible, any party may give written notice to the other parties to terminate the Liyuan Second Capital Increase Agreement.

On June 13, 2022, Changzhou Liyuan, BTR Group, Changzhou Youbeili, Nanjing Jinbeili, Nanjing Chaoli, Jintan Hongyuan, Wending Investment, Times Mindong and our Company entered into a capital increase agreement, pursuant to which the registered capital of Changzhou Liyuan was increased from RMB481,113,281 to RMB720,741,131 by RMB239,627,850, which was subscribed by our Company at the consideration of RMB1,290,000,000. Upon completion of the said capital increase on June 29, 2022, Changzhou Liyuan was owned as to approximately 69.17%, 6.97%, 6.39%, 4.86%, 4.86%, 4.37%, 2.43% and 0.97% by our Company, Times Mindong, Wending Investment, Changzhou Youbeili, Jintan Hongyuan, BTR Group, Nanjing Jinbeili and Nanjing Chaoli, respectively.

On December 31, 2023, Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司) ("**Jianxin Investment**"), Wending Investment, Times Mindong, our Company, BTR Group, Changzhou Youbeili, Nanjing Jinbeili, Jintan Hongyuan, Nanjing Chaoli and Changzhou Liyuan entered into a capital increase agreement (the "**Liyuan Fourth Capital Increase Agreement**"), pursuant to which the share capital of Changzhou Liyuan was increased from RMB720,741,131 to RMB735,071,009 by RMB14,329,878, which was subscribed by Jianxin Investment at the consideration of RMB100,000,000 (the "**Capital Increase by Jianxin Investment**"). Upon completion of the said capital increase on February 5, 2024 (the "**Liyuan Fourth Capital Increase Completion Date**"), Changzhou Liyuan was owned as to approximately 67.82%, 6.83%, 6.26%, 4.76%, 4.76%, 4.29%, 2.38%, 0.95% and 1.95% by our Company, Times Mindong, Wending Investment, Changzhou Youbeili, Jintan Hongyuan, BTR Group, Nanjing Jinbeili, Nanjing Chaoli and Jianxin Investment, respectively.

The following sets out a summary of some of the major terms of the Liyuan Fourth Capital Increase Agreement:

Composition of the board of directors:	The board of directors of Changzhou Liyuan shall comprise five directors, out of which Wending Investment shall have the right to nominate one candidate, BTR Group shall have the right to nominate one candidate and our Company shall have the right to nominate three candidates.
Composition of the supervisory committee:	The supervisory committee of Changzhou Liyuan shall comprise three supervisors, out of which Wending Investment shall have the right to nominate one candidate.
Liquidation preference:	In the event of statutory liquidation such as liquidation, dissolution or termination of business, or any deemed liquidation as provided for in the Liyuan Fourth Capital Increase Agreement, of Changzhou Liyuan, out of the Distributable Liquidation Proceeds, the Liyuan New Investors and Jianxin Investment (collectively, the "**Liyuan 2023 Investors**") shall have liquidation preference to obtain the higher of the following: (1) (a) in relation to the Liyuan New Investors, the Liyuan New Investors Repurchase Price, or (b) in relation to Jianxin Investment, the Jianxin Repurchase Price (as defined below), in each case with reference to their respective equity interest holding in Changzhen Liyuan at the material time;

(2) the amount of Distributable Liquidation Proceeds that is proportionate to the equity holding percentage of the Liyuan 2023 Investors in Changzhou Liyuan at the time.

Repurchase right: In the event of any of the following, the Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by the Liyuan New Investors:

(1) our Company fails to make an announcement on the spin-off and qualified listing (as defined in the Liyuan Fourth Capital Increase Agreement) of Changzhou Liyuan within four years after the Liyuan Completion Date, or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Completion Date, and the Liyuan New Investors and Changzhou Liyuan are unable to reach a consensus on the progress of the qualified listing (failure to complete a qualified listing within five years after the Liyuan Completion Date as a result of the related party transactions between Changzhou Liyuan and the Liyuan New Investors excepted);

(2) the product quality or supply of Changzhou Liyuan (including the subsidiaries of Changzhou Liyuan) fails to meet the standards as required under the Liyuan Second Capital Increase Agreement, and such failure cannot be remedied within a specified period as reasonably requested;

(3) any key employee of Changzhou Liyuan as provided for in the Liyuan Fourth Capital Increase Agreement resigns or no longer provides services to Changzhou Liyuan, materially impacting the production and operation of Changzhou Liyuan;

(4) our Company or Changzhou Liyuan materially breaches the Liyuan Fourth Capital Increase Agreement.

In the event of any of the following, Jianxin Investment shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by it:

(1) our Company fails to make an announcement on the qualified listing (as defined in the Liyuan Fourth Capital Increase Agreement) of Changzhou Liyuan within four years after the Liyuan Fourth Capital Increase Completion Date, or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Fourth Capital Increase Completion Date, and the Liyuan 2023 Investors and Changzhou Liyuan are unable to reach a consensus on the progress of the qualified listing;

(2) the Liyuan New Investors demand our Company or its designated party to repurchase part or all of the equity interest in Changzhou Liyuan held by the Liyuan New Investors pursuant to the Liyuan Fourth Capital Increase Agreement or any other agreement entered into by the Liyuan New Investors, Changzhou Liyuan and our Company;

(3) our Company or Changzhou Liyuan materially breaches the Liyuan Fourth Capital Increase Agreement.

If the repurchase right set out above is exercised,

(1) the repurchase price in respect of the equity interests held by Liyuan New Investors shall be the higher of the following: (1) the Fair Value Assessment Method; or (2) the IRR Method. The Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest by cash (provided that such repurchase shall not cause any material impact on the cash flow of our Company), or by issuing new shares of our Company to the Liyuan New Investors.

(2) the repurchase price in respect of the equity interests held by Jianxin Investment shall be the higher of the following: (1) the equity holding of Jianxin Investment at the time multiplied by the valuation of Changzhou Liyuan at the time, which is to be determined in accordance with the fair value assessed by a qualified third party valuer mutually agreed by our Company and Jianxin Investment, and such fair value assessment shall take into account the reasonable valuation of other comparable listed companies (including our Company) at the time (the "**Liyuan 2023 Fair Value Assessment Method**"), or (2) the amount of capital injected corresponding to the equity interest held by the Jianxin Investment at the time plus an investment gain at an annual rate of 8% (calculated from the date of actual payment of the capital) (the "**Liyuan 2023 IRR Method**"), and then to be deducted by all dividends received by Jianxin Investment (the resultant repurchase price, the "**Jianxin Repurchase Price**"). Jianxin Investment shall have the right to demand our Company or its designated party to repurchase the equity interest by cash (provided that such repurchase shall not cause any material impact on the cash flow of our Company), or by issuing new Shares of our Company to Jianxin Investment.

Termination of certain terms under Liyuan Second Capital Increase Agreement: Upon the effective date of the Liyuan Fourth Capital Increase Agreement, being January 29, 2024, certain terms in the Liyuan Second Capital Increase Agreement have been terminated and replaced by that in the Liyuan Fourth Capital Increase Agreement, including, amongst others, the composition of the board of directors and supervisory committee of Changzhou Liyuan, liquidation preference and repurchase right as set out in the summary of major terms of the Liyuan Second Capital Increase Agreement above.

Other shareholders' rights: The Liyuan Fourth Capital Increase Agreement contains other terms such as transfer restrictions, right of first refusal, anti-dilution and tag-along right.

Termination: The Liyuan Fourth Capital Increase Agreement may be terminated in the event of, among others, any of the following: (i) the parties mutually agree to terminate the Liyuan Fourth Capital Increase Agreement in writing; or (ii) if any force majeure event (as defined in the Liyuan Fourth Capital Increase Agreement) occurs which has rendered the performance of the Liyuan Fourth Capital Increase Agreement impossible, any party may give written notice to the other parties to terminate the Liyuan Fourth Capital Increase Agreement.

On May 13, 2024, Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership) (昆侖工融綠色(北京)新興產業投資基金合夥企業(有限合夥)) ("**Kunlun Gongrong**", together with Jianxin Investment, the "**Series A Liyuan Investors**"), Jianxin Investment, Wending Investment, Times Mindong, our Company, BTR Group, Changzhou Youbeili, Nanjing Jinbeili, Jintan Hongyuan, Nanjing Chaoli and Changzhou Liyuan entered into a capital increase agreement (the "**Liyuan Fifth Capital Increase Agreement**"), pursuant to which (i) Kunlun Gongrong agreed to subscribe share capital of RMB42,858,091 in Changzhou Liyuan by way of capital increase at a consideration of RMB285,426,805.77 and (ii) the Capital Increase by Jianxin Investment contemplated under the Liyuan Fourth Capital Increase Agreement was modified to the effect that Jianxin Investment will subscribe share capital of RMB15,015,440 (instead of RMB14,329,878) at the same consideration of RMB100,000,000. Following which, the share capital of Changzhou Liyuan was increased from RMB735,071,009 to RMB778,614,662 by RMB43,543,653. Upon completion of the said capital increase on May 29, 2024, Changzhou Liyuan was owned as to approximately 64.03%, 6.45%, 5.91%, 4.49%, 4.49%, 4.05%, 2.25%, 0.90%, 5.50% and 1.93% by our Company, Times Mindong, Wending Investment, Changzhou Youbeili, Jintan Hongyuan, BTR Group, Nanjing Jinbeili, Nanjing Chaoli, Kunlun Gongrong and Jianxin Investment, respectively.

The following sets out a summary of some of the major terms of the Liyuan Fifth Capital Increase Agreement:

Composition of the board of directors: The board of directors of Changzhou Liyuan shall comprise seven directors, out of which Wending Investment shall have the right to nominate one candidate, BTR Group shall have the right to nominate one candidate, Kunlun Gongrong shall have the right to nominate one candidate and our Company shall have the right to nominate four candidates, provided that Kunlun Gongrong shall cease to have such director nomination right when it holds less than 3% equity interests in Changzhou Liyuan.

Composition of the supervisory committee:	The supervisory committee of Changzhou Liyuan shall comprise three supervisors, out of which Wending Investment shall have the right to nominate one candidate.
Liquidation preference:	In the event of statutory liquidation such as liquidation, dissolution or termination of business, or any Deemed Liquidation (as defined below), of Changzhou Liyuan (collectively, the "**Liquidating Events**"), out of the Distributable Liquidation Proceeds, the Liyuan New Investors and Series A Liyuan Investors (collectively, the "**Liyuan 2024 Investors**") shall have liquidation preference to obtain the higher of the following (the "**Investors Preferential Liquidation Amount**"): (1) (a) in relation to the Liyuan New Investors, the Liyuan New Investors Repurchase Price (i.e. a sum equal to the higher of the Fair Value Assessment Method and the IRR Method), or (b) in relation to Series A Liyuan Investors, the Series A Liyuan Investors Repurchase Price (as defined below), in each case with reference to their respective equity interest holding in Changzhou Liyuan at the material time; and (2) the amount of Distributable Liquidation Proceeds that is proportionate to the equity holding percentage of the Liyuan 2024 Investors in Changzhou Liyuan at the time. If the Distributable Liquidation Proceeds are insufficient to pay all Investors Preferential Liquidation Amount, the Distributable Liquidation Proceeds will be distributed to the Liyuan 2024 Investors according to their relative proportion of preferential liquidation amount that such Liyuan 2024 Investor is entitled to. Further, if the actual amount to be received by the respective Liyuan 2024 Investors are less than the applicable Investors Preferential Liquidation Amount, our Company shall pay such shortfall to such Liyuan 2024 Investor(s).

For the purpose of the Liyuan Fifth Capital Increase Agreement, "**Deemed Liquidation**" shall mean any of the following:

(1) (i) Changzhou Liyuan suspends or discontinues its business operations, or Changzhou Liyuan is required by governmental authority to suspend or discontinue its business; or Changzhou Liyuan is unable to conduct its normal business activities and is unable to resume normal business operations within 90 consecutive days or is unable to achieve its business goals as (a) business registration certificate of Changzhou Liyuan necessary for its business operations or other permit, authorisation, license or registration material to its operating activities has not been obtained, not renewed upon expiry or becomes invalid or (b) assets that is material to the business operations of Changzhou Liyuan having been confiscated or expropriated by any governmental authority; (ii) business registration certificate of Changzhou Liyuan necessary for its business operations or other permit, authorisation, license or registration material to its operating activities having been revoked;

(2) the business and management of Changzhou Liyuan encounter serious difficulties and Changzhou Liyuan is not able to continue its operations (including but not limited to the whereabouts of actual controller of Changzhou Liyuan being unknown for 90 consecutive days, the board of directors of Changzhou Liyuan is not able to pass any resolution and is not able to resolve such issue by way of shareholders' meetings);

(3) Changzhou Liyuan suffers severe loss and is unable to continue its business operations;

(4) Changzhou Liyuan, as a result of force majeure events, suffers material loss and is unable to continue its business operations;

(5) Change of control or change of actual controller of Changzhou Liyuan;

(6) Occurrence of: (a) consolidation, reorganization, merger, acquisition or other similar transaction leading to a change of control of Changzhou Liyuan whereby the shareholding of all pre-existing shareholders does not exceed 50% in Changzhou Liyuan after such event, or (b) event in which all or substantially all of the assets of Changzhou Liyuan are sold, leased, assigned or the operation of which is entrusted to third parties, or otherwise disposed to any third parties including all or substantially all of the intellectual property rights being licensed to third parties exclusively.

Repurchase right: In the event of any of the following, the Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by the Liyuan New Investors:

(1) our Company fails to make an announcement on the spin-off and qualified listing (as defined in the Liyuan Fifth Capital Increase Agreement) of Changzhou Liyuan within four years after the Liyuan Completion Date, or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Completion Date, and the Liyuan New Investors and Changzhou Liyuan are unable to reach a consensus on the progress of the qualified listing (failure to complete a qualified listing within five years after the Liyuan Completion Date as a result of the related party transactions between Changzhou Liyuan and the Liyuan New Investors excepted);

(2) the product quality or supply of Changzhou Liyuan (including the subsidiaries of Changzhou Liyuan) fails to meet the standards as required under the Liyuan Second Capital Increase Agreement, and such failure cannot be remedied within a specified period as reasonably requested;

(3) any key employee of Changzhou Liyuan as provided for in the Liyuan Fifth Capital Increase Agreement resigns or no longer provides services to Changzhou Liyuan, materially impacting the production and operation of Changzhou Liyuan;

(4) our Company or Changzhou Liyuan materially breaches the Liyuan Fifth Capital Increase Agreement.

In the event of any of the following, each of the Series A Liyuan Investors shall have the right to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by it:

(1) our Company fails to make an announcement on the qualified listing (as defined in the Liyuan Fifth Capital Increase Agreement) of Changzhou Liyuan within four years after the Liyuan Fourth Capital Increase Completion Date, or Changzhou Liyuan fails to complete a qualified listing within five years after the Liyuan Fourth Capital Increase Completion Date, and the Series A Liyuan Investors and Changzhou Liyuan are unable to reach a consensus on the progress of the qualified listing;

(2) if our Company decides to repurchase the equity interests in Changzhou Liyuan held by Liyuan New Investors, our Company shall be obliged to give prior notice to Series A Liyuan Investors and Series A Liyuan Investors shall have the right to require our Company to, and our Company shall, purchase equity interests in Changzhou Liyuan held by such Series A Liyuan Investor on same price and terms offered to Liyuan New Investors, failing which, Series A Liyuan Investors shall have the right to require our Company or its designated party to repurchase equity interest in Changzhou Liyuan held by such Series A Liyuan Investor at the price of applicable Series A Liyuan Investors Repurchase Price (as defined below) in cash;

(3) any Liyuan New Investors demands our Company or its designated party to repurchase part or all of the equity interest in Changzhou Liyuan held by the Liyuan New Investors pursuant to the Liyuan Fifth Capital Increase Agreement or any other agreement entered into by the Liyuan New Investors, Changzhou Liyuan and our Company;

(4) key employee resigns or ceases to be provide services to Changzhou Liyuan and results in material adverse impact on the production and operations of Changzhou Liyuan;

(5) our Company or Changzhou Liyuan materially breaches the Liyuan Fifth Capital Increase Agreement.

If the repurchase right(s) set out above is exercised,

(1) the repurchase price in respect of the equity interests in Changzhou Liyuan held by Liyuan New Investors shall be equal to the Liyuan New Investors Repurchase Price (i.e. a sum equal to the higher of the following: (1) the Fair Value Assessment Method; or (2) the IRR Method). The Liyuan New Investors shall have the right to demand our Company or its designated party to repurchase the equity interest by cash (provided that such repurchase shall not cause any material impact on the cash flow of our Company), or by issuing new shares of our Company to the Liyuan New Investors.

(2) the repurchase price in respect of the equity interests in Changzhou Liyuan held by the Series A Liyuan Investors shall be the higher of the following: (1) the equity holding of such Series A Liyuan Investor at the time multiplied by the valuation of Changzhou Liyuan at the time, which is to be determined in accordance with the fair value assessed by a qualified third party valuer mutually agreed by our Company and such Series A Liyuan Investor, and such fair value assessment shall take into account the reasonable valuation of other comparable listed companies (including our Company) at the time (the "**Series A Liyuan Fair Value Assessment Method**"), or (2) the amount of capital injected corresponding to the equity interest held by such Series A Liyuan Investor at the time plus an investment gain at an annual rate of 8% (calculated from the date of actual payment of the capital) (the "**Series A Liyuan IRR Method**"), and then to be deducted by all dividends received by such Series A Liyuan Investor (the resultant repurchase price, the "**Series A Liyuan Investors Repurchase Price**"). Series A Liyuan Investors shall have the right to demand our Company or its designated party to repurchase the equity interest by cash, or by issuing new Shares of our Company to it.

Termination of certain terms under Liyuan Second Capital Increase Agreement and Liyuan Forth Capital Increase Agreement:	Upon the effective date of the Liyuan Fifth Capital Increase Agreement, being May 24, 2024, certain terms in the Liyuan Second Capital Increase Agreement and the Liyuan Fourth Capital Increase Agreement have been terminated and replaced by that in the Liyuan Fifth Capital Increase Agreement, including, amongst others, the composition of the board of directors and supervisory committee of Changzhou Liyuan, liquidation preference and repurchase right as set out in the summary of major terms of the Liyuan Second Capital Increase Agreement and the Liyuan Fourth Capital Increase Agreement above.
Other shareholders' rights:	The Liyuan Fifth Capital Increase Agreement contains other terms such as transfer restrictions, right of first refusal, anti-dilution and tag-along right.
Termination:	The Liyuan Fifth Capital Increase Agreement may be terminated in the event of, among others, any of the following: (i) the parties mutually agree to terminate the Liyuan Fifth Capital Increase Agreement in writing; or (ii) if any force majeure event (as defined in the Liyuan Fifth Capital Increase Agreement) occurs which has rendered the performance of the Liyuan Fifth Capital Increase Agreement impossible, any party may give written notice to the other parties to terminate the Liyuan Fifth Capital Increase Agreement.

Thus, according to the terms of the Liyuan Fifth Capital Increase Agreement, we are required to conduct a spin-off and qualified listing (as defined in the Liyuan Fifth Capital Increase Agreement) of Changzhou Liyuan. While we do not have any specific plans with respect to the timing or details of any potential spin-off listing on the Hong Kong Stock Exchange as of the Latest Practicable Date, we will consider whether such a spin-off is in the interest of our Company and our Shareholders based on the development of our business of our Group and Changzhou Liyuan, market conditions and the then applicable laws and regulations including but not limited to the requirements under the Hong Kong Listing Rules. In relation to any such spin-off and qualified listing, we will comply with the applicable requirements under the Hong Kong Listing Rules, including but not limited to those set out in Practice Note 15 of the Hong Kong Listing Rules. Specifically, paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules provides that the Listing Committee would not normally consider a spin-off application within three years from the date of listing of the parent company, given the original listing of the company will have been approved on the basis of the company's portfolio of businesses at the time of listing, and that the expectation of investors at that time would have been that the company would continue to develop those businesses. If such spin-off and qualified listing of Changzhou Liyuan within three years from Listing is desirable and be in the interest of our Company and our Shareholders, we will apply for a waiver from strict compliance with the requirements in paragraph 3(b) of Practice Note 15 of the Hong Kong Listing Rules as and when appropriate if necessary and will only proceed with such spin-off in the event that we have obtained the aforesaid waiver (if applicable).

If such spin-off and qualified listing of Changzhou Liyuan fail to take place within the agreed time frame, we may be demanded by the Liyuan 2024 Investors to repurchase their equity interest in Changzhou Liyuan at a repurchase price to be determined based on (i) in respect of the equity interests held by Liyuan New Investors, the higher of the Fair Value Assessment Method or the IRR Method, (ii) in respect of equity interests held by Series A Liyuan Investors, the higher of the Series A Liyuan Fair Value Assessment Method or the Series A Liyuan IRR Method and then to be deducted by all dividends received by such Series A Investor. Upon occurrence of Liquidating Events, the amount payable by our Group to the Liyuan New Investors and the Series A Liyuan Investors shall be the Liyuan New Investors Repurchase Price and the Series A Liyuan Investors Repurchase Price, respectively. Accordingly, in either case of repurchase or occurrence of Liquidating Events, (i) the amount payable to Liyuan New Investors shall be no less than RMB558 million, which is calculated by the IRR Method and assuming that the payment will be made on the fifth anniversary after the Liyuan Completion Date and no dividend had been paid to the Liyuan New Investors and (ii) the amount payable to Series A Liyuan Investors shall be no less than RMB556 million, which is calculated by the Series A Liyuan IRR Method and assuming that the payment will be made on the fifth anniversary after the Liyuan Fourth Capital Increase Completion Date and no dividend had been paid to Series A Liyuan Investors. In the event that the amounts payable will be determined using the Fair Value Assessment Method and the Series A Liyuan Fair Value Assessment Method, the financial impact will be subject to the valuation of Changzhou Liyuan at the material time and we will comply with the applicable requirements under the Hong Kong Listing Rules, including but not limited to those under Chapters 14 and 14A of the Hong Kong Listing Rules.

The capital contribution recorded during the Track Record Period was initially recognized at fair value and we have recognized approximately RMB345 million, RMB345 million, RMB451.3 million and RMB853 million in our other borrowings as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The fair value of the capital contribution at completion date is measured based on the present value contractually determined stream of future cash flows with reference to the valuation carried out by independent professional valuer using the Binomial model. For details on accounting treatment during the Track Record Period, see Note 28 of the Accountants' Report as set out in Part I of Appendix IA. In addition, pursuant to the Liyuan Fifth Capital Increase Agreement, such repurchase price may be settled in cash or by issuing new shares of our Company. If the repurchase price will be settled by way of issuing new shares of our Company, the shareholding of our Shareholders immediately following such issuance will be diluted. As the financial impact of such repurchase right has been reflected in accordance with applicable accounting standards in the Accountants' Report as set out in Appendix IA, our Directors do not expect that there will be any material and adverse impact on our Group's operations and financial position if we are required to complete the said repurchase. Furthermore, considering that the net assets of Changzhou Liyuan and the Company amounted to approximately RMB2,224.0 million and RMB3,910.1 million, respectively as of June 30, 2024, in the absence of unforeseen circumstances, the Directors is of the view, and the Joint Sponsors concur, that Changzhou Liyuan and the Company have sufficient resources to meet its payment obligations to the Liyuan New Investors and Series A Liyuan Investors upon occurrence of Liquidating Events.

Acquisition of Lopal Times in 2022

Lopal Times was established in the PRC as a limited liability company on March 2, 2022. On October 28, 2022, our Company, Yichun Times and Lopal Times entered into an equity transfer agreement (the "**Lopal Times Transfer Agreement**"), whereby Yichun Times agreed to transfer 70% of the equity interest in Lopal Times to our Company at the consideration of RMB1 (the "**Lopal Times Consideration**"). According to the terms of the Lopal Times Transfer Agreement, the registered capital corresponding to the 70% equity interest in Lopal Times which our Company agreed to acquire had not been paid up, and thus the Lopal Times Consideration was determined to be a nominal value of RMB1. Upon completion of the said equity transfer on November 28, 2022 and up to the Latest Practicable Date, Lopal Times was owned as to 70% by our Company and 30% by Yichun Times. Our main reasons for investing in Lopal Times are, among others, (i) to leverage on the expertise of Yichun Times and its parent company CATL in the research, production and sales of NEV battery and charging systems in order to develop Lopal Times' principal business, i.e. production of lithium carbonate; and (ii) to secure the supply of and reduce the impact of fluctuation in the price of lithium carbonate, which is one of the principal raw materials of LFP cathode materials which we produce.

The following sets out a summary of some of the major terms of the Lopal Times Transfer Agreement:

Corporate governance:	Lopal Times shall have one executive director nominated by our Company and one supervisor nominated by Yichun Times. It shall also have one general manager nominated by our Company and approved by its shareholders in general meeting.
Shareholders' rights:	The Lopal Times Transfer Agreement contains terms on shareholders' rights, including restriction on transfer, pre-emption right, information right and repurchase right.

Business cooperation: The business cooperation of our Company and Yichun Times shall take place in two phases. In phase 1, the target is to complete the construction and development of a production facility to achieve an annual production of 30.0 thousand tons of lithium carbonate, and in phase 2, the target is to complete the further construction and development of the production facility to achieve an annual production of 40.0 thousand tons of lithium carbonate.

The phase 1 cooperation, which shall take place from the completion of the construction of phase 1 of the relevant production facility to four years after the said phase 1 of the production facility achieving mass production, shall mainly involve Lopal Times providing processing services to Yichun Times and/or its parent company, by using certain raw materials to be supplied by Yichun Times and/or its parent company to produce lithium carbonate products.

The phase 2 cooperation, which shall take place from the completion of the construction of phase 2 of the relevant production facility to four years after the said phase 2 of the production facility achieving mass production, shall mainly involve the following areas of cooperation:

(1) Lopal Times will provide processing services to Yichun Times and/or its parent company, by using certain raw materials to be supplied by Yichun Times and/or its parent company to produce lithium carbonate products;

(2) 75% of the lithium carbonate products processed by Lopal Times for Yichun Times, its parent and/or affiliates (subject to the production capacity of Lopal Times), will be supplied to Changzhou Liyuan, and Changzhou Liyuan will also enjoy priority (compared to other third parties under the same terms and conditions) in the supply of the remaining portion of the lithium carbonate products.

In respect of LFP to be produced by Changzhou Liyuan and sold to Yichun Times, its parent and/or affiliates, Yichun Times, its parent and/or affiliates will procure Lopal Times to supply the lithium carbonate (which is a raw material of LFP) required by Changzhou Liyuan, subject to the production capacity of Lopal Times.

Distribution of profits:	In respect of the profits after tax of Lopal Times for each financial period, Lopal Times shall first repay any project financing facilities and shareholders loans (if any) according to the repayment schedule and set aside capital reserves in accordance with applicable laws and regulations, and any remainder may be distributed at our Company's discretion taking into account the development of and future plans for Lopal Times. If our Company decides to distribute profits to the shareholders of Lopal Times, each shareholder's entitlements shall be proportionate to the respective paid-up capital contribution.
Termination:	The Lopal Times Transfer Agreement shall be terminated under any of the following circumstances: (i) the parties to the agreement mutually agreed to terminate; (ii) performance of the Lopal Times Transfer Agreement is materially hindered as a result of force majeure events (as defined in the Lopal Times Transfer Agreement).

MAJOR ACQUISITIONS AND DISPOSALS

Acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano

Tianjin Beiterui Nano and Jiangsu Beiterui Nano, which are engaged in the field of LFP cathode materials, were subsidiaries of BTR Group prior to their acquisitions by our Group. For details on the development of our LFP cathode materials business and the rationale behind the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, see "Business — Our Businesses — LFP Cathode Materials."

On April 23, 2021, our Company entered into an agreement with, among others, BTR Group, whereby our Company agreed to acquire 100% equity interest in Tianjin Beiterui Nano and 100% equity interest in Jiangsu Beiterui Nano through our subsidiary, Changzhou Liyuan, from BTR Group. The consideration for the 100% equity interest in Tianjin Beiterui Nano was RMB328,640,000 and the consideration for the 100% equity interest in Jiangsu Beiterui Nano was RMB515,791,000, both of which were determined with reference to a valuation report issued by an independent valuer. On May 27, 2021, the State Administration for Market Supervision issued the "Decision on Not Implementing Further Anti-Monopoly Examination for Concentration of Business Operators" (Anti-Monopoly Examination Decision [2021] No. 276) (《經營者集中反壟斷審查不實施進一步審查決定書》(反壟斷審查決定[2021]276號)) stating that it would not implement further examination on our Company's acquisition of a portion of the business of BTR Group. Each of the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano was completed on June 11, 2021 and the relevant consideration was fully settled on June 10, 2021. As advised by our PRC Legal Advisor, the acquisitions have been properly and legally completed and settled and all necessary approvals from the relevant authorities have been obtained.

As one or more of the applicable ratios exceed 25% but less than 100%, the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano are considered as a major transaction, and the relevant pre-acquisition financial information is required to be disclosed pursuant to Rule 4.05A of the Hong Kong Listing Rules. For details of certain pre-acquisition financial information of Tianjin Beiterui Nano from January 1, 2020 to May 31, 2021 and Jiangsu Beiterui Nano from January 28, 2021 (date of incorporation) to May 31, 2021, see "Financial Information — Financial Information of Tianjin Beiterui Nano and Jiangsu Beiterui Nano."

We have consolidated the results of operations of Tianjin Beiterui Nano and Jiangsu Beiterui Nano since June 1, 2023. For details, see "Financial Information — Basis of Presentation — Acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano."

Acquisition of Shandong Meiduo

On March 6, 2024 and March 7, 2024, our Company entered into share transfer agreement ("**Shandong Meiduo Original Agreement**") and a supplemental agreement (the "**Shandong Meiduo Supplemental Agreement**") with and among Lopal International and Shandong Meiduo, whereby our Company conditionally agreed to acquire 100% equity interest in Shandong Meiduo from Lopal International at an aggregate consideration of RMB100,539,200 ("**Shandong Meiduo Acquisition**"). Upon the completion of the Shandong Meiduo Acquisition, we propose to inject capital of RMB50 million into the registered share capital of Shandong Meiduo. Following which, the registered share capital of Shandong Meiduo will be further increased from RMB100 million to RMB150 million.

The necessary filing and registration with the local authorities in respect of the Shandong Meiduo Acquisition shall be completed 15 working days after utilization rate of the lithium battery recycling project of Shandong Meiduo having achieved 70% for seven consecutive working days (the "**Production Condition**") and the completion of the Shandong Meiduo Acquisition shall take place on the date on which the necessary filing and registration with the relevant local authorities having been completed, which will take place after the Production Condition is fulfilled. As of the Latest Practicable Date, construction and operation of the lithium battery recycling project of Shandong Meiduo is on-going in the process of completing the acceptance examination and the Shandong Meiduo Acquisition has not been completed, subject to the satisfaction of the Production Condition. Completion of the Shandong Meiduo Acquisition is currently expected to take place in the fourth quarter of 2024.

The consideration for the 100% equity interest in Shandong Meiduo was RMB100,539,200, which was determined with reference to (i) the appraised value of such equity interest of RMB50,539,200 based on the valuation report issued by an independent valuer. The valuation method adopted is the asset-based method and the reference date of the valuation report is October 31, 2023; and (ii) the increase in paid-up capital of Shandong Meiduo of RMB50,000,000 by Lopal International in January 2024. The consideration shall be paid within two weeks after the necessary filings and registration in respect of the Shandong Meiduo Acquisition having been completed, and will be satisfied by our Company's self-owned funds and we do not expect to use any proceeds from the Global Offering to fund the Shandong Meiduo Acquisition.

Shandong Meiduo is a company principally engaged in the business of NEV battery recycling and cascade using and energy storage technology service, the products of which are extensively used in LFP and cathode materials for ternary batteries. Owing to the continuous advancement and growth of production technology of Shandong Meiduo in power battery recycling, coupled with the expansion of our Group's cathode materials business, our Company believes that the Shandong Meiduo Acquisition is in line with our strategic expansion upstream along the production value chain to control production costs and stabilize the supply of principal raw materials. Our Directors believe that the Shandong Meiduo Acquisition would enable us to further strengthen our presence in the LFP cathode material industry and is fair and reasonable and in the interests of the Shareholders as a whole.

As of the date of the Shandong Meiduo Original Agreement, the Shandong Meiduo Supplemental Agreement and as of the Latest Practicable Date, Shandong Meiduo was a wholly owned subsidiary of Lopal International. Lopal International is one of our Controlling Shareholders and is owned as to 90% and 10% by Mr. Shi and Ms. Zhu, respectively, each of which is our Director and one of our Controlling Shareholders. Shandong Meiduo will become a subsidiary of the Company upon completion of the Shandong Meiduo Acquisition.

This prospectus includes the audited historical financial information of Shandong Meiduo for the period from September 20, 2022 (the date of establishment) to December 31, 2022, for the year ended December 31, 2023 and for the six months ended June 30, 2024 (see "The Shandong Meiduo Historical Financial Information" in the Accountants' Report of Shandong Meiduo set out in Part I of Appendix ID to this prospectus). As none of the percentage ratios exceed 5%, the Shandong Meiduo Acquisition did not constitute an acquisition of a major subsidiary of our Company for the purpose of Rule 4.28 of the Listing Rules.

During the Track Record Period and up to the Latest Practicable Date, save as disclosed above, we did not conduct any other major acquisition or disposal that is required to be disclosed pursuant to Rules 4.04(2), 4.04(4), 4.05A and 4.28 of the Hong Kong Listing Rules.

DEVELOPMENT AFTER THE TRACK RECORD PERIOD

In line with our strategy to expand our production capacity overseas, we are in talks with investors and business partners in identifying and exploring suitable potential investments and business cooperations in Indonesia.

For our production expansion plan in Indonesia, discussions and negotiations on introducing LGES as an investor to PT LBM, our subsidiary in Indonesia, further to the memorandum of understanding we entered into with LGES in September 2023 regarding the non-binding joint cooperation of producing LFP cathode materials in Indonesia (the "**Potential LG Investment**") are still on-going as of the Latest Practicable Date.

In addition, in October 2024, our Company, Changzhou Liyuan and LBM New Energy entered into a non-legally binding term sheet (the "**Term Sheet**") with Indonesia Investment Authority and BRV Lotus International Limited (collectively, the "**SG Investors**") in relation to the potential investment by the SG Investors in LBM New Energy in the aggregate sum of up to US$200 million by way of subscription of shares in LBM New Energy (collectively, the "**Potential SG Investment**"). Pursuant to the Term Sheet, the SG Investors may be entitled to special rights such as preferential dividend rights, share redemption rights in case of specified events customary to transactions of this type, right of first refusal, tag-along rights, liquidation preferences and other customary rights. LBM New Energy is a wholly-owned subsidiary of Changzhou Liyuan and is the holding company of PT LBM. If the Potential SG Investment materialises in the circumstances as contemplated, upon its completion, it is expected that Changzhou Liyuan will continue to hold over 50% shares in LBM New Energy and that the proceeds from the Potential SG Investment will be applied as general working capital of LBM New Energy and its subsidiaries including but without limitation, for the development of phase II of the Indonesia Plant and such other purposes as may be agreed by us and the SG Investors. Further, we will continue to apply the proceeds from the Global Offering allocated for the phase II of the Indonesia Plant in the manner disclosed in the Prospectus. For details of the proceeds on the phase II of the Indonesia Plant, see "Future Plans and Use of Proceeds — Use of Proceeds."

Each of the Potential LG Investment and the Potential SG Investment is subject to, among others, our further negotiation with LGES and/or the SG Investors (as the case may be) and the entering into of the definitive agreements. There is no assurance that the Potential LG Investment and/or the Potential SG Investment will materialise or eventually be consummated. See also "Risk Factors — Our business and operations require significant capital resources on an ongoing basis and are subject to uncertainties." In the event the Potential LG Investment and/or the Potential SG Investment materialise(s), each of them may constitute a notifiable transaction of the Company and the Company will comply with the reporting, announcement, circular and/or Shareholders' approval requirements under Chapter 14 of the Listing Rules as and when appropriate. We undertake that in the event that the Potential LG Investment and/or the Potential SG Investment materialise(s), both LBM New Energy and PT LBM will remain as subsidiaries of our Group upon completion of the Potential LG Investment and/or the Potential SG Investment.

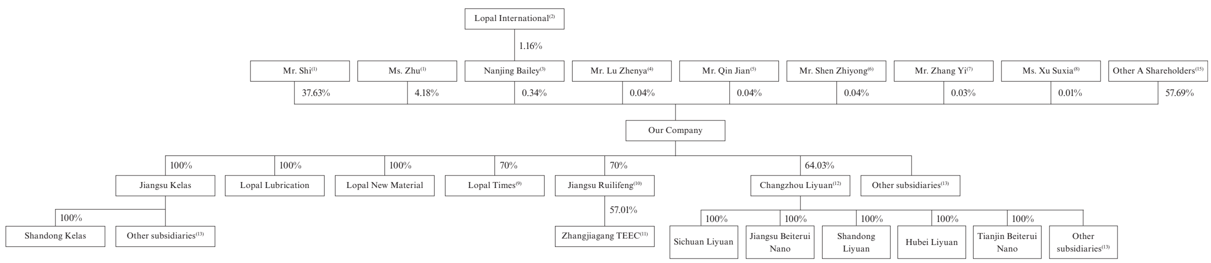
REASONS FOR THE LISTING

Our Company seeks to be listed on the Hong Kong Stock Exchange in order to provide further capital for, among other things, the construction phase II of the Indonesia Plant and the development of new LMFP production lines at our Xiangyang Plant in Hubei Province. See "Business — Strategies" and "Future Plans and Use of Proceeds" for more details.

CORPORATE STRUCTURE

Corporate Structure as of the Latest Practicable Date

The following chart illustrates the corporate and shareholding structure of our Company as of the Latest Practicable Date:



Notes:

(1) Mr. Shi and Ms. Zhu are spouses. For details of the background of Mr. Shi and Ms. Zhu, see "Directors, Supervisors and Senior Management."

(2) As of the Latest Practicable Date, Lopal International was owned as to 90% and 10% by Mr. Shi and Ms. Zhu, respectively.

(3) As of the Latest Practicable Date, Lopal International was the general partner of Nanjing Bailey, and the partnership interest of Nanjing Bailey was held as to approximately 56.99% by Ms. Zhu, approximately 1.16% by Lopal International, while the remainder was held by 33 subsisting or former employees of our Group whose percentage of partnership interest ranged from approximately 1.08% to 2.02% each.

(4) Mr. Lu Zhenya is an executive Director. For details of the background of Mr. Lu Zhenya, see "Directors, Supervisors and Senior Management."

(5) Mr. Qin Jian is an executive Director. For details of the background of Mr. Qin Jian, see "Directors, Supervisors and Senior Management."

(6) Mr. Shen Zhiyong is an executive Director. For details of the background of Mr. Shen Zhiyong, see "Directors, Supervisors and Senior Management."

(7) Mr. Zhang Yi is an executive Director. For details of the background of Mr. Zhang Yi, see "Directors, Supervisors and Senior Management."

(8) Ms. Xu Suxia (徐素蝦) is the wife of Mr. Qin Jian, an executive Director. As of the Latest Practicable Date, she was an employee of our Group.

(9) As of the Latest Practicable Date, Lopal Times was owned as to 70% by our Company and 30% by Yichun Times. Yichun Times was a direct wholly owned subsidiary of CATL as of the Latest Practicable Date.

(10) All the subsidiaries of our Company named in the chart are considered as our principal subsidiaries, with the exception of Jiangsu Ruilifeng. As of the Latest Practicable Date, Jiangsu Ruilifeng held 57.01% equity interest in Zhangjiagang TEEC, which is considered as one of our principal subsidiaries. As of the Latest Practicable Date, the remaining 30% equity interest in Jiangsu Ruilifeng was held as to 20%, 9% and 1% by Zhangjiagang Zhaorui, Wang Zhaoyin (王兆銀) and Qian Xuefen (錢雪芬), and Wang Zhaoyin (王兆銀) and Qian Xuefen (錢雪芬) were also directors of Jiangsu Ruilifeng. As of the Latest Practicable Date, Jiangsu Ruilifeng was an insignificant subsidiary of our Company under Rule 14A.09(1) of the Hong Kong Listing Rules, and as such, Zhangjiagang Zhaorui, Wang Zhaoyin (王兆銀) and Qian Xuefen (錢雪芬) are not our connected persons. As of the Latest Practicable Date, Zhangjiagang Zhaorui was owned (i) as to 15.5% by Wang Zhaoyin (王兆銀), (ii) as to 12.5% by Qian Xuefen (錢雪芬) who also served as the general partner, (iii) as to 12.0% by Shi Hanliang (施漢良); (iv) as to 4.5% by Zhang Jinlong (張金龍); (v) as to 4.5% by Zhang Bingsheng (張丙生); (vi) as to 4.5% by Cao Yunlong (曹雲龍); (vii) as to 4.5% by Li Haishan (李海山); (viii) as to 4.5% by Jiao Zhongqiu (焦中秋); (ix) as to 4.5% by Wang Zhaocai (王兆才); (x) as to 3.5% by Tao Dianbin (陶佃彬); (xi) as to 3.0% by Xu Yan (徐艷); (xii) as to 3.0% by Gao Chongyi (高崇怡); (xiii) as to 3.0% by Yu Shenghui (俞勝慧); (xiv) as to 3.0% by Zhang Chengxin (張成新); (xv) as to 2.5% by Shan Meng (單猛); (xvi) as to 2.5% by Zhao Rudong (趙汝東); (xvii) as to 1.5% by Zhang Dajin (張大金); (xviii) as to 1.5% by Wu Bei (武北); (xix) as to 1.0% by Tong Xiufeng (童秀鳳); (xx) as to 1.0% by Gong Haigang (龔海港); (xxi) as to 1.0% by Shi Lei (時磊); (xxii) as to 1.0% by Zhou Jie (周潔); (xxiii) as to 1.0% by Zhu Ligang (朱麗剛); (xxiv) as to 1.0% by Zhang Chunxiao (張春曉); (xxv) as to 1.0% by Cai Yingchun (蔡迎春); (xxvi) as to 0.8% by Zou Mi (鄒密); (xxvii) as to 0.8% by Huang Zhangbo (黃章波); (xxviii) as to 0.6% by Jiang Weiwei (江衛衛); and (xxix) as to 0.3% by Wang Shaohua (王少華). The partners of Zhangjiagang Zhaorui are all subsisting or former employees of Zhangjiagang TEEC.

(11) As of the Latest Practicable Date, the remaining 42.99% equity interest in Zhangjiagang TEEC was owned as to approximately 25.00%, 6.97%, 6.18% and 4.84% by Ethylene Chemical Co., Ltd. (乙烯化學株式會社), Beijing Beihuada Investment Co., Ltd. (北京北化大投資有限公司), Beijing Taikelaier Technology Co., Ltd. (北京泰克來爾科技有限公司) and Tokokosen Corporation (東工KOSEN株式會社), respectively, all of which were Independent Third Parties (save for them being shareholders of Zhangjiagang TEEC).

(12) As of the Latest Practicable Date, the remaining 35.97% equity interest in Changzhou Liyuan was owned as to approximately 6.45%, 5.91%, 4.49%, 4.49%, 4.05%, 2.25%, 0.9%, 5.5% and 1.93% by Times Mindong, Wending Investment, Changzhou Youbeili, Jintan Hongyuan, BTR Group, Nanjing Jinbeili, Nanjing Chaoli, Kunlun Gongrong and Jianxin Investment, respectively.

As of the Latest Practicable Date, Times Mindong, BTR Group, Jianxin Investment and Kunlun Gongrong were Independent Third Parties (save for them being shareholders of Changzhou Liyuan). Jianxin Investment was a wholly-owned subsidiary of China Construction Bank Corporation, whose A shares and H shares are listed on the Shanghai Stock Exchange (Stock code: 601939) and the Hong Kong Stock Exchange (stock code :939), respectively. Wending Investment was a wholly-owned subsidiary of CATL, our connected person. Kunlun Gongrong was a limited partnership established in the PRC. The general partners of Kunlun Gongrong were ICBC Capital Management Co., Ltd. (工銀資本管理有限公司) and CNPC Kunlun (Beijing) Private Equity Fund Management Co., Ltd. (中油昆侖(北京)私募基金管理有限公司), each holding 0.0667% equity interests in Kunlun Gongrong. The limited partners of Kunlun Gongrong were ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司) and CNPC Kunlun Capital Co., Ltd. (中國石油集團昆侖資本有限公司), holding 70% and 29.8667% equity interests in Kunlun Gongrong, respectively. ICBC Capital Management Co., Ltd. (工銀資本管理有限公司) was wholly owned by ICBC Financial Asset Investment Co., Ltd. (工銀金融資產投資有限公司), a wholly-owned subsidiary of Industrial and Commercial Bank of China Limited whose A shares and H shares are listed on the Shanghai Stock Exchange (Stock code: 601398) and Hong Kong Stock Exchange (Stock code: 1398), respectively. CNPC Kunlun (Beijing) Private Equity Fund Management Co., Ltd. (中油昆侖(北京)私募基金管理有限公司) was wholly owned by CNPC Kunlun Capital Co., Ltd. (中國石油集團昆侖資本有限公司). CNPC Kunlun Capital Co., Ltd. (中國石油集團昆侖資本有限公司) was owned as to (i) 51% by China National Petroleum Corporation (中國石油天然氣集團有限公司), which was wholly owned by State-owned Assets Supervision and Administration Commission of the State Council, (ii) 29% by PetroChina Company Limited whose A shares and H shares are listed on the Shanghai Stock Exchange (Stock code: 601857) and Hong Kong Stock Exchange (Stock code: 857), respectively and (iii) 20% by CNPC Capital Company Limited (中國石油集團資本股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock code: 000617).

As of the Latest Practicable Date, Changzhou Youbeili was managed by its general partner, Mr. Shi, and was owned as to 99.9% and 0.1% by Mr. Shi and Liu Xiuming (劉修明), an employee of our Group, respectively.

As of the Latest Practicable Date, Jintan Hongyuan was managed by its general partner Liu Xiuming (劉修明), and was owned as to approximately 47.0%, 34.2%, 14.4%, 1.2%, 0.6%, 0.6%, 0.4%, 0.4%, 0.4%, 0.4% and 0.4% by Mr. Liu Xiuming (劉修明), Huang Youyuan (黃友元), Liu Youyong (劉又勇), Wang Zhangjian (王張健), Zhang Man (張曼), Zhu Zhenwen (朱振文), Kang Luhan (康錄涵), Mao Yuanyue (毛元躍), Lei Peiyi (雷培義), Hou Xiaofeng (侯曉峰) and Qu Xingwei (瞿興煒), respectively. All of the partners of Jintan Hongyuan were subsisting or former directors or employees of our Group.

As of the Latest Practicable Date, Nanjing Jinbeili was managed by its general partner Mr. Shen Zhiyong, an executive Director, and was owned as to 99% and 1% by Mr. Shen Zhiyong and Mr. Zhang Yi, an executive Director, respectively.

As of the Latest Practicable Date, Nanjing Chaoli was managed by its general partner Xue Jie (薛傑), and was owned as to 80% and 20% by Xue Jie (薛傑) and Xie Yichao (解一超), respectively. Xue Jie (薛傑) is a Supervisor. Xie Yichao (解一超) was an employee of our Group as of the Latest Practicable Date.

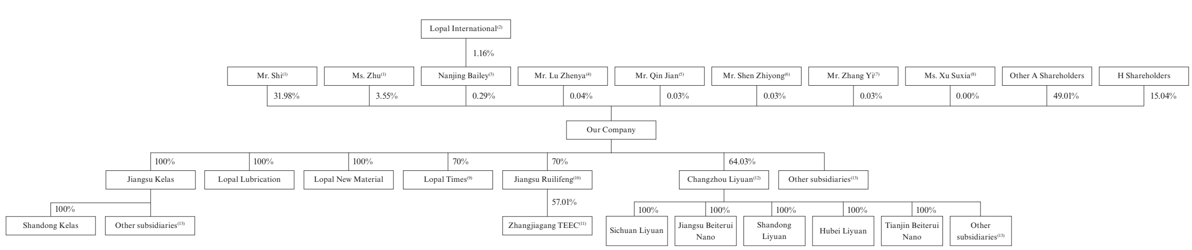
(13) As of the Latest Practicable Date, there were 16 other subsidiaries of our Company, which are not considered as our principal subsidiaries. For further details of the subsidiaries of our Company, see Note 1 to Part II of the Accountants' Report as set out in Appendix IA.

(14) In the above notes, where any Directors or senior management members of our Company are mentioned, only their positions held at the Company level are disclosed.

(15) None of such A Shareholders held more than 5% interests in our Company as of the Latest Practicable Date.

Corporate Structure Immediately Following the Global Offering

The following chart illustrates the corporate and shareholding structure of our Company immediately after completion of the Global Offering, assuming the Over-allotment Option is not exercised and the options granted under 2023 Share Option Scheme are not exercised:



Notes (1) to (13): See notes (1) to (14) under "— Corporate Structure — Corporate Structure as of the Latest Practicable Date."

PUBLIC FLOAT

So far as our Directors are aware, immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised), the 2,082,400 A Shares held by our Company as treasury shares and the Shares held by our core connected persons will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules. For the purpose of this section, the following percentages to the total issued share capital of our Company exclude the 2,082,400 A Shares held by our Company as treasury shares. Details of these core connected persons are set out below:

- Mr. Shi (Ms. Zhu's husband), being the chairman of our Board, an executive Director and a Controlling Shareholder, is a core connected person of our Company, holding approximately 31.98% of the total issued share capital of our Company;

- Ms. Zhu (Mr. Shi's wife), being a non-executive Director and a Controlling Shareholder, is a core connected person of our Company, holding approximately 3.55% of the total issued share capital of our Company;

- Nanjing Bailey, being a Controlling Shareholder, and the general partner of which (i.e. Lopal International) was owned as to 90% by Mr. Shi and 10% by Ms. Zhu as of the Latest Practicable Date, is a close associate of Mr. Shi and Ms. Zhu, and is thus a core connected person of our Company, holding approximately 0.29% of the total issued share capital of our Company;

- Mr. Lu Zhenya, being an executive Director, is a core connected person of our Company, holding approximately 0.04% of the total issued share capital of our Company;

- Mr. Qin Jian, being an executive Director, is a core connected person of our Company, holding approximately 0.03% of the total issued share capital of our Company;

- Mr. Shen Zhiyong, being an executive Director, is a core connected person of our Company, holding approximately 0.03% of the total issued share capital of our Company;

- Mr. Zhang Yi, being an executive Director, is a core connected person of our Company, holding approximately 0.03% of the total issued share capital of our Company;

- Ms. Xu Suxia, being Mr. Qin Jian's wife, is a close associate of Mr. Qin Jian and is thus a core connected person of our Company, holding approximately 0.00% of the total issued share capital of our Company.

Save as provided above, upon the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised), the Shares held by our other Shareholders (including our H Shareholders and A Shareholders) will be counted towards the public float. It is expected that upon the Listing, our Company will be able to meet the public float requirements under Rule 8.08(1) of the Hong Kong Listing Rules.

OVERVIEW

We are a major LFP cathode material manufacturer in the world and a renowned automotive specialty chemical manufacturer in mainland China. We primarily operate in the following two segments:

- *LFP cathode materials*. We primarily engage in the production and sale of LFP cathode materials. LFP cathode materials are currently the most extensively used cathode materials for producing lithium-ion batteries used in a wide variety of end markets, including NEV and energy storage industries.

- *Automotive specialty chemicals*. We primarily engage in the production and sale of a diverse portfolio of automotive specialty chemical products covering diesel exhaust fluids, automobile and industrial lubricants, coolants and car maintenance products, which are widely used in the automobile manufacturing market, automotive aftermarket, and engineering equipment market.

We enjoy major market positions in the LFP cathode material industry and multiple sub-segments of the automotive specialty chemical industry. According to Frost & Sullivan, in terms of sales volume in 2023, we are China's and the world's fourth largest LFP cathode material manufacturer, with a global market share of 6.5%, while the three largest manufacturers held market shares of 30.5%, 12.9% and 10.5%, respectively; the third largest diesel exhaust fluid manufacturer in mainland China, with a market share of 9.1%, while the two largest manufacturers held market shares of 29.1% and 12.9%, respectively; and the third largest coolant manufacturer in mainland China, with a market share of 5.8%, while the two largest manufacturers held market shares of 12.3% and 8.8%, respectively.

The history of our Group can be traced back to 2003 when our Company was established, initially offering lubricants and engine coolants. Through strategic growth over the years, we successfully expanded and strengthened our product portfolio to also include other automotive specialty chemicals such as diesel exhaust fluids and car maintenance products. This has enabled us to form a diverse portfolio of automotive specialty chemical products for our customers. Our Company completed the initial public offering and listing of our A Shares on the Shanghai Stock Exchange in April 2017. Leveraging our long-term development strategies tailored to developments within the automotive industry, we engaged third party contract manufacturers to produce small amounts of LFP cathode materials in 2020 and the first half of 2021 to start building knowledge and relationships in the emerging NEV supply chain. Then in June 2021, we expanded our presence in the LFP cathode material industry through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, which are engaged in businesses in the field of LFP cathode material. See "History and Development — Our Business Milestones."

Leveraging our research and development and manufacturing capabilities, the diverse product offerings of our LFP cathode material business and automotive specialty chemical business allow us to meet the diverse requirements and exacting specifications of our downstream customers. We strive to provide diverse LFP cathode materials, which improve the power density, performance stability under low-temperature circumstances or charging efficiency of lithium-ion batteries. Customers of our LFP cathode material business include major lithium-ion battery manufacturers such as CATL, REPT BATTERO, Sunwoda and EVE. Additionally, our automotive specialty chemical business enjoys the strong brand equity of our *Lopal* (龍蟠), *Kelas* (可蘭素) and *Teec* (迪克) brands and our established sales and distribution network which have contributed to the competitive positions of our products. Our automotive specialty chemical products have been recognized by leading automobile manufacturers and engineering equipment manufacturers and obtained licenses or approvals from the American Petroleum Institute (API), the International Lubricant Standardization and Approval Committee (ILSAC) and various globally leading automobile manufacturers.

We achieved strong growth from 2021 to 2022. Our revenue increased by 247.1% from RMB4,053.5 million for the year ended December 31, 2021 to RMB14,071.6 million for the year ended December 31, 2022. In addition, our net profit increased by 137.6% from RMB433.4 million for the year ended December 31, 2021 to RMB1,029.9 million for the year ended December 31, 2022. This was primarily attributable to the strong growth of our LFP cathode material business since we acquired it in June 2021, in terms of both average selling prices and sales volume, driven by the rapid development and growth in demand of downstream NEV and energy storage industries and the significant increase in the price of principal raw materials, such as lithium carbonate, which was attributable to tightness in upstream supply.

However, we recorded a net loss of RMB1,514.2 million for the year ended December 31, 2023 as compared to a net profit of RMB1,029.9 million for the year ended December 31, 2022. This was primarily driven by the unprecedented volatility in lithium carbonate market prices. Specifically, we recorded a gross loss of RMB57.5 million for the year ended December 31, 2023 compared to a gross profit of RMB2,433.3 million for the year ended December 31, 2022 as lithium carbonate market prices undergoing an unprecedented sharp decline in 2023 after an extended high price environment created a temporary mismatch between cost of sales of LFP cathode materials and its revenue contribution for the year ended December 31, 2023. We recorded a 44.8% year-to-year decrease in revenue from sales of LFP cathode materials in 2023, mainly attributable to a significant decrease in average selling price of LFP cathode materials which closely follows the prevailing lithium carbonate market price which experienced sharp decreases during the year. Due to the overall decline of lithium carbonate market prices through 2023, our cost of sales for LFP cathode materials stayed elevated relative to the selling prices which had to be lowered to reflect the sharp decline in lithium carbonate prices during the year. In addition, we recognized provision for impairment loss of inventories of RMB554.5 million in the 2023 as a result of the decrease in recoverable amounts of inventories attributable to the declining raw material prices.

The market challenges we faced in 2023 continued into the first half of 2024, although we saw some signs of improvement. For the six months ended June 30, 2024, we recorded a total revenue of RMB3,568.6 million, representing a decrease from RMB3,814.2 million in the same period of 2023. Revenue generated from sales of LFP cathode material decreased from RMB2,851.5 million in the first half of 2023 to RMB2,475.6 million in the first half of 2024. This decrease was mainly attributable to two factors affecting average selling price of our LFP cathode materials, including (i) the continued decline in lithium carbonate market prices, and (ii) an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers which result in lower revenue recognized and lower average selling price. Despite these challenges, we saw an improvement in our gross profit, recording RMB344.0 million in the first half of 2024 compared to a gross loss of RMB241.4 million in the first half of 2023. Our net loss also decreased from RMB811.5 million in the first half of 2023 to RMB260.2 million in the first half of 2024. These improvements were primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

The table below sets forth the breakdown of our revenue by product and service types, each expressed in an absolute amount and as a percentage of total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
LFP Cathode materials	1,876,842	46.3	12,241,873	87.0	6,753,628	77.4	2,851,523	74.8	2,475,580	69.4
Without procurement of lithium carbonate and raw materials from customers	1,876,842	46.3	12,084,887	85.9	6,186,681	70.9	2,673,665	70.1	1,696,977	47.6
With procurement of lithium carbonate and raw materials from customers[(1)]	—	—	156,986	1.1	566,947	6.5	177,858	4.7	778,603	21.8
Automotive specialty chemicals	2,118,725	52.3	1,762,814	12.5	1,903,212	21.8	938,057	24.6	970,147	27.2
Diesel exhaust fluid	790,630	19.5	688,861	4.9	625,738	7.1	323,102	8.5	306,607	8.6
Automobile and industrial lubricant	844,402	20.8	623,553	4.4	706,616	8.1	362,948	9.5	367,623	10.3
Coolant	403,708	10.0	382,661	2.7	484,701	5.6	203,246	5.3	248,948	7.0
Car maintenance products	61,955	1.5	58,330	0.4	70,240	0.8	35,978	0.9	36,988	1.0
Other products[(2)]	18,030	0.5	9,409	0.1	15,917	0.2	12,783	0.4	9,981	0.3
Processing income from lithium carbonate	—	—	—	—	—	—	—	—	42,685	1.2
Others[(3)]	57,938[(4)]	1.4	66,956	0.5	72,639	0.8	24,624	0.6	80,200	2.2
Total	**4,053,505**	**100.0**	**14,071,643**	**100.0**	**8,729,479**	**100.0**	**3,814,204**	**100.0**	**3,568,612**	**100.0**

Notes:

(1) Revenue from sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers is recognized on a net basis, excluding cost of lithium carbonate and raw materials procured from customers.

(2) Mainly comprising revenue from sales of filling equipment and packaging containers for automotive specialty chemical products.

(3) Mainly comprising revenue from sales of daily chemical products and unfinished products as well as revenue from our emerging hydrogen energy business.

(4) Including revenue from selling of small amounts of LFP cathode materials produced by third party contract manufacturers we engaged. During the Track Record Period and prior to the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, revenue generated from selling of such LFP cathode materials amounted to RMB4.2 million in 2021.

Driven by flourishing demand, technological advancement and support from both governmental and industrial policies, the end markets of our LFP cathode material business, including NEV and energy storage industries, have grown and are expected to continue expanding at a rapid pace. In particular, according to Frost & Sullivan, driven by the PRC government's dual objectives of "carbon emission peak" (碳達峰) and "carbon neutrality" (碳中和), the NEV industry experienced fast growth, resulting in significant growth in demand for NEV batteries. The shipment volume of NEV batteries in mainland China is expected to reach 1,860.5 GWh in 2028 from 816.6 GWh in 2024, representing a CAGR of 22.9%. Moreover, due to continuous technological progress, decrease in energy storage costs and increase in installation of energy storage equipment, the shipment volume of the ESS battery industry in mainland China is expected to reach 863.3 GWh in 2028 from 300.4 GWh in 2024, representing a CAGR of 30.2%. Such downstream market development is expected to stimulate huge demand for the LFP cathode material as the most widely adopted cathode material for lithium-ion batteries. According to Frost & Sullivan, the sales volume of LFP cathode material in mainland China grew rapidly at a CAGR of 100.6% from 101.6 thousand tons in 2019 to 1,645.0 thousand tons in 2023 and is expected to further grow at a CAGR of 17.2% from 2,056.0 thousand tons in 2024 to 3,884.0 thousand tons in 2028.

Moreover, the sales volume of automotive specialty chemical products closely relates to levels of automobile ownership. According to Frost & Sullivan, automobile ownership in mainland China is expected to reach 430.5 million units in 2028 from 354.3 million units in 2024, representing a CAGR of 5.0%. Given the steady increase in automobile ownership, the sales volumes of diesel exhaust fluids, automotive lubricants, coolants and car maintenance products in mainland China are expected to increase at CAGRs of 9.4%, 1.8%, 8.5% and 4.0% from 2024 to 2028, respectively, indicating sufficient growth potential for our automotive specialty chemical business, according to Frost & Sullivan.

Leveraging our market position, diverse product portfolio, manufacturing capabilities, research and development capabilities, product quality and quality customer base, we believe we are well positioned to seize market opportunities and benefit from the expected growth in the end markets of our products.

STRENGTHS

We are a major LFP cathode material manufacturer in the world and a renowned automotive specialty chemical manufacturer in mainland China benefiting from growing industries

We ranked fourth in China and the world in terms of sales volume of LFP cathode materials in 2023, with a global market share of 6.5%, while the three largest manufacturers in the industry held market shares of 30.5%, 12.9% and 10.5%, respectively, according to

Frost & Sullivan. With five production facilities in mainland China in operation as of the Latest Practicable Date enabling mass production, stable supply ability and diverse product offerings, we are able to satisfy our customers' demands for product quality, quantity, diversity and timely delivery. Our total production output of LFP cathode materials increased by 356.9% from approximately 25.3 thousand tons in 2021 to approximately 115.5 thousand tons in 2023. Our mass production capability could better position us in cooperating with prominent customers with demand of large quantity of high-quality LFP cathode materials.

As of the Latest Practicable Date, we operated five LFP cathode material production facilities in (i) Jintan, Jiangsu Province, (ii) Baodi, Tianjin Municipality, (iii) Pengxi, Sichuan Province, (iv) Heze, Shandong Province and (v) Xiangyang, Hubei Province. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our actual production of these five production facilities amounted to 25,281.3 tons, 89,039.9 tons, 115,509.8 tons and 78,914.0 tons, respectively.

We currently offer four series of diversified LFP cathode material products with different characteristics. The third generation of our S series LFP cathode material product, which is characterized by high compaction, high capacity and high power density for motive batteries without compromising the stability of the batteries. Adopting our nano spherical densification technology to change the molecular shape of lithium iron phosphate ions, our T series Lithium Iron No.1 (鐵鋰壹號) product, which has obtained eleven patents, can improve the charging efficiency and capacitance under low-temperature circumstances of lithium-ion batteries. The sales volume of Lithium Iron No.1 amounted to 618.1 tons, 1,205.6 tons, 2,322.4 tons, 1,103.7 tons and 2,261.9 tons for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. Our Z series LFP cathode material product represents cost-effective options made using recycled raw materials. At last, we are actively developing our M series LMFP cathode material and have provided sample products to customers for testing purposes as of the Latest Practicable Date. LMFP cathode material is currently considered a promising cathode material option as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. Recently, our research and development team has successfully achieved a better balance of the compaction and capacitance of our M series products adopting our spherical technology. This progress would improve the power density of our M series products and homogenize different raw materials further enhancing manufacturability of our M series products.

The lithium-ion battery industry is under rapid development. According to Frost & Sullivan, the shipment volume of NEV battery industry in mainland China is expected to reach 1,860.5 GWh in 2028 from 816.6 GWh in 2024, representing a CAGR of 22.9%, and the shipment volume of ESS battery industry in mainland China is expected to reach 863.3 GWh in 2028 from 300.4 GWh in 2024, representing a CAGR of 30.2%. As a result, sales volume of LFP cathode materials in mainland China is expected to grow at a CAGR of 17.2% from 2,056.0 thousand tons in 2024 to 3,884.0 thousand tons in 2028. Leveraging our market position, diverse product offerings, manufacturing capabilities, research and development capabilities, product quality and quality customer base, we believe we are well positioned to seize market opportunities and benefit from the expected growth in the LFP cathode material industry.

In addition, we are actively expanding our production capacity overseas. With the expected commencement of operation of the phase I of our Indonesia Plant with a designed production capacity of 30.0 thousand tons of LFP cathode materials around the third quarter of 2024, we are expected to become the first mainland Chinese LFP cathode material manufacturer to deploy and scale production capacity overseas. In April 2024, the phase I of our Indonesia Plant has commenced testing and configuration of equipment.

We are also a renowned automotive specialty chemical manufacturer in mainland China with strong brand recognition and extensive sales and distribution networks. As of the Latest Practicable Date, we operated seven production facilities for our automotive specialty chemical business in the PRC. We primarily sell our automotive specialty chemical products under our *Lopal* (龍蟠)*, Kelas* (可蘭素) and *Teec* (迪克) brands. Our Lopal series automobile lubricants have won the China LubTop Awards (中國潤滑油行業年度總評榜) (previously known as China Lubricants Industry Awards) for nine consecutive years since 2013 and obtained licenses or approvals from the American Petroleum Institute (API), the International Lubricant Standardization and Approval Committee (ILSAC) and various globally leading automobile manufacturers. According to Frost & Sullivan, in terms of sales volume in 2023 in mainland China, we are the third largest diesel exhaust fluid manufacturer, with a market share of 9.1%, while the two largest manufacturers held market shares of 29.1% and 12.9%, respectively; and the third largest coolant manufacturer in mainland China, with a market share of 5.8%, while the two largest manufacturers held market shares of 12.3% and 8.8%, respectively. With around 20 years of experience in the automotive specialty chemical industry, we have established cooperative relationships with customers and suppliers and gained deep understandings and visions of market trends to better serve the requirements and specifications of our customers and adapt to the industry development.

We have a strong customer base for our LFP cathode material business and an extensive sales and distribution network for our automotive specialty chemical business

Leveraging our diverse portfolio of our LFP cathode material products, solid research and development capabilities and product quality, we have established cooperative relationships with leading lithium-ion battery manufacturers, such as CATL, REPT BATTERO, Sunwoda and EVE. According to Frost & Sullivan, customers in the lithium-ion battery industry are highly selective with respect to quality of raw materials and generally have stringent entry thresholds and rigorous screening mechanism for suppliers. Therefore, once a supplier satisfies the requirements of accredited suppliers, customers rarely make any substantial changes or replacements. We believe our cooperative customer relationships stem primarily from our mass production capability and stable supply of competitive products. We believe such relationships enhance our brand recognition and reputation in the LFP cathode material industry and will facilitate the future growth of our customer base.

According to Frost & Sullivan, the market in mainland China accounted for approximately 99% of the global sales volume of LFP cathode materials. As such, during the Track Record Period, substantially all our revenue was derived from our businesses in mainland China. With a view to further expand our customer base, we continue to pursue business opportunities and are currently in the verification and/or sample test stages of globally leading NEV battery manufacturers headquartered overseas. Additionally, we expect our planned new production plant in Indonesia will aid our overseas business development efforts.

We have established an extensive sales and distribution network for our automotive specialty chemical business comprised mainly of direct sales targeting corporate clients, distributors and online channels targeting retail customers which together enhance the visibility of our brands and products and enables us to effectively reach out to target customers. Our automotive specialty chemical products are widely recognized by our customers including leading automobile manufacturers and engineering equipment manufacturers. In particular, our *Kelas* (可蘭素) diesel exhaust fluids have been used by a large number of major commercial vehicles manufacturers in mainland China. As of June 30, 2024, our nationwide distribution network comprised of 919 distributors covering 22 provinces, four municipalities and five autonomous regions in the PRC. With the rise of online channels, we have also quickly established self-operated online stores on major e-commerce platforms such as Tmall, JD.com and Pinduoduo which we believe helps us form direct relationship with individual consumers. As of June 30, 2024, we had 15 self-operated online stores.

Our strong research and development capabilities contribute to our competitive and diverse product portfolio

The competitiveness of our products stem from our strong research and development capabilities. With our dedication in research and development, we have been able to continuously improve product performance and quality and develop products that satisfy the requirements and specifications of our customers.

We offer four series of diversified LFP cathode material products with different characteristics. The third generation of our S series LFP cathode material product, which is characterized by high compaction, high capacity and high power density for motive batteries without compromising the stability of the batteries. Adopting our nano spherical densification technology to change the molecular shape of lithium iron phosphate ions, our T series Lithium Iron No.1 (鐵鋰壹號), which has obtained eleven patents, can improve the charging efficiency and capacitance under low-temperature circumstances of lithium-ion batteries. Our Z series of LFP cathode material product represents cost-effective options made using recycled raw materials. At last, we are actively developing our M series LMFP cathode material and have provided sample products to customers for testing purposes as of the Latest Practicable Date. LMFP cathode material is currently considered a promising cathode material option as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. Recently, our research and development team has successfully achieved a better balance of the compaction and capacitance of our M series products adopting our spherical technology. This progress would improve the power density of our M series products and homogenize different raw materials further enhancing manufacturability of our M series products. As of June 30, 2024, we hold 110 patents, including 47 invention patents, in relation to our LFP cathode material products, in mainland China. With the growing demand in relevant end markets such as NEV and energy storage industries, we believe, continuous investment in research and development and innovation is critical to attracting new customers and maintaining close relationships with existing customers.

Since the inception of our automotive specialty chemical business in 2003, we have accumulated a group of research and development personnel with extensive product development experience in the industry, rendering us strong research and development advantages that enable us to develop diversified and competitive automotive specialty chemical products. For example, our Lopal series automobile lubricant, which adopted our proprietary Hyper Zing technology (超級鋅技術) and ActivZing technology (活力鋅技術), has high reactivity and low volatility and can effectively decompose carbon deposition and oil sludge while forming a compact anti-wear layer on automobile engine, winning the China LubTop Awards (中國潤滑油行業年度總評榜) (previously known as China Lubricants Industry Awards) for nine consecutive years since 2013 and obtained licenses or approvals from the American Petroleum Institute (API), the International Lubricant Standardization and the Approval Committee (ILSAC) and various globally leading automobile manufacturers. Moreover, our Shengchang Pro series (省暢PRO系列) diesel exhaust fluids, which adopted our nano-catalysis technology greatly increases the surface tension of urea molecules and thereby improves the rate of reduction of nitrogen oxides in diesel exhaust emissions. As of June 30, 2024, we hold 203 patents in mainland China, including 69 invention patents, in relation to our automotive specialty chemical products.

We attach great importance to and make significant investment in research and development. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our total research and development expenses amounted to approximately RMB208.0 million, RMB615.5 million, RMB485.7 million and RMB203.6 million, respectively. Our research and development teams led by Dr. Shi Yingfei and Ms. Sun Liyuan who have extensive research and development experience in chemical engineering, materials engineering and other scientific fields essential to the research and development of our businesses, comprise 399 members as of June 30, 2024, among which 24.6% of the team members hold master or doctorate degrees. We currently have three strategically located research and development centers for LFP cathode materials in Shenzhen, Nanjing and Changzhou. We have also established a testing center for automotive specialty chemicals in Nanjing which has obtained CNAS certification awarded by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) in 2006 and had been accredited as Jiangsu Provincial Certified Enterprise Technology Center (江蘇省認定企業技術中心), Nanjing Certified Enterprise Technology Center (南京市認定企業技術中心), Jiangsu Engineering Research Center for Lubricant Material (江蘇省潤滑材料工程技術研究中心), Nanjing Engineering Research Center for Lubricant Material (南京市潤滑材料工程技術研究中心), Jiangsu Provincial Postdoctoral Innovation Practice Base (江蘇省博士後創新實踐基地), and Jiangsu Provincial Key Enterprise R&D Institution (江蘇省重點企業研發機構).

We believe our continuous investment in research and development not only consolidates our competitive advantage in the industry but also helps us establish a solid foundation for future development.

We have an experienced and visionary management team

We have an experienced and visionary management team with extensive operational experiences and an in-depth understanding of our industries and the upstream and downstream segments along the respective industry value chains.

Mr. Shi, our Chairman, has over 30 years of experience in automotive-related industries. As a testament to Mr. Shi's expertise in the diesel exhaust fluid market, he was invited by China Society of Automotive Engineers (中國汽車工程學會) to participate in the drafting of The Requirement and Test Method of Urea Solution for Motor Vehicle (《車用尿素溶液技術規範》). He has also participated in the research and development of several of our patented technologies in our automotive specialty chemical business. He received a certificate of the National High Level Talent Support Scheme (國家高層次人才特殊支持計劃) issued by the Organization Department of the Central Committee of the CPC (中共中央組織部) and the Ministry of Human Resources and Social Security (人力資源和社會保障部) and a certificate of the Nanjing Technological Top Experts Scheme (南京科技頂尖專家集聚計劃) issued by the Nanjing Talent Work Leading Group (南京市人才工作領導小組) for the period of February 2018 to February 2021. Moreover, our management, comprising of our executive Directors, have an average of over 20 years of experience in managing our Company. For further details, see "Directors, Supervisors and Senior Management." The daily operation of our LFP cathode material business is also led by a team of industry veterans who were the first inventors of a number of patented inventions with extensive and hands-on experience in building a successful LFP cathode material business. Over the years, our management team has established and maintained good relationships with our customers and suppliers, which helps us follow market trends and technical advancements early on and seize latest development opportunities in the industries.

STRATEGIES

Further increase our LFP cathode material production capacity to seize growing downstream demand, expand our customer base and achieve economies of scale to solidify our position in the LFP cathode material industry

We plan to further increase our production capacity by building new production lines and facilities to capitalize the growing demand for LFP cathode material products and solidify our position in the LFP cathode material industry. In 2021, our LFP cathode material production facilities surpassed full capacity with an overall utilization rate of 106.9%, while in 2022, the facilities operated near full capacity again and achieved an overall utilization rate of 97.3%. According to Frost & Sullivan, the lithium-ion battery market in mainland China is still expected to grow from 1,171.3 GWh in 2024 to 2,804.2 GWh in 2028 at a CAGR of 24.4%. Similarly, the ESS battery shipment volume in mainland China is expected to grow from 300.4 GWh in 2024 to 863.3 GWh in 2028 at a CAGR of approximately 30.2%, according to the same source. Despite challenges across the lithium-ion battery value chain driven by decreasing lithium carbonate prices, sales volume of our LFP cathode material products increased from 95,120 tons for the year ended December 31, 2022 to 108,120 tons for the year ended December 31, 2023. This trend continued into the first half of 2024 with sales volume of our LFP cathode material increasing from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024, representing a 99.1% increase. We believe such resilience primarily stems from (i) our position in the global LFP cathode material industry underpinned by our mass production capacity and strong research and development capabilities in core technologies; (ii) our quality customer base of leading lithium-ion battery manufacturers; and (iii) the industry's high barriers for client recognition, as customers rarely make any substantial changes or replacements once the requirements of accredited suppliers are satisfied.

In order to better serve our customers and meet their demands for production capacity and high quality products, increase market competitiveness, lower unit production cost by achieving economies of scale under the backdrop of carbon peak and carbon neutrality, we have formulated prudent LFP cathode material production expansion plans as follows:

LMFP production lines at Xiangyang Plant

We considered LFP cathode materials to be the optimal long-term technology pathway in the industry considering LFP cathode materials' cost-efficiency and superior thermal stability. Accordingly, we have determined to further capitalize on these advantages by dedicating production lines to manufacturing LMFP cathode materials, which is an emerging upgraded sub-category of LFP cathode materials made by adding manganese to the LFP composition. It is currently considered a promising cathode material as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. According to Frost & Sullivan, it is expected that LMFP will eventually become another major development path for battery material manufacturers. For details of the potential market demand for LMFP, see "Industry Overview — Overview of LFP Cathode Material Industry — Market Drivers and Trends of LFP Cathode Material Industry — New technology boost potential market demand for LMFP cathode materials." We believe that developing and producing LMFP cathode materials would further diversify our product offerings, distinguish us from other LFP cathode material manufacturers, and position us competitively as the lithium-ion battery value chain evolves. As such, we intend to apply approximately 40.0% or HK$208.0 million of the net proceeds from the Global Offering to finance the construction of LMFP production lines at our Xiangyang Plant. For further details, see "Future Plans and Use of Proceeds — Use of Proceeds."

Indonesia Plant

Following the globalization trend of the LFP cathode material industry, many leading companies along the lithium-ion battery value chain are expanding or have plans to expand their production to global markets to secure early-mover advantages. According to Frost & Sullivan, the global LFP cathode material industry is expected to grow at a higher rate than that in mainland China. It is expected that the market share of LFP cathode materials in terms of sales volume outside of mainland China will rise from 2.9% in 2024 to 7.3% in

2028. Among the overseas destinations, Indonesia offers several key advantages, including its comprehensive NEV industry value chain, investment-friendly policies and favorable geographical location.

In particular, leading companies within the lithium-ion battery value chain have developed detailed investment plans in Indonesia, resulting in the establishment of a comprehensive layout of the lithium-ion battery market value chain in the country. Further, Indonesia's targets to export 200,000 NEVs by 2025 and achieve 2.2 million electric vehicles on the roads by 2030 as well as other policy incentives, including reduced taxation for vehicles with more components produced locally, contribute to a positive policy environment for development of its industries along the lithium-ion value chain. As a raw material origin, a maritime hub connecting mainland China with other countries of raw material origin and with its close geographic proximity with China, Indonesia also offers other advantages including convenient transportation and reduced shipment costs. For further details, see "Industry Overview — Overview of LFP Cathode Material Industry — Market Drivers and Trends of LFP Cathode Material Industry — Overseas expansion drives the international growth of companies across lithium-ion battery value chain." We believe our planned new production facility in Indonesia renders us a first-mover advantage in the latest market trend of the LFP cathode material industry. As of the Latest Practicable Date, the phase I of our Indonesia Plant had completed construction and is expected to commence operation around the fourth quarter of 2024 with a designed production capacity of 30.0 thousand tons of LFP cathode materials per year. In April 2024, the phase I of our Indonesia Plant has commenced testing and configuration of equipment. We also intend to apply approximately 40.0% or HK$208.0 million of the net proceeds from the Global Offering to finance the construction of phase II of the Indonesia Plant with a designed production capacity of 90.0 thousand tons of LFP cathode materials per year. For further details, see "Future Plans and Use of Proceeds."

With the commencement of operation of the phase I of our Indonesia Plant, we aim to become the first mainland Chinese LFP cathode material manufacturer to deploy and scale production capacity overseas, which we believe will allow us to seamlessly respond to requirements and specifications of our overseas customers, seize market shares of international market and solidify our market position in the global LFP cathode material industry.

Further expand upstream along the LFP cathode material production value chain

According to Frost & Sullivan, dynamic and in-depth cooperations between upstream and downstream participants along the industry value chain mark one of the lithium-ion battery market's latest development trends. We believe expanding upstream along the production value chain is crucial to control production costs and stabilize the supply of principal raw materials. We are in the progress of expanding our production capabilities upstream and have been producing iron phosphate, a principal raw material for LFP cathode materials, in-house in order to better maintain close control over key parameters during our production processes, make improvements based on quality-related feedback, develop diversified products tailored to customers' requirements and specifications and better manage costs of raw materials. For the six months ended June 30, 2024, we produced approximately 15,738 tons of iron phosphate in-house for our internal use.

Additionally, our lithium carbonate production facility in Yichun, Jiangxi Province, with a designed production capacity of 40.0 thousand tons per year has commenced trial operation since March 2024. We believe further expanding upstream will allow us to (i) consolidate our market position in our primary business, i.e., controlling production costs and stabilizing the supply of principal raw materials; (ii) extend our strict quality control measures to the production of raw materials, including lithium carbonate and iron phosphate to ensure better performance of our LFP cathode materials; and (iii) solidify our relationships with major customers through our production capabilities in the LFP cathode material industry value chain. For further details, see "Our Businesses — Lithium Carbonate Processing Services."

Strengthen our research and development capabilities and attract high-caliber talents

We believe strong research and development capacity is critical for our continued success in our industries. To this end, we plan to strengthen our research and development capabilities and upgrade our research and development centers which will allow us to develop new products that supplement our product portfolio, optimize product quality and increase production and operational efficiency. In particular, we intend to advance our research and development efforts in the following areas:

- Research and development of LMFP cathode materials, as well as enhancing development and production of our M series LMFP cathode material products. LMFP is an emerging upgraded sub-category of LFP cathode materials made by adding manganese to the LFP composition. It is currently considered a promising cathode material as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. According to Frost & Sullivan, it is expected that the LMFP cathode materials will eventually become another major development path for the battery material manufacturers. For details of the potential market demand for LMFP, see "Industry Overview — Overview of LFP Cathode Material Industry — Market Drivers and Trends of LFP Cathode Material Industry — New technology boost potential market demand for LMFP cathode materials."

- Enhance our recycled LFP cathode materials, including improving our proprietary impurity removal technology and advancing our Z series recycled LFP cathode material products.

Additionally, we aim to continuously expand and cultivate our talent reserve and leverage our deep insights into the downstream supply chain and our cooperative relationships with customers to enhance our core competitiveness. We believe that loyal, stable and experienced employees are key to our long-term success. In order to maintain our independent innovation capability, we plan to continuously recruit, retain, cultivate and motivate high-caliber research and development professionals through various initiatives including providing valuable training programs and incentive schemes.

Furthermore,we have been developing our hydrogen energy business across the value chain since 2022. In upstream hydrogen production, our first electrolytic tank with a production capacity of 1,000 cubic meters per hour came online in September 2023. In midstream hydrogen storage, we successfully developed one of the first domestic nine- and twelve-liter Type IV hydrogen storage vessels for unmanned aerial vehicles. In downstream hydrogen application, we successfully developed our hydrogen fuel cell catalyst products that help improve hydrogen fuel cell efficiency in late 2022. Recently we have started the trial production of our hydrogen fuel cell catalyst products. In 2022 and 2023 and the six months ended June 30, 2024, revenue generated from our hydrogen energy business amounted to approximately RMB0.1 million, RMB1.6 million and RMB1.3 million, respectively.

Further reinforce our brand and channel strategies to solidify our market position in the automotive specialty chemicals industry

We believe our *Lopal* and *Kelas* brands have gained wide recognition in mainland China as a result of our successful marketing promotion and brand building. We intend to further reinforce our multi-brand strategy and enhance our brand awareness with our multi-faceted marketing strategy including increasing advertising placement on TV commercials, radio stations, high-speed railway trains and stations, and highways billboards, holding product launch conference and using social media. We plan to actively participate in industry exhibitions to expand our customer base, establish business contacts and strengthen regional sales. We will also attend academic conferences to enhance our brand awareness and influence.

Strengthening our sales and distribution networks is crucial to our success and future growth. As of June 30, 2024, we have established a nationwide sales and distribution network for our automotive specialty chemical products comprised of 919 distributors covering 22 provinces, four municipalities and five autonomous regions in the PRC. Going forward, we aim to reinforce cooperation with our distributors to extend the geographic coverage and depth of our sales and distribution networks by providing targeted sales support and guidance including hosting product road shows and products promotion events. In the future, in addition to extending the depth of our network in cities where we operate, we also plan to establish presence and gradually penetrate other prefecture-level cities in mainland China and relatively lower tier cities with strong market potential by cooperating with distributors with solid track records, strong distribution networks and sufficient sales personnel.

In recent years, China has been rising as a major vehicle exporter with both domestic automakers and international brands increasing their shipment to overseas destinations. Serving the automotive market with our automotive specialty chemical products for 20 years, we intend to leverage our expertise and strengthen relationships with automakers to capitalize on the trend of their global expansion.

CHALLENGES TO OUR INDUSTRIES AND OUR BUSINESSES

The LFP Cathode Material Industry

The global lithium-ion battery industry, including the LFP cathode material industry, experienced substantial growth in shipment volume, increasing from 250.1 GWh in 2019 to 1,226.8 GWh in 2023, with a CAGR of 48.8%, driven by surging demand and supportive policies in the NEV and energy storage industries. According to Frost & Sullivan, in terms of shipment volume, the mainland China lithium-ion battery market increased from 117.5 GWh in 2019 to 892.8 GWh in 2023, representing a CAGR of 66.0%, and is expected to reach 2,804.2 GWh in 2028, demonstrating a CAGR of 24.4% from 2024 to 2028. Additionally, the mainland China LFP cathode material market, which accounted for approximately 99% of global LFP cathode materials in terms of sales volume in 2023, significantly increased from 101.6 thousand tons in 2019 to 1,645.0 thousand tons in 2023, representing a CAGR of 100.6%, and is expected to further grow at a CAGR of 17.2% from 2,056.0 thousand tons in 2024 to 3,884.0 thousand tons in 2028.

This significant downstream demand growth led to upstream supply tightness for principal raw materials such as lithium carbonate. Upstream supply chain disruptions caused by the COVID-19 pandemic also constrained lithium resource supply from overseas origins. As a result, lithium carbonate prices spiked. According to Frost & Sullivan, the average price of lithium carbonate increased sharply from RMB119.8 thousand per ton in 2021 to RMB482.4 thousand per ton in 2022. Generally, LFP cathode material prices closely follow the prevailing lithium carbonate prices listed on the SMM. Consequently, average LFP cathode material prices increased significantly from RMB55.0 thousand per ton in 2021 to RMB125.0 thousand per ton in 2022.

However, since late 2022, the global and mainland China LFP cathode material industries have faced challenges common to midstream industries along the lithium-ion battery value chain. These include evolving policies affecting downstream industries, periodic oversupply due to demand adjustments, and managing fluctuating prices of raw materials.

Since late 2022, as new lithium carbonate production capacity gradually released, supply increased to meet downstream demand. Specifically, numerous companies across mainland China announced their plans to establish or expand their lithium carbonate production in late 2022 which have materialized in early 2023. According to the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), lithium carbonate production soared by approximately 36.7% year-on-year, escalating from 150,000 tons in the first half of 2022 to 205,000 tons in the same period in 2023. However, softening of near-term demand sentiments along with the broader global economic slowdown in 2023 have impacted the downstream lithium-ion battery and NEV industries. On the one hand, in December 2022, China discontinued direct purchase subsidies for NEVs. According to Frost & Sullivan, this has temporarily affected lithium-ion battery and component demand in early 2023. On the other hand, while long-term demand is expected to remain healthy, concerns over potential further lithium carbonate price declines led downstream players including lithium-ion battery and NEV manufacturers to temporarily resort to inventory destocking measures. Such temporary downstream demand slowdown, coupled with rising lithium carbonate supply, caused lithium carbonate prices to plunge to RMB272.3 thousand per ton in 2023. Additionally, the combination of these reasons had led to a significant decrease in average LFP cathode material prices from RMB125.0 thousand per ton in 2022 to RMB72.2 thousand per ton in 2023 and further to RMB37.4 thousand per ton in the first half of 2024.

Automotive specialty chemical industry

In contrast to the significant fluctuations in the LFP cathode material industry, the automotive specialty chemical industry which is relatively more mature, has experienced relatively stable growth in recent years in line with the expansion of the downstream automotive industry and increasing demand for sustainable solutions.

Specifically, mainland China, as the largest and fastest-growing automotive market, has seen its automobile ownership increase from 260.0 million units in 2019 to 336.3 million units in 2023, at a CAGR of 6.6%, outpacing the global CAGR of 3.3% during the same period. It is further estimated that automobile ownership in mainland China will reach 430.5 million units by 2028, at a CAGR of 5.0% between 2024 and 2028. As a result, according to Frost & Sullivan, the sales volumes of diesel exhaust fluids, automotive lubricants, coolants and car maintenance products in mainland China are expected to increase at CAGRs of 9.4%, 1.8%, 8.5% and 4.0% from 2024 to 2028.

Our Business Performance

We achieved strong growth from 2021 to 2022. Our revenue increased by 247.1% from RMB4,053.5 million for the year ended December 31, 2021 to RMB14,071.6 million for the year ended December 31, 2022. In addition, our net profit increased by 137.6% from RMB433.4 million for the year ended December 31, 2021 to RMB1,029.9 million for the year ended December 31, 2022. This growth was primarily attributable to the strong growth of our LFP cathode material business, in terms of both sales volume and average selling prices, driven by the rapid development and growth in demand of downstream NEV and energy storage industries and the significant increase in the price of lithium carbonate. Our growth in the years ended December 31, 2022 was also supported by our automotive specialty chemical business recording RMB1,762.8 million in revenue.

Despite our business growth in previous years, we recorded a net loss of RMB1,514.2 million for the year ended December 31, 2023 as compared to a net profit of RMB1,029.9 million for the year ended December 31, 2022. This was primarily driven by the unprecedented volatility in lithium carbonate market prices. Specifically, we recorded a gross loss of RMB57.5 million for the year ended December 31, 2023 compared to a gross profit of RMB2,433.3 million for the year ended December 31, 2022 as lithium carbonate market prices undergoing an unprecedented sharp decline in 2023 after an extended high price environment created a temporary mismatch between cost of sales of LFP cathode materials and its revenue contribution for the year ended December 31, 2023. We recorded a 44.8% year-to-year decrease in revenue from sales of LFP cathode materials in 2023, mainly attributable to a significant decrease in average selling price of LFP cathode materials which closely follows the prevailing lithium carbonate market price which experienced sharp decreases during the year. Due to the overall decline of lithium carbonate market prices through 2023, our cost of sales for LFP cathode materials stayed elevated relative to the selling prices which had to be lowered to reflect the sharp decline in lithium carbonate prices during the year. In addition, we recognized provision for impairment loss of inventories of RMB554.5 million in the 2023 as a result of the decrease in recoverable amounts of inventories attributable to the declining raw material prices.

Nevertheless, compared to the significant drop in average selling prices, sales volume of our LFP cathode material products increased from 95,120 tons for the year ended December 31, 2022 to 108,120 tons for the year ended December 31, 2023. Additionally, our traditional automotive specialty chemical business recorded increasing revenue for the year ended December 31, 2023 compared to the year ended December 31, 2022. Specifically, revenue from sales of automotive specialty chemical products increased from RMB1,762.8 million for the year ended December 31, 2022 to RMB1,903.2 million for the year ended December 31, 2023.

The market challenges we faced in 2023 continued into the first half of 2024, although we saw some signs of improvement. For the six months ended June 30, 2024, we recorded a total revenue of RMB3,568.6 million, representing a decrease from RMB3,814.2 million in the same period of 2023. Revenue generated from sales of LFP cathode material decreased from RMB2,851.5 million in the first half of 2023 to RMB2,475.6 million in the first half of 2024. This decrease was mainly attributable to two factors affecting the average selling price of LFP cathode materials (i) the continued decline in lithium carbonate market prices, and (ii) an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers. In these cases, costs of such customer-supplied raw materials were deducted upon revenue recognition, resulting in lower revenue generated from these transactions and therefore a lower average selling price for the segment. Despite these challenges, we saw an improvement in our gross profit, recording RMB344.0 million in the first half of 2024 compared to a gross loss of RMB241.4 million in the first half of 2023. Our net loss also decreased from RMB811.5 million in the first half of 2023 to RMB260.2 million in the first half of 2024. The provision for impairment loss of inventories also showed improvement, decreasing from RMB222.3 million in the first half of 2023 to RMB69.5 million in the first half of 2024. These improvements were primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

Despite the decrease in revenue from our LFP cathode material segment, we experienced positive trends in terms of sales volume. Sales volume of our LFP cathode material increased from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024, representing a 99.1% increase. This growth in volume demonstrates the continued strong demand for our LFP cathode materials, even in a challenging price environment. Additionally, revenue from our automotive specialty chemical business increased from RMB938.1 million in the first half of 2023 to RMB970.1 million in the first half of 2024.

Measures in Response to Industry Challenges

In response to the current challenges in the industry, we plan to adopt the following measures to weather short-term fluctuations while capitalizing on the considerable growth opportunities in the LFP cathode material industry:

Improving resilience to fluctuations in raw material prices

As our business and production scale expands, we will require more raw materials, which we believe will provide stronger bargaining power with suppliers. In response to fluctuations in raw material prices, especially the recent decrease in prices of principal raw materials, we have implemented the following measures:

- *Improve procurement practices and organization.* We plan to strengthen discussions and negotiations with suppliers and pursue long-term strategic cooperation with major suppliers with the aim to stabilize procurement costs. In particular, we intend to increase direct procurement from upstream raw material producers instead of procuring raw materials through trading companies. For the six months ended June 30, 2024, procurement volume from upstream raw material producers, together with lithium carbonate produced in-house, accounted for approximately 60% of our total lithium carbonate supply compared to approximately 45% in the first half of 2023. The table below sets forth unit cost per ton of lithium carbonate by different channels during the Track Record Period.

	Year ended December 31,			Six months ended June 30,	
	2021	2022	2023	2023	2024
			RMB/ton		
Procurement through trading companies . . .	115,087	404,452	269,465	342,879	89,816
Procurement from upstream manufactures	133,268	407,330	207,047	257,505	89,777
In-house production. . . .	—	—	—	—	84,638

The unit cost of lithium carbonate procured directly from upstream manufacturers was higher than that procured through trading companies in 2021 and 2022 primarily due to the material's scarcity during the period, as evidenced by the significant rise in lithium carbonate price during the period, which required prioritizing supply security. In 2023, as lithium carbonate supply increased and prices significantly decreased, cost of procurement from upstream manufacturers became lower than that from trading companies, aligning with our expected cost efficiencies of direct procurement. By the first half of 2024, the costs from both procurement channels have significantly decreased and averaged at a relatively equal level, which we believe generally aligns with the lithium carbonate pricing trend in the same period. During the same period, we also commenced in-house production of lithium carbonate which demonstrated the lowest unit cost, further validating our strategy of vertical integration. We believe the significant fluctuations in lithium carbonate prices throughout the Track Record Period underscore the importance of our diversified procurement strategy which we believe will allow us to better adapt to market volatility.

Additionally, we plan to enhance our inventory management systems, including controlling inventory turnover days and maintaining appropriate inventory levels. Specifically, to contend with shifting market conditions, we have tightened coordination between sales, production planning, and purchasing teams through integrated demand forecasting procedures. While previously our raw material procurement plans were determined in monthly cycles, under our enhanced risk management approach, raw material procurement plans are replanned on a weekly basis one to two times per week to calibrate with real-time demand. Any changes in our inventory levels or shifts in customer purchase orders are expected to flow through to adjust both our production schedules and procurement plans, which allows procurement teams to more closely collaborate with suppliers to calibrate purchasing quantities. By directly linking sales trends to manufacturing schedules and raw material orders on shorter planning cycles, we can more dynamically align key parts of our operations chain to current lithium market realities.

- *Leverage lithium carbonate futures to hedge against price fluctuations of lithium carbonate*. Established in April 2021, the Guangzhou Futures Exchange introduced lithium carbonate futures in July 2023 offering market participants the option to leverage lithium carbonate futures contracts to hedge against price fluctuations. We will leverage lithium carbonate futures transactions to hedge against the risk exposure of our Group against lithium carbonate fluctuations. We have implemented internal control and hedging policies to manage and oversee our lithium carbonate futures hedging activities. For details, see "— Our Businesses — LFP Cathode Materials — Lithium carbonate hedging."

- *Further expand upstream along the LFP cathode material value chain*. We believe integrating the industry supply chain is crucial to controlling production costs and stabilizing the supply of principal raw materials. During the Track Record Period, we have been producing iron phosphate in-house and are in the process of expanding our production capacity of iron phosphate. Our production facility for lithium carbonate in Yichun, Jiangxi Province has commenced trial operation since March 2024.

  By producing such principal raw materials in-house, we believe we will be able to better mitigate raw material price fluctuations and control the high percentage of costs of raw materials in total cost of sales of LFP cathode materials. For further details, see "— Strategies — Further expand upstream along the LFP cathode material production value chain" and "— Our Businesses — LFP Cathode Materials — Raw materials and suppliers — Raw materials."

Improving production efficiency

We have significantly increased our production capacity and output in the past few years. Our overall designed production capacity increased from 23,645.8 tons in 2021 to 200,670.2 tons in 2023, with our Heze Plant and Xiangyang Plant commencing operation in 2023. As we expand our production capacity, we typically experience long supplier verification procedures of customers and production ramp-up periods before reaching optimal utilization rates. During ramp-up periods, we would record higher fixed cost per unit and labor cost per unit. As a result, such ramp-up periods have compressed our margins during the Track Record Period. As our newly commissioned production lines graduate their ramp-up periods, coupled with our introduction of enhanced production technologies and automated equipment, we expect our production efficiency to increase to an optimal level. Additionally, we also expect to enjoy improved production efficiency as our workforce gains familiarity with operating and managing our production lines.

Furthermore, we plan to further expand our production capacity in the near future, mainly though the addition of our Indonesia Plant and LMFP production lines in Hubei. With the expanded production capacity, we believe we will be able to designate production lines for different customers, which will allow us to reduce the time needed to coordinate the production of various product specifications and adjust schedules in response to shifting market demand, thereby improving our production efficiency.

Increasing sales revenue and expanding customer base

The rapid development of downstream industries presents significant growth opportunities. With rising new energy penetration, strong government support and sound supply chain practices, the lithium-ion battery market in mainland China has expanded rapidly and accounted for 72.8% in the global battery industry in 2023 and it is expected to increase from 1,171.3 GWh in 2024 to 2,804.2 GWh in 2028, representing a CAGR of 24.4%, according to Frost & Sullivan. Additionally, the ESS battery shipment volume in mainland China is expected to increase from 300.4 GWh in 2024 to 863.3 GWh in 2028 at a CAGR of approximately 30.2%, according to the same source.

- *Enhance loyalty of existing customers.* The LFP cathode material industry is characterized by a high level of customer concentration. As we have built a quality customer base comprised of leading lithium-ion battery manufacturers we need to capitalize on our cooperative customer relationship to secure further business opportunities.

  To further enhance loyalty and strengthen ties with existing customers, we plan to continue leveraging our expanded production capacity to meet their demands as well as maintain continuous and in-depth involvement in their research and development processes to develop product tailored to their requirements. To better understand customer demands, we intend to strengthen internal sales meetings and external communications with downstream battery and NEV manufacturers. We believe enhanced insights into market developments will also benefit our procurement practices. Additionally, we will take advantage of our strategically located production facilities to reduce delivery time and costs, thereby achieving swift and efficient responses to customer demands.

- *Expand customer base*. We plan to further expand our customer base primarily by leveraging our reputation in the industry to attract new customers. For example:

    - In October 2022, we entered into a strategic cooperation agreement with an emerging Zhejiang-based lithium-ion battery manufacturer whose parent is listed on the Shanghai Stock Exchange STAR Market regarding the supply of 120.0 thousand tons of LFP cathode materials during the contract term.

    - In February 2023, we entered into a strategic cooperation agreement directly with a leading PRC automaker which purports to establish in-depth cooperation on the supply and development of lithium-ion battery materials between our Company and the automaker including actively promoting its battery suppliers to procure our products from us under the circumstances set forth in the agreement.

    - In June 2023, we entered into a LFP cathode material sales agreement with a company related to a leading PRC automaker. This company specializes in the research and development of LFP batteries, primarily for the automaker's premium NEV brand.

- *Execute our overseas expansion plan*. According to Frost & Sullivan, the global LFP cathode material industry is expected to grow at a higher rate than that in mainland China. To further expand our customer base, we continue pursuing opportunities for cooperation with several globally leading NEV battery manufacturers headquartered overseas, and some of our production facilities have already passed supplier verification procedures of these customers. We also plan to leverage our Indonesia Plant to capture growth in overseas demands. In particular, in September 2023, we entered into a memorandum of understanding with LGES regarding the joint cooperation of producing LFP cathode material in Indonesia. In addition, in February 2024, we entered into a long-term supply agreement with LGES, where LGES and its affiliates committed to procure 160,000 tons of our LFP cathode materials from 2024 to 2028. For further details of our Indonesia Plant, see "— Our Businesses — LFP Cathode Materials — Production expansion plans."

- *Enhance research and development of new products and production techniques*. In response to growing downstream requirements for battery safety, reliability, driving range/life cycle, and performance, we have attached great importance to and plan to keep making significant investment in research and development. We believe that our past research and development efforts will bring us new growth opportunities. For example, officially launched in April 2022, our Lithium Iron No.1 (鐵鋰壹號), T series products, which can improve the charging efficiency and capacitance under low-temperature circumstances of lithium-ion batteries, has been gradually accepted by our customers. For another example, we are actively developing our

M series LMFP cathode material product, which is currently considered a promising cathode material in the industry as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. Moreover, we also leverage the joint efforts of our research and development, production and quality control teams to refine production processes and techniques. For example, we are tackling the bottleneck production process of sintering LFP cathode materials to improve overall production capacity, by increasing the load capacity of our stoves.

- *Continue development of our automotive specialty chemical business*. Going forward, we also intend to leverage the stable income and profit growth of our automotive specialty chemical business to support the overall development of our Group as a whole.

Based on the foregoing, despite current challenges faced by the industry and our net loss position in 2023 and the first half of 2024, our Directors believe that the LFP cathode material industry and our overall business are promising. Taking into consideration of financial resources available to us, including RMB1,902.2 million of cash and cash equivalents on hand as of August 31, 2024, internally generated funds, RMB1,063.4 million of unutilized banking facilities as of August 31, 2024 and the estimated proceeds from the Global Offering, our Directors are of the view that we have sufficient working capital to meet our present needs and at least for the next 12 months from the date of this prospectus.

OUR BUSINESSES

Overview

During the Track Record Period, we principally engaged in the production and sales of LFP cathode materials and automotive specialty chemicals. We primarily operate in two major segments: (i) LFP cathode materials and (ii) automotive specialty chemicals segments.

We are a major provider of LFP cathode materials in the world and mainland China which is currently the most extensively used cathode material for the production of lithium-ion batteries used in a wide variety of end markets including NEV and energy storage industries. According to Frost & Sullivan, we ranked fourth in China and the world in terms of sales volume of LFP cathode material in 2023, accounting for 6.5% of the global market share, while the three largest manufacturers in the industry held market shares of 30.5%, 12.9% and 10.5%, respectively.

We provide diverse automotive specialty chemicals to customers under our *Lopal* (龍蟠), *Kelas* (可蘭素) and *Teec* (迪克) brands. Our automotive specialty chemicals primarily include diesel exhaust fluids, automobile and industrial lubricants, coolants and car maintenance products. According to Frost & Sullivan, in terms of sales volume in mainland China in 2023, we were the third largest diesel exhaust fluid manufacturer, with a market share of 9.1%, while the two largest manufacturers held market shares of 29.1% and 12.9%, respectively; and the third largest coolant manufacturer in mainland China, with a market share of 5.8%, while the two largest manufacturers held market shares of 12.3% and 8.8%, respectively.

The table below sets forth the breakdown of our revenue by product and service types, each expressed in an absolute amount and as a percentage of total revenue, for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
LFP Cathode material	1,876,842	46.3	12,241,873	87.0	6,753,628	77.4	2,851,523	74.8	2,475,580	69.4
Without procurement of lithium carbonate and raw materials from customers	1,876,842	46.3	12,084,887	85.9	6,186,681	70.9	2,673,665	70.1	1,696,977	47.6
With procurement of lithium carbonate and raw materials from customers(1)	—	—	156,986	1.1	566,947	6.5	177,858	4.7	778,603	21.8
Automotive specialty chemicals	2,118,725	52.3	1,762,814	12.5	1,903,212	21.8	938,057	24.6	970,147	27.2
Diesel exhaust fluid	790,630	19.5	688,861	4.9	625,738	7.1	323,102	8.5	306,607	8.6
Automobile and industrial lubricant	844,402	20.8	623,553	4.4	706,616	8.1	362,948	9.5	367,623	10.3
Coolant	403,708	10.0	382,661	2.7	484,701	5.6	203,246	5.3	248,948	7.0
Car maintenance products	61,955	1.5	58,330	0.4	70,240	0.8	35,978	0.9	36,988	1.0
Other products(2)	18,030	0.5	9,409	0.1	15,917	0.2	12,783	0.4	9,981	0.3
Processing income from lithium carbonate	—	—	—	—	—	—	—	—	42,685	1.2
Others(3)	57,938(4)	1.4	66,956	0.5	72,639	0.8	24,624	0.6	80,200	2.2
Total	**4,053,505**	**100.0**	**14,071,643**	**100.0**	**8,729,479**	**100.0**	**3,814,204**	**100.0**	**3,568,612**	**100.0**

Notes:

(1) Revenue from sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers is recognized on a net basis, excluding cost of lithium carbonate and raw materials procured from customers.

(2) Mainly comprising revenue from sales of filling equipment and packaging containers.

(3) Mainly comprising revenue from sales of daily chemical products and unfinished products as well as revenue from our emerging hydrogen energy business.

(4) Including revenue from selling of small amounts of LFP cathode materials produced by third party contract manufacturers we engaged. During the Track Record Period and prior to the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, revenue generated from selling of such LFP cathode materials amounted to RMB4.2 million in 2021.

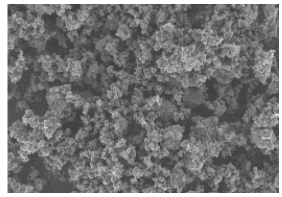
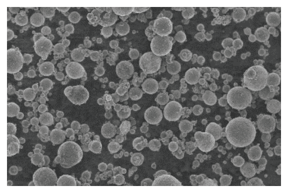
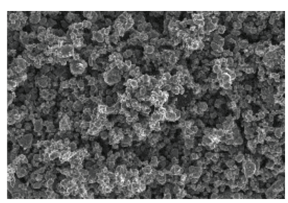
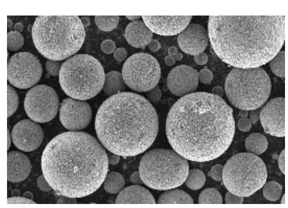
LFP Cathode Materials

LFP cathode materials are currently the most extensively used cathode materials for the production of lithium-ion batteries used in a wide variety of end markets including NEV and energy storage industries. Guided by our long-term development strategies tailored to developments within the automotive industry, we engaged third party contract manufacturers to produce small amounts of LFP cathode materials in 2020 and the first half of 2021. This allowed us to start building knowledge and relationships in the emerging NEV supply chain. Then in June 2021, we expanded our presence in the LFP cathode material industry through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, which are engaged in businesses in the field of LFP cathode materials. This move was driven by two key considerations. First, the automotive industry's shift from ICE vehicles to NEVs. As a longtime supplier of automotive specialty chemicals, we felt the need to evolve with the market by entering the NEV supply chain focusing on the most extensively used lithium-ion battery cathode material. Second, we considered LFP cathode materials to be the optimal long-term technology pathway compared to cobalt-based cathodes, given LFP's innate advantages in cost, safety and stability. We were also confident that China's supportive policies for NEV were to significantly increase demand for LFP cathode materials. Our decision to acquire Tianjin Beiterui Nano and Jiangsu Beiterui Nano was made after careful evaluation of their technical capabilities and market dominance. Before we acquired Tianjin Beiterui Nano and Jiangsu Beiterui Nano from it, the BTR Group had over a decade of experience researching and developing LFP cathode materials, cultivating robust technology and knowledge, demonstrating stable industry leadership position. For further information of the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, see "History and Development — Major Acquisitions and Disposals — Acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano."

LFP cathode material products are currently the most extensively used cathode material according to Frost & Sullivan. We have diversified LFP cathode material products with different characteristics, including S series products with high compaction and high capacity, T series products engineered for improved charging efficiency and capacitance at low-temperatures, Z series products produced from recycled raw materials and M series LMFP cathode material products. Our LFP cathode material products are mainly supplied to our strong customer base including leading lithium-ion battery manufactures in mainland China.

Since the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, our sales volume of LFP cathode materials increased significantly by 254.4% from approximately 30,505 tons in 2021 to 108,120 tons in 2023. This trend continued into the first half of 2024 with sales volume of our LFP cathode material increasing from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024, representing a 99.1% increase. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, average selling price of our LFP cathode materials was RMB61,526 per ton, RMB128,699 per ton, RMB62,464 per ton, RMB76,189 per ton and RMB33,228 per ton, respectively. The fluctuations of sales volume and average selling price of our LFP cathode materials were primarily driven by shifts in supply and demand dynamics in the upstream lithium carbonate industry and downstream lithium-ion battery industry leading unprecedented fluctuation in lithium carbonate market prices. For further details, see "Financial Information — Significant Factors Affecting Our Results of Operations — Cost of Raw Materials" and "Financial Information — Period to Period Comparison of Results of Operations."

The table below sets forth a summary of our LFP cathode material products:

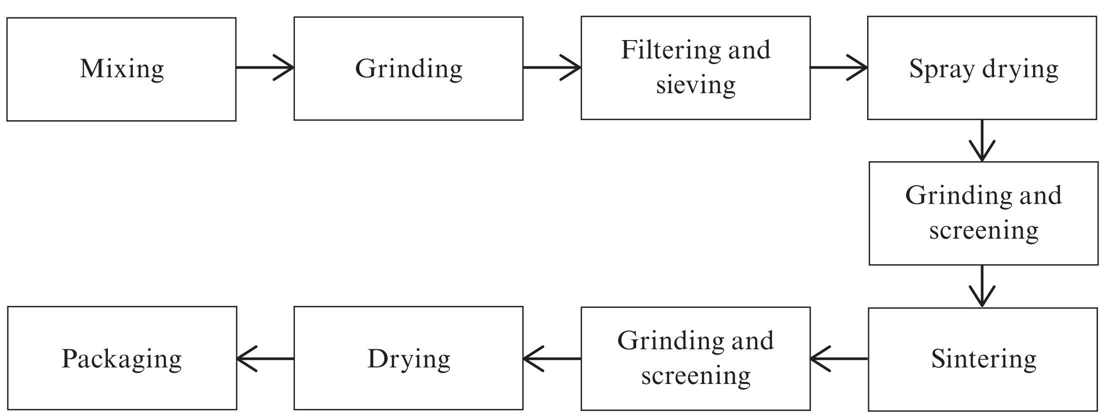
Product Type	Product Picture (crystal structure)	Product Features
S series LFP cathode material		Features high power density for motive power batteries without compromising the stability of batteries, produced with high compaction and long life cycle. The S series represents our primary LFP cathode material products.
T series LFP cathode material (also known as Lithium Iron No.1 (鐵鋰壹號))		Features improved charging efficiency and capacitance at low-temperatures for lithium-ion batteries with our proprietary nano spherical densification technology. Officially launched in April 2022, our T series Lithium Iron No.1 (鐵鋰壹號) is being gradually welcomed by our customers.
Z series LFP cathode material		Features cost-effective LFP cathode material produced with recycled raw materials. As commercialization of lithium-ion battery recycling is still in a relatively infant stage, sales volume of our Z series LFP cathode material products were negligible compared to our overall sales volume during the Track Record Period.
M series LMFP cathode material		An emerging upgraded sub-category of LFP cathode material made by adding manganese to lithium iron phosphate. It is currently considered a promising cathode material as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. We are actively developing our LMFP cathode material product and have provided sample products to our customers' for testing purposes.

The table below sets forth a breakdown of our sales volume and average selling price for our LFP cathode material products by product types:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	ton	RMB/ton	ton	RMB/ton	ton	RMB/ton	ton	RMB/ton	ton	RMB/ton
S series LFP Cathode Material	29,927.1	61,312.6	93,910.6	128,468.3	105,795.9	61,623.3	36,322.5	74,931.1	72,240.9	32,873.9
T series LFP Cathode Material	577.9	72,561.1	1,206.1	146,708.7	2,322.4	100,765.2	1,103.8	117,562.7	2,261.9	44,526.2
Z series LFP Cathode Material	—	—	3.3	118,244.7	1.1	88,331.9	0.6	104,032.3	—	—
M series LMFP Cathode Material	—	—	—	—	0.2	123,924.9	0.1	110,210.5	0.2	134,409.6
Overall	30,505.0	61,526	95,120.0	128,699	108,119.6	62,464	37,427.0	76,189	74,503.0	33,228

Production processes

We produce LFP cathode materials using the solid-state method, which primarily involves first preparing for the predissociation of iron phosphate, lithium carbonate and other raw materials by mixing and grinding them in precise proportions and then heating them to moderately high temperatures, followed by high-temperature sintering and forming, and finally grinding and screening. The solid-state method renders technological advantage to manufacturers enabling them to efficiently scale up production. It takes around two days to complete the production process of a batch of eight tons of LFP cathode materials. The following chart illustrates the general production process of our LFP cathode material products:



Production planning

Our smart operation center is responsible for preparing our production plans. We devise our monthly production plans based on actual and indicative orders received from customers and forecasts on the demand from downstream customers and will adjust production plans according to our inventory level and further orders received from customers.

Existing production facilities

We produce substantially all of our LFP cathode material products by ourselves, which we believe allows us to quickly respond to fluctuations in market demands, requests and specification of customers and evolving technologies in the industry and maximizes our control over product quality. As of the Latest Practicable Date, we operated five LFP cathode material production facilities in the PRC. The table below sets forth the location, primary products produced and GFA of our production facilities as of the Latest Practicable Date:

Facility Name	Location	Primary products produced	GFA (sq.m.)
Jintan Plant	Jiangsu Province, PRC	LFP cathode materials	53,141.2
Baodi Plant	Tianjin Municipality, PRC	LFP cathode materials	20,944.8
Pengxi Plant.	Sichuan Province, PRC	LFP cathode materials	85,265.0
Heze Plant	Shandong Province, PRC	LFP cathode materials	132,065.0
Xiangyang Plant	Hubei Province, PRC	LFP cathode materials	347,618.5

Production capacity and utilization

The table below sets forth a summary of our production capacity in terms of designed production capacity and utilization rates for our production facilities for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Designed Capacity(1)(4)	Actual Production(2)(4)	Utilization Rate(3)(4)	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)	Designed Capacity(1)	Actual Production(2)	Utilization Rate(3)
	(ton)		%	(ton)		%	(ton)		%	(ton)		%
Jintan Plant	17,812.5	19,317.6	108.4	45,000.0	50,705.2	112.7	45,000.0	25,436.6	56.5	22,500.0	10,093.2	44.9
Baodi Plant	5,833.3	5,963.7	102.2	10,000.0	11,469.3	114.7	10,000.0	8,367.9	83.7	5,000.0	2,608.5	52.2
Pengxi Plant(5).	—	—	—	36,499.0	26,865.4	73.6	87,500.0	59,302.9	67.8	43,750.0	39,627.1	90.6
Heze Plant(6).	—	—	—	—	—	—	27,518.0	11,216.8	40.8	18,470.7	12,143.7	65.7
Xiangyang Plant(6)	—	—	—	—	—	—	30,652.2	11,185.6	36.5	20,912.7	14,441.5	69.1
Overall	**23,645.8**	**25,281.3**	**106.9**	**91,499.0**	**89,039.9**	**97.3**	**200,670.2**	**115,509.8**	**57.6**	**110,633.4**	**78,914.0**(7)	**71.3**

Notes:

(1) The designed production capacity of the period represents the effective production capacity accumulated by months, which is calculated based on the optimal hourly production rate of machines and equipment operating 24 hours a day for approximately 334 working days a year, adjusted pro rata according to the actual days of operation for respective production lines in a period.

(2) The actual production during the period is the total volume of the products manufactured during that period.

(3) The utilization rate equals to the actual production volume divided by the designed production capacity during the same period.

(4) Represents data since June 2021 after the acquisition of Tianjin Beiterui Nano and Jiangsu Beiterui Nano.

(5) In 2022, Pengxi Plant was in a ramp-up period and had limited actual production.

(6) Heze Plant and Xiangyang Plant were at pilot production stage during 2023 and the first half of 2024.

(7) Excluding approximately 94.3 tons produced by the Indonesia Plant during trial production.

In order to meet the rapidly growing downstream demand for LFP cathode materials, we continuously expanded our production capacity and output since the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano. This included expanding production capacity at our Jintan Plant in the second half of 2021, as well as expanding and training our workforce to catch up with the increase in our production capacity. In 2021 and 2022, our LFP cathode material production at Jintan Plant and Baodi Plant recorded total utilization rates exceeding 100% primarily because we adopted production efficiency enhancement measures such as increasing raw material feeding volume and adjusting downtime for inspection and maintenance to cope with the strong demand for our products.

However, utilization rates of our LFP cathode material production facilities were generally lower in the year ended December 31, 2023. This was primarily due to (i) a significant increase in our total designed production capacity from 91,499.0 tons in 2022 to 200,670.2 tons in 2023, mainly attributable to the capacity expansion at our Pengxi Plant; and (ii) underutilization of certain of our new production lines owing to ongoing supplier verification procedures of some customers which are specific to production plants and ramp-up period for increased capacity. Since the quality of cathode materials is critical to the quality of lithium-ion batteries, which in turn affects the safety of end products, our customers require us passing their rigorous product screening procedures for each new production line installed. According to Frost & Sullivan, such verification procedures can last for months or even a year.

In the first half of 2024, our overall LFP cathode material production utilization rate improved to 71.3% from 57.6% for the year ended December 31, 2023. This improvement was mainly driven by significant increases in utilization at our newer facilities, with the Pengxi Plant increasing to 90.6%, Heze Plant to 65.7%, and Xiangyang Plant to 69.1%. These increases generally reflect optimal ramp-up of operations and progress in supplier verification procedures, and our strategic decision to adjust utilization rates at our Baodi Plant and Jintan Plant from the high levels (over 100%) seen in 2021 and 2022 aiming to achieve more balanced, sustainable, and efficient operations across all our existing production facilities.

We are confident in the gradual recovery of utilization rates of our LFP cathode material production plants primarily on the following basis:

- *Innate characteristics of LFP cathode materials*. LFP cathode material has gained popularity in the lithium-ion battery industry due to inherent cost advantage and thermal stability. Compared to other alternatives such as NCM cathode material, LFP cathode material does not contain more expensive metals such as cobalt and nickel, rendering it an attractive option for battery manufacturers and NEV manufactures aiming to reduce costs. At the same time, superior thermal stability of LFP cathode materials increases their safety, which is a critical consideration in downstream application. According to Frost & Sullivan, from 2019 to 2023, the market share of LFP cathode material in the global cathode material industry, based on shipment volume, significantly grew from 14.0% to 57.6%. With continuous advancements in LFP cathode material, its application scope is expected to expand further in the future. We considered LFP cathode materials to be the optimal long-term technology pathway in the industry considering these advantages.

- *Considerable downstream demand.* With rising new energy penetration, strong government support and sound supply chain practices, the lithium-ion battery market in mainland China has expanded rapidly and accounted for 72.8% in the global battery industry in 2023 and it is expected to increase from 1,171.3 GWh in 2024 to 2,804.2 GWh in 2028, representing a CAGR of 24.4%. Such strong growth is largely attributable to increasing penetration of NEVs in mainland China. Demand for LFP cathode materials is also expected from the energy storage industry. With factors such as continuous technological progress, further decrease in energy storage costs and broadened application scenarios, the ESS battery shipment volume in mainland China is expected to increase from 300.4 GWh in 2024 to 863.3 GWh in 2028 at a CAGR of approximately 30.2%, according to Frost & Sullivan.

In addition, despite the volatility across the lithium-ion battery value chain in 2023 driven by the unprecedented decline in lithium carbonate prices, sales volume of our LFP cathode material products increased from 95,120 tons for the year ended December 31, 2022 to 108,120 tons for the same period in 2023. This trend continued into the first half of 2024 with sales volume of our LFP cathode material increasing from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024, representing a 99.1% increase. Moreover, our production volume of 115,509.8 tons in 2023 exceeded total designed capacity of 91,499.0 tons in 2022. In the first half of 2024, we also achieved an actual production of 78,914.0 tons, representing 68.3% of our full-year 2023 production in only six months, with our overall utilization rate improving to 71.3%. We believe such resilience primarily stems from (i) our position in the global LFP cathode material industry underpinned by our mass production capacity and strong research and development capabilities in core technologies; and (ii) our customer base of leading lithium-ion battery manufacturers; and (iii) the industry's high barriers for client recognition, as customers rarely make any substantial changes or replacements once the requirements of accredited suppliers are satisfied.

Subcontracting

To supplement our in-house production capacity when our customers' demand temporarily exceeded our production capacity, we outsourced production of a portion of LFP cathode material products to third-party manufacturers in 2021 and 2022. We have strict quality control measures with these third-party manufacturers to maintain our product standards, including requiring them to satisfy our technical specifications and comply with all applicable industrial and national quality standards as well as the RoHS standard published by the European Union. We also deployed our quality control personnel and technicians to the production facilities of third-party manufacturers. All required raw materials were provided by us to ensure production consistency. For the years ended December 31, 2021 and 2022, the production of approximately 5,839.7 tons and 13,052.5 tons of LFP cathode materials were subcontracted, respectively, representing approximately 19.1% and 13.7% of our total sales volume of LFP cathode material products for the respective years. We have ceased such subcontracting arrangements since December 2022 and received final batches of subcontracted products of approximately 3,030.9 tons in 2023. As of the Latest Practicable Date, we do not have any ongoing subcontracting arrangement in relation to our LFP cathode material products.

Critical machinery and equipment

We procure equipment and machinery which we believe is essential to promoting production stability, product quality and cost competitiveness for our LFP cathode material business. We endeavor to streamline our production process and increase automation, digitalization, reliability and cost efficiency. For example, our stove automation system moderates and monitors the sintering temperature and thereby standardizes the quality of products produced.

We procure and own the majority of the critical production equipment and machinery used in the production process of our LFP cathode material business, while some were leased under sales and leaseback or financial lease arrangements. We source our critical production machinery and equipment from domestic and international industrial players. For our LFP cathode material business, we calculate depreciation on our critical production machinery and equipment under our property, plant and equipment using the straight-line method over their estimated useful lives, ranging from five to ten years. As of the Latest Practicable Date, the remaining service life of such critical production machinery and equipment of our LFP cathode material business was approximately 8.0 years on average.

The table below sets forth certain details of the critical machinery and equipment used in the production of our LFP cathode materials as of June 30, 2024:

Critical machinery and equipment	Number of units	Function
Sand mill	93	To grind iron phosphate, lithium carbonate and other materials to nanoscale
Spray dryer	15	To spray dry the semi-finished products after grinding by sand mills
Stove.	79	To sinter the spray dried semi-finished products and form LFP cathode material finished products
Airflow grinding machine	26	To grind LFP cathode material finished products
Nitrogen making machine	4	To produce nitrogen condition which is primarily used to prevent active materials in stoves to react with oxygen and other gases present in the atmosphere

Maintenance

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

Production expansion plans

Despite our current available production capacity, we endeavor to expand our production capacity to cope with the expected increase in demand for LFP cathode materials. According to Frost & Sullivan, the market size of the LFP cathode materials industry in mainland China by sales volume is expected to grow from 2,056.0 thousand tons in 2024 to 3,884.0 thousand tons in 2028, representing a CAGR of 17.2%.

We believe our Xiangyang Plant brings us strategic advantages due to its location in Hubei Province. Hubei Province is part of the central region industrial cluster among China's six major automotive industry clusters, with many major lithium-ion battery manufacturers establishing production facilities in the province. Hubei is also one of the main phosphate mineral bases in China with abundant phosphate mineral resources.

We expect the production capacity of phase I of Xiangyang Plant to reach 50.0 thousand tons of LFP cathode materials per year. Additionally, we intend to apply approximately 40.0% or HK$208.0 million of the net proceeds from the Global Offering to finance the construction of LMFP production lines at our Xiangyang Plant. LMFP, such as our M series product, is an emerging upgraded sub-category of LFP cathode materials made by adding manganese to the LFP composition. It is currently considered a promising cathode material as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. Multiple globally leading lithium-ion battery manufacturers, including some of our customers, have announced plans to commercialize LMFP batteries in 2023. For further details, see "— Strategies — Further increase our LFP cathode material production capacity to seize growing downstream demand, expand our customer base and achieve economies of scale to solidify our position in the LFP cathode material industry" and "Future Plans and Use of Proceeds — Use of Proceeds."

As we aim to further grow our business in the fast-developing LFP cathode material industry, we decided to expand the geographical coverage of our production network by establishing an overseas production plant in Indonesia following the globalization trend of the industry. According to Frost & Sullivan, the market share of LFP cathode materials in terms of sales volume outside of mainland China is expected to rise from 2.9% in 2024 to 7.3% in 2028. Indonesia has been identified as a favorable overseas destination due to its comprehensive NEV industry value chain, investment-friendly policies and favorable geographical location. In particular, leading companies within the lithium-ion battery value chain have developed detailed investment plans in Indonesia, resulting in the establishment of a comprehensive layout of the lithium-ion battery market value chain in the country. Further, Indonesia's targets to export 200,000 NEVs by 2025 and achieve 2.2 million electric vehicles on the roads by 2030 as well as other policy incentives, including reduced taxation for vehicles with more components produced locally, contribute to a positive policy environment for development of its industries along the lithium-ion value chain. As a raw material origin and with its close geographic proximity with China, Indonesia also offers other advantages including convenient transportation and reduced shipment costs. For further details, see "Industry Overview — Overview of LFP Cathode Material Industry — Market Drivers and Trends of LFP Cathode Material Industry."

We commenced preparation for the Indonesia Plant in February 2023 by setting up PT LBM Energi Baru Indonesia through our subsidiary Changzhou Liyuan. For the background of Changzhou Liyuan, see "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021." The phase I of the Indonesia Plant is expected to commence operation around the fourth quarter of 2024. Upon completion of construction, the designed capacity of the phase I of the Indonesia Plant is expected to be approximately 30.0 thousand tons of LFP cathode materials per year. As of the Latest Practicable Date, the phase I of the Indonesia Plant had completed construction. We also intend to apply approximately 40.0% or HK$208.0 million of the net proceeds from the Global Offering to finance the construction of the phase II of Indonesia Plant. For details, see "Future Plans and Use of Proceeds — Use of Proceeds."

In September 2023, we entered into a memorandum of understanding with LGES regarding the joint cooperation of producing LFP cathode materials in Indonesia. In addition, in February 2024, we entered into a long-term supply agreement with LGES, where LGES and its affiliates committed to procure 160,000 tons of our LFP cathode materials from 2024 to 2028. Headquartered in South Korea, LGES is one of the world's largest lithium-ion battery manufacturers. We believe this cooperative relationship with LGES would generate positive impact on our business operations, overseas expansion, financial results, reputation and brand image. By establishing joint operations in Indonesia, we aim to leverage synergies in raw material sourcing, technological expertise and market access to capitalize on rapid growth opportunities overseas. As major global NEV manufacturers increasingly adopt LFP batteries, LGES is actively expanding production capacity to meet demands. According to Frost & Sullivan, the sales volume of the global LFP cathode material industry is expected to grow at a CAGR of 18.6% from 2024 to 2028 which is higher than the 17.2% in mainland China, the market share of LFP cathode materials in terms of sales volume outside of mainland China is expected to rise from 2.9% in 2024 to 7.3% in 2028. By partnering with LGES, we expect to be better positioned to secure overseas purchase orders and capture market shares of global LFP cathode material industry. In addition, by combining LGES's experience, we aim to build an efficient and industry-leading production base in Indonesia to better serve our customers and tap into new markets. We also believe that partnering with an industry leader such as LGES would also facilitate valuable technology exchange.

We determine our production expansion plans carefully, considering, among other things, (i) estimated market demand for LFP cathode materials; (ii) prices for LFP cathode materials; (iii) current and future utilization of existing production facilities; (iv) estimated costs of expansion; and (v) availability of capital resources. Most importantly, our production expansion plans are based on communication with major customers about their expected demand for our products. As such, we also took the locations of downstream customers into account when determining the locations of our new production facilities to secure the demands of our products and lower relevant transportation costs. Alongside the expansion of our production capacity, we also invest significantly in technological innovation and research and development, which helps ensure our added production capacity to satisfy evolving customer requirements and solidifies our position in the global LFP cathode material industry. There is no guarantee that any of our expansion projects will proceed as planned. Our Directors may determine in the future that postponing a project is in the best interest of the Company after taking into account the prevailing market conditions, our financial resources and other relevant factors. We may also invest in additional expansion projects as we continue to grow our business.

Quality control

Our commitment to high quality and reliability helps strengthen the recognition and trust among our customers. In order to monitor production quality and to ensure that our products meet all the stringent benchmarks and specifications of our customers and ourselves, we take a holistic approach to quality control, establishing a quality management system that complies with relevant national and international standards, covering product development, procurement, production, finished products and logistics. We obtained ISO9001:2015 certification for our quality management system. Moreover, we have obtained IATF16949:2016 certification relating to vehicle quality management. Our testing center for LFP cathode materials is capable of testing the principal and impurity elements, particle size and compaction of raw materials, semi-finished products and finished products of LFP cathode materials.

As of June 30, 2024, we have a quality control team comprising of 276 members for our LFP cathode materials business. The quality control team is responsible for setting targets of quality control, establishing the quality control systems and inspection guidelines for our production, conducting regular inspections and providing trainings on quality and inspection techniques. To ensure the effectiveness of our quality control system, the quality control team regularly conducts performance reviews and data analysis on our production facilities and equipment.

As a result of our stringent quality control measures, during the Track Record Period and up to the Latest Practicable Date, in respect of our LFP cathode materials business, there was no incident of failure in our quality control systems which had a material impact on us.

Quality control on product development

Our quality control begins at the initial stage of product development with our research and development team working closely with our customers to test and evaluate the effectiveness, capacity and quality of new sample products in accordance with relevant quality standards and customer specifications.

Quality control on procurement

We only procure raw materials from qualified suppliers who have passed the product quality and reliability assessments and meet the requirements of us and our customers. We keep evaluating our suppliers regularly with a range of factors including ability to meet our requirements for raw material quality, production capacity, delivery timelines, financial position, and credit term. We may conduct onsite inspections from time to time on our suppliers' facilities. We conduct sample tests on raw materials upon delivery, and our quality control system has been designed to identify and address defective or sub-quality raw materials as early in the production process as possible.

Quality control on production

We strictly follow our customers' quality specifications and relevant industry standards in our production process. Our quality control team conducts daily quality checks of semi-finished products at key control points during our production process in accordance with our internal quality control system to ensure quality standards and compliance requirements of us and our customers are met at each stage of our production process. Some of our customers may also inspect our production facilities onsite.

Quality control on finished product and logistics

Prior to delivery, our quality control team is responsible for conducting sample checks for every batch of finished products. We also conduct packaging inspection of finished products to ensure our packaging is sufficient to safeguard the quality of our finished products during transportation. We regularly inspect our warehouse and have safety measures in place to minimize risks of fire hazards, water damage and other similar risks to our finished products.

Research and development

In order to cope with developments in the lithium-ion battery industry and other battery materials industries, it is critical that we maintain our ability to develop new technologies to meet customers' evolving demands and specifications and to establish and strengthen our market position. Our Directors consider our strong research and development capabilities to be one of our competitive strengths. See "— Strengths — Our strong research and development capabilities contribute to our competitive and diverse product portfolio" for details.

As of June 30, 2024, our research and development team of our LFP cathode material business comprised of 270 members, dedicated to product and technology development. Our core research and development team comprises a group of experts with advanced degrees and extensive research and development experience in chemical engineering, materials engineering and other scientific fields essential to the research and development of LFP cathode materials. Most of our research and development team members of our LFP cathode material business hold bachelor's degree or above.

Our research and development centers are strategically located to allow our research and development teams to stay at the forefront of cutting-edge industry developments while promoting collaboration between research teams and manufacturing personnel. For instance, our center is strategically located in Shenzhen, a high-tech hub in southern China, which we believe would allow us to follow emerging technologies and latest trends such as those related to LMFP and sodium materials. Meanwhile, centers in the vicinity or within our production facilities foster seamless knowledge sharing and collaboration between research teams and manufacturing personnel. For instance, the Changzhou center directly addresses customer-related research topics, whilst our Nanjing center focuses on, among others, low cost LFP cathode materials, such as our Z series products. With the strategic locations of our research and development centers, we aim to optimize expertise sharing while tailoring research to manufacturing strengths of our production facilities.

Leveraging the dedication and expertise of our research and development team and the assistance of sophisticated analyzing and testing equipment and systems at our research and development centers, we are seeking breakthroughs in the industry together with our customers and have developed a series of new production techniques to optimize our products. Our third generation of high compaction LFP cathode material products enhance the power density of power batteries while maintaining the stability and safety of the batteries. Moreover, batteries developed with our proprietary Lithium Iron No. 1 (鐵鋰壹號) product can maintain a higher discharge capacity under low temperatures. This product also features rapid charging capabilities. As of June 30, 2024, we have obtained eleven national patents in relation to this product.

We follow a client and market-oriented research and development approach. Leveraging our insights into the application of latest technologies and new materials, we communicate regularly with our customers during our research and development processes to understand and incorporate their demands and expectations to products, and work closely with our customers to develop suitable solutions during our customization processes. In particular, we have cooperated with a subsidiary of a leading global provider of information and communications technology infrastructure and smart devices to develop a type of low cost LFP cathode material using recycled materials. During our cooperation with this company on recycled LFP cathode material, it primarily provided valuable technical input on various production process steps of the research subject and pilot testing preparation relating to the research subject. We believe such in depth cooperation with customers provide us opportunities to capture their demand. Depending on the specific arrangements, payment of fees and allocation of intellectual properties may vary. For example, in one case where a customer engaged us to carry out a specific research and development project, the agreement specified the amount of compensation to be paid by the customer in installments based on specific project milestones. It was agreed that both parties jointly hold intellectual property rights in the results of such project.

For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, research and development expenses for LFP cathode material products, which primarily include staff costs for research and development personnel, expenditures on raw materials, equipment and product testing, amounted to approximately RMB114.6 million, RMB517.1 million, RMB377.0 million and RMB150.1 million, respectively, representing 6.1%, 4.2%, 5.6% and 6.1% of our total revenue of LFP cathode material products for the same periods.

Customers and sales

Customers of our LFP cathode materials include major lithium-ion battery manufacturers such as CATL, REPT BATTERO, Sunwoda and EVE. We sell our LFP cathode material products directly to customers after passing their stringent supplier verification procedures, including on-site visits of our production facilities and sample tests of our products. With positive prospects to their respective business sectors, our customers are expected to have growing demands for upstream lithium-ion battery raw materials, including our LFP cathode material products, which in turn represents considerable market potential for us to achieve sustainable growth. We generally participate in industry exhibitions and forums for marketing and advertising of our LFP cathode material products and would hold press conference for product launch to promote our new products through mainstream industry media and platforms, including Gaogong Lithium Battery (高工鋰電).

We generally enter into customer framework agreements with our major customers setting forth general terms governing the terms of the purchase order. The key terms of our typical framework agreements are as follows:

- *Term of service*. Our framework agreements typically have terms of one to five years.

- *Price*. We generally do not have a fixed price for our LFP cathode material products. For further details of pricing of our LFP cathode material products see "— Our Businesses — LFP Cathode Materials — Customers and sales — Pricing policy."

- *Purchase order*. Customers shall notify us of the type, specification, unit price, quantity and time of delivery of the products they require in the form of purchase orders.

- *Quantity*. Whilst our framework agreements typically do not have minimum purchase commitments, and actual purchase volumes are determined based on specific purchase orders, during the Track Record Period we agreed to a minimum amount of products to be procured by the customer or to be delivered by us during the term of the agreement, in some framework agreements with certain customers.

- *Rights and obligations*. We are responsible for providing products in compliance with applicable national and industrial standards and in accordance with the requirements and specifications of the customer prescribed in the agreement or purchase orders. The customer is generally entitled to conduct inspection on the delivered products.

- *Payment*. Upon acceptance of the products or receipt of invoice, customers make payment to us in accordance with the purchase order. We typically grant customers of our LFP cathode material products a credit period of 30 to 60 days.

- *Quality control*. The standards and specifications of products will be specified in the agreement and/or separate purchase orders. We may provide warranty for up to one year. For further details of quality control of our LFP cathode material products see "— Our Businesses — LFP Cathode Materials — Quality control" above.

- *Termination*. Termination clauses varies from agreements to agreements. Some entitle (i) termination in mutual agreement in writing; (ii) termination in the event of three month notice in advance; and/or (iii) unilateral termination of the non-defaulting party.

Customer service

We are dedicated to maintaining our customer relationships by providing timely customer support and services along with our high-quality products to our customers. Our after-sale engineers and representatives will visit our customers from time to time for their feedbacks to our products and assist our customers to use our products correctly and compatibly with their products and other raw materials used by them. We also provide replacement or return services in case of defective products within the warranty period which is typically one year. Upon receipt of complaint regarding product quality, we generally will get in touch with our customers in 24 hours and send our team on-site to investigate complicated issues. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, the costs incurred in relation to product returns or replacements amounted to approximately RMB14,700, RMB189,700, RMB100,200 and RMB31,200, respectively, and the corresponding volume of LFP cathode materials amounted to approximately 69.9 tons, 342.2 tons, 156.6 tons and 8.9 tons, respectively, which were immaterial as compared to the cost of sales and sales volume of our LFP cathode material business. During the Track Record Period, there were no material complaint, product returns or product liability claims from our customers, which reflects the quality of our products.

Pricing policy

Generally, in line with the fluctuations in raw material costs, the average price of LFP cathode material decreased from approximately RMB41.7 thousand per ton in 2019 to the lowest average price of around RMB29.8 thousand per ton in 2020. Subsequently, the average price of LFP cathode materials surged to around RMB125.0 thousand per ton in 2022 driven by rapidly growing downstream demand. The average price of LFP cathode materials dropped to around RMB72.2 thousand per ton in 2023 and RMB37.4 thousand per ton in the first half of 2024 primarily attributable to drop in raw material prices, especially lithium carbonate.

We price our products based on a number of factors, including raw materials and production costs, prevailing market conditions, size of purchase orders, and product specifications requested by customers. Global and domestic economic environment, general market demands as well as market competition also have great influence on our pricing policies. More specifically, taking the amount of raw materials used and production costs into account, the pricing of our LFP cathode materials is primarily based on the prevailing market prices of lithium carbonate listed on the SMM. According to Frost & Sullivan, it is the industry norm to refer to the abovementioned price index when determining the price of LFP cathode materials.

Raw materials and suppliers

Raw materials

The primary raw materials for the production of LFP cathode materials are lithium carbonate and iron phosphate. For the years ended December 31, 2021, 2022, 2023 and the six months ended June 30, 2024, cost of principal raw materials of LFP cathode material products, i.e. lithium carbonate and iron phosphate, amounted to approximately RMB1,156.4 million, RMB8,902.6 million, RMB6,009.4 million and RMB1,597.6 million, respectively, representing approximately 81.3%, 86.9%, 82.3% and 66.6% of the costs of sales of our LFP cathode material business. We mainly source iron phosphate and lithium carbonate from upstream manufacturers and trading companies. During the Track Record Period, while we have not directly procured lithium carbonate from overseas regions, our Directors, to the best of their knowledge, understand that our major lithium carbonate suppliers source their materials from various prominent lithium-producing countries. These sources include, but are not limited to, the PRC, Australia, and Chile, which are globally recognized as significant producers of lithium carbonate.

We have experienced fluctuations in the costs of lithium carbonate during the Track Record Period. According to Frost & Sullivan, in 2021 and 2022, the average price for lithium carbonate was RMB119.8 thousand per ton and RMB482.4 thousand per ton, respectively. Such price increase was primarily due to a upstream supply tightness of lithium carbonate since 2020 resulting from the rising demand of lithium-ion battery products and upstream supply chain disruptions caused by the COVID-19 pandemic. The average price for lithium carbonate subsequently decreased to RMB272.3 thousand per ton in 2023 attributable to balancing between market supply and demand as lithium carbonate production capacity gradually released. Subsequently, market price of lithium carbonate averaged at RMB103.5 thousand per ton in the first half of 2024. The price of iron phosphate also experienced fluctuation, though to a lesser extent, during the Track Record Period, primarily due to rapid increase in demand and short supply of raw materials. For a sensitivity analysis on the impact of our costs of raw materials on our gross profit, see "Financial Information — Significant Factors Affecting Our Results of Operations — Cost of Raw Materials."

We closely monitor the price trend of our raw materials and make predictions accordingly. In line with industry practice, we factor raw material price volatility into our product pricing. We generally discuss pricing of our LFP cathode material products with customers and make adjustments on a monthly basis aligned with raw material price trends. However, since the selling price of our LFP cathode materials closely follows the prevailing lithium carbonate prices listed on the SMM in general and the lithium carbonate prices have experienced significant fluctuations in recent years, our ability to transfer the risk from raw material price volatility to our customers could be affected. For details, see "— Our Businesses — LFP Cathode Materials — Customers and sales — Pricing policy."

To ensure the stable supply of principal raw materials, we may enter into framework agreements with major suppliers of raw materials. For further details on the key terms of such framework agreements, see "— Our Businesses — LFP Cathode Materials — Raw materials and suppliers — Suppliers." In addition, during the Track Record Period, some of our major customers directly provided us with raw materials, primarily lithium carbonate, to produce LFP cathode materials particularly during times of raw material scarcity, to ensure adequate supply. Leveraging their sizable scale, reputation, purchasing power, and investments in upstream operations through vertical expansion, major battery manufacturers can often access critical raw materials like lithium carbonate at competitive prices. According to Frost & Sullivan, it is not uncommon in the LFP cathode material industry for downstream customers to procure upstream raw materials such as lithium carbonate for their suppliers as a way to ensure the timely and sufficient supply of their raw materials. Additionally, in 2023 when lithium carbonate prices decreased significantly, we also explored such direct procurement of lithium carbonate from customers to mitigate inventory write-down risks amidst price volatility. See "Risk Factors — Risks Relating to Our Industry and Business — We are exposed to risk relating to our inventory, and our inventory of principal raw materials, including lithium carbonate and iron phosphate, is exposed to risk arising from price fluctuation." In 2022, 2023 and the first half of 2024, the volume of lithium carbonate received under such arrangements amounted to 1,346.0 tons, 6,781.1 tons and 1,731.1 tons, respectively. The relatively small amount in the first half of 2024 was mainly because we mostly procured lithium-mica concentrate from CATL instead of lithium carbonate in this period. Costs of such lithium carbonate were deducted directly upon the recognition of corresponding revenue from sales of LFP cathode material to customers who supplied such lithium carbonate. The increase in procurement of raw materials under this model during the Track Record Period is primarily attributed to the upstream expansion of our major customers, particularly CATL. CATL's investments in lithium mining and lithium carbonate projects began to materialize during this period, enhancing their ability to supply raw materials to its suppliers. We adopt the same stringent quality control evaluation and assessment protocols for customer-supplied materials as those required for other key suppliers.

Furthermore, we are in an early stage of expanding our production capabilities upstream and have been producing iron phosphate in-house for our internal use. The designed annual capacities of our Heze Plant and Xiangyang Plant for iron phosphate are 100.0 thousand tons and 50.0 thousand tons, respectively. In 2023 and the six months ended June 30, 2024, we produced approximately 20,184 tons and 15,738 tons of iron phosphate, respectively and procured approximately 99,537 tons and 69,909 tons of iron phosphate, respectively. In 2023 and the six months ended June 30, 2024, approximately 105,880 tons and 75,809 tons of iron phosphate was utilized, respectively.

Additionally, our production facility for lithium carbonate in Yichun, Jiangxi Province has commenced trial operation since March 2024. In the first half of 2024, we used lithium-mica concentrate procured from CATL and other necessary raw materials obtained from other sources to produce lithium carbonate at this facility. At full capacity, this facility is designed to produce 40.0 thousand tons of battery-grade lithium carbonate annually. For details, see "History and Development — Our Strategic Cooperation — Acquisition of Lopal Times in 2022." By producing lithium carbonate and iron phosphate in-house, we aim to better maintain close control over key parameters during our production processes, make improvements based on quality-related feedback, develop diversified products tailored to customers' requirements and specifications and, most importantly, control the high percentage of the costs of raw materials in the production costs of LFP cathode materials. For details, see "— Strategies — Further expand upstream along the LFP cathode material production value chain" and "— Our Businesses — Lithium Carbonate Processing Services."

During the Track Record Period, we did not experience any significant shortage of raw material supplies, and the raw materials provided by our suppliers did not have any significant quality issues. See "Risk Factors — Risks Relating to Our Industry and Business — We depend on a stable and adequate supply of raw materials. Inadequate or interrupted supply for our raw materials could adversely affect our business, financial condition and results of operations."

Suppliers

We have a dedicated procurement team for our LFP cathode materials business comprising of 43 members as of June 30, 2024, which is responsible for the procurement of raw materials, packaging materials and machinery and equipment according to our business needs. We generally procure our raw materials from raw material manufacturers and trading companies. We strictly select our suppliers to secure the quality of raw materials used for our production and require them to satisfy certain evaluation and assessment criteria. We only procure from suppliers listed on our qualified suppliers list. Before we add a new supplier to our qualified suppliers list, our procurement team, together with members of our production and quality control teams, closely evaluate various aspects of the supplier, including its ability to meet our requirements for raw material quality, production capacity, delivery timelines, financial position, and credit term. Potential principal raw material suppliers are subject to onsite inspection by us to evaluate their production processes and quality control management. Moreover, some of our suppliers have also been approved by our customers to ensure raw materials we used are compatible with and suitable to their products.

We typically enter into purchase agreements and place purchase orders with our suppliers for specific purchases. We specify the type of product, quantity, unit price, quality standards, payment terms, delivery timeline, delivery destination, warranty and other terms in each purchase agreement or purchase order we send to our suppliers. Suppliers grant various payment terms depending on factors including the order amount and the types of raw materials ordered. We typically settle our trade payables by bank transfers or bank acceptance notes. Some of our suppliers require full payment upfront or a certain percentage of prepayment for raw materials, especially during times of short supply, whilst others may offer credit term up to 30 days. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, prepayments for raw materials of our LFP cathode material business amounted to RMB186.3 million, RMB608.1 million, RMB89.1 million and RMB81.0 million, respectively.

We have also entered into certain framework agreements with major suppliers of principal raw materials such as lithium carbonate and iron phosphate to avoid shortage or delay in the supply of raw materials. The key terms of our typical framework agreements are as follows:

- *Term*. The duration of our framework agreements generally ranged from 12 months to 36 months.

- *Price*. The prices of principal raw materials are generally determined taking into account the then prevailing market price posted on the SMM.

- *Quantity*. The quantity of raw materials we procure is typically specified in each purchase order. To ensure stable supply, some suppliers are required to commit to a minimum monthly supply amount that they must be able to provide if requested.

- *Payment*. Payment terms vary with different suppliers in accordance with the terms of the framework agreements.

- *Delivery and transfer of risks*. Suppliers shall engage third-party logistics companies to deliver products to us in accordance with the terms of the agreements. Logistics costs are generally borne by the party responsible for delivery of the raw materials. Risks of loss are typically transferred to us upon the delivery of raw materials.

During the Track Record Period, we entered into two agreements with minimum purchase requirements with two raw material suppliers with details as follows:

In January 2023, we entered into a procurement agreement with a supplier for lithium carbonate. Under this agreement we committed to procure a minimum amount of lithium carbonate per month for the term of the agreement, unless otherwise mutually agreed by both parties. Pursuant to the terms of the agreement, if we fail to fulfill the minimum purchase commitment, we may be subject to pay liquidated damages. However, in view of the temporary slowdown in demand for NEVs in the overall industry, the substantial and continuous decline in lithium carbonate prices which squeezes the supplier's profit margins, and since neither party had begun performing under the procurement agreement, we mutually agreed with this supplier to terminate the procurement agreement in October 2023.

In June 2023, we entered into a long-term framework agreement with another reputable raw material supplier for lithium carbonate. This agreement contains mutually agreed upon purchase commitments over the three-year contract term expiring in June 2026. The procurement prices during the contract term are discounted prices to the average lithium carbonate prices of the respective months listed on the SMM. We believe that this agreement would secure our stable long-term supply of lithium carbonate at favorable price. Pursuant to the terms of the agreement, if we fail to fulfill the purchase commitments as agreed, we may be required to pay liquidated damages. In November 2023, based on mutual agreement with the supplier, we entered into a supplemental agreement to the long-term framework agreement which reduced the monthly minimum purchase requirements under the original agreement. Although we did not meet the minimum purchase requirements for certain months under the original agreement and the supplemental agreement, the supplier has not sought to enforce the liquidated damages clause and we have not incurred any liquidated damages or penalty as of the Latest Practicable Date.

As of the Latest Practicable Date, we have not experienced any disputes with the relevant suppliers in relation to the execution of these agreements. As of the Latest Practicable Date, with regard to our LFP cathode material business, save as disclosed above, (i) we did not have any agreements with minimum purchase requirements in effect with our suppliers and (ii) we did not enter into any new agreements with minimum purchase requirements.

We believe such agreements ensure the sufficient and stable supply of lithium carbonate for our production needs. However, minimum purchase commitments inherently bear risks. We may at times be obligated to purchase beyond our immediate production needs, which could temporarily restrain our liquidity if we are unable to fully utilize our production capacity or cause overstock of raw materials. We may also be subject to the risk of paying liquidated damages if we are unable to fulfill the minimum commitments. For a relevant risk factor, see "Risk Factors — Risks Relating to Our Industry and Business — We may be required to purchase raw materials under long-term agreements containing purchase commitments, which may exceed our production needs." Going forward, we may enter into other agreements with minimum purchase commitments depending on our prudent estimate of production needs and prices and availability of relevant raw materials.

During the Track Record Period, we did not experience any material breach of agreements by suppliers. Neither had we experienced any significant difficulty in procuring the raw materials for our LFP cathode materials business during the Track Record Period.

Lithium carbonate hedging

Established in April 2021, the Guangzhou Futures Exchange introduced lithium carbonate futures in July 2023 offering market participants the option to leverage lithium carbonate futures contracts to hedge against price fluctuations. We will leverage lithium carbonate futures contracts traded on the Guangzhou Futures Exchange to hedge against the risk exposure of our Group against lithium carbonate fluctuations. We have implemented internal control and hedging policies to manage and oversee our lithium carbonate futures hedging activities. In particular, we have established a futures hedging risk management working group, comprising key departments such as finance, procurement, and risk management. The working group is responsible for formulating hedging plans, approving transactions, monitoring risks, reporting to senior management and the Board of Directors, and managing transaction records and accounts for hedging activities. On a revolving basis and disregarding the amount for physical delivery of the hedged inventories, the deposit for our hedging activities for lithium carbonate shall not exceed a certain threshold which we raised to RMB800 million in April 2024. The annual volume of our hedging is generally limited to no more than 70% of our total operation scale for the year. The aforementioned RMB800 million deposit limit was primarily determined with reference to (i) the expected consumption of lithium carbonate for the subsequent 12 months' production corresponding to the expected LFP cathode materials production capacity for the same period (which is in line with the composition ratio of lithium carbonate ranging from 21% to 25% of the mass of the final LFP cathode material product according to Frost & Sullivan); (ii) a hedging ratio of 70% of aforesaid expected lithium carbonate consumption; (iii) the average market price of lithium carbonate during the period since introduction of lithium carbonate futures to the Guangzhou Futures Exchange in July 2023 up until April 2024 (when the deposit limit was set); (iv) the standard deposit ratio of ranging from approximately 11% to 16% as required by the Guangzhou Futures Exchange and (vi) other futures varieties of raw materials such as urea, ethylene glycol, which are used in our daily production. On September 30, 2024, our Board of Directors approved certain adjustments to our Company's hedging policies, subject to approval of shareholders of our A Shares, the procedures of which are currently expected to take place before the Listing. The proposal introduces a maximum contract value limit of RMB2.0 billion to be held on any trading day. This daily contract value limit was supplemented to our policy mainly to comply with guidelines of the Shanghai Stock Exchange and was primarily determined with reference to the aforesaid RMB800 million hedging transaction deposit limit, taking into account general deposit ratios of not exceeding 20% of contractual value, our actual hedging scale, and future projected scales.

Considering, among other things, the current price of lithium carbonate and other factors as described above, our Group revisited the current trading position and adopted a lower maximum contract value limit of RMB500 million for any trading day for our hedging activities, with the corresponding deposit reducing to not exceeding RMB80 million, based on a deposit ratio of 16%. Both of the aforesaid adjustments are expected to remain in effect until our next annual shareholders' meeting. The working group is required to conduct hedging activities within this limit. Should there be a need to adjust this limit, the working group is required to analyze and formulate a new hedging plan, which shall be submitted to the Audit Committee of our Board of Directors for review and approval. In addition to the contract value limit, we have established a comprehensive monitoring and review process. Considering the aforesaid adjusted maximum contract value limit and deposit having taken into account the latest market condition as well as the expected consumption of lithium carbonate of our Group and other factors described above, the Joint Sponsors are of the view that maximum contract value limit of RMB500 million and deposit of RMB80 million are not unreasonable.

The working group will closely track the changes in both the futures price trends and the physical commodity markets, pre-determine loss-limiting thresholds and prepare summary reports for senior management and Directors' review on a regular basis. In particular, the working group is required to calculate and settle the cumulative profit and loss for the current year at the end of each month. If the cumulative loss for the year reaches or exceeds RMB30 million, the working group must promptly report this information and re-analyze the viability of the current hedging plan and submit their findings to the Audit Committee of the Board of Directors, who shall decide whether to continue our hedging activities.

Our hedging strategy primarily involves purchase order hedging with which we hedge against potential price declines of lithium carbonate by selling futures contracts equivalent to the volume of lithium carbonate procured and close out the futures position once the corresponding LFP cathode material products are sold to customers. In addition, under certain circumstances, we may strategically purchase futures contracts at 50% of the planned procurement volume of lithium carbonate when future market prices fall below the spot purchase price. As we close the futures positions when we proceed with the spot market purchases, we are able to benefit from lower prices secured through the futures.

Despite the seemingly significant deposit and daily transaction limits of our hedging policy described above, since the launch of the lithium carbonate futures market in July 2023, our engagement in hedging activities has been cautious and on a limited scale. As of the Latest Practicable Date, we had balances of long positions for approximately 1,837 tons of lithium carbonate with exposure of approximately RMB140.8 million, which is significantly below the limits established by our policies. We do not enter into hedging transactions for speculative purposes. In particular, we require the futures position to match the actual physical inventory being hedged and the duration of the futures contracts to generally align with the timing of the physical commodity transactions or exposures. In addition, as an A Share-listed company, relevant rules and guidelines of the Shanghai Stock Exchange also provide further requirements, including that when the confirmed gains and losses and floating losses from our futures transactions reach 10% of the our most recent audited net profit attributable owners of the Company and the absolute amount exceeds RMB10 million, we shall promptly disclose this information, re-evaluate the effectiveness of our hedging policies and strategies, disclose the reasons why the fair value or cash flow changes of the hedging instruments and hedged items did not offset as expected, and separately disclose the value changes of the hedging instruments and hedged items. For a relevant risk factor, see "Risk Factors — Risks Relating to Our Industry and Business — We may be exposed to risks from our hedging activities in relation to the commodity prices of our raw materials." Taking into account the above, in particular, the adjusted maximum contract value limit, the monthly reporting and re-analyzing mechanism in the event of the cumulative loss for the year reaching or exceeding RMB30 million, the Futures and Derivatives Hedging Business Management System (期貨和衍生品套期保值業務管理制度), the Internal Management Measures for Futures Hedging Operations (期貨套期保值業務內部控制管理辦法) issued by our Company and the relevant rules and guidelines of the Shanghai Stock Exchange on the disclosure of information, re-evaluation of the effectiveness of the hedging policies and strategies under the aforesaid stipulated circumstances and our actual limited and cautious engagement in hedging activities since the launch of the lithium carbonate futures market, and after reviewing the internal control report regarding the Track Record Period and the enhanced control measures adopted subsequent to the Track Record Period, the Joint Sponsors are of the view that there are appropriate control measures in place.

Automotive Specialty Chemicals

We provide a diverse product portfolio of automotive specialty chemicals mainly including diesel exhaust fluids, automobile and industrial lubricants, coolants and a variety of car maintenance products under our *Lopal* (龍蟠), *Kelas* (可蘭素) and *Teec* (迪克) brands. By helping to reduce harmful emissions from vehicles and enhance vehicle efficiency, these products contribute to environmental sustainability. We also incorporate various environmentally friendly production methods in the production of our automotive specialty chemical products. The table below sets forth a breakdown of our revenue by product types of the automotive specialty chemical business for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Diesel exhaust fluid	790,630	37.3	688,861	39.1	625,738	32.9	323,102	34.4	306,607	31.6
Automobile and industrial lubricant	844,402	39.9	623,553	35.4	706,616	37.1	362,948	38.7	367,623	37.9
Coolant	403,708	19.1	382,661	21.7	484,701	25.5	203,246	21.7	248,948	25.7
Car maintenance products	61,955	2.9	58,330	3.3	70,240	3.7	35,978	3.8	36,988	3.8
Other products[Note]	18,030	0.8	9,409	0.5	15,917	0.8	12,783	1.4	9,981	1.0
Total	**2,118,725**	**100.0**	**1,762,814**	**100.0**	**1,903,212**	**100.0**	**938,057**	**100.0**	**970,147**	**100.0**

Note: Mainly comprising sales of filling equipment and packaging containers for automotive specialty chemical products.

The following table sets forth a breakdown of our sales volume and average selling price for our automotive specialty chemicals by product type for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton
	ton	RMB	ton	RMB	ton	RMB	ton	RMB	ton	RMB
Diesel exhaust fluid	449,808	1,758	373,821	1,843	331,370	1,888	172,281	1,875	171,095	1,792
Automobile and industrial lubricant	56,087	15,055	37,262	16,734	39,577	17,854	21,023	17,264	20,428	17,996
Coolant	80,102	5,040	73,874	5,180	99,372	4,878	41,267	4,925	53,642	4,641
Car maintenance products	13,126	4,720	11,758	4,961	15,144	4,638	6,904	5,211	7,977	4,637

Notes:

(1) The sales volume and average selling prices of other products are not meaningful and therefore are not illustrated due to a number of different types of products combined in this category.

(2) Sales volume includes products produced under subcontracting arrangements. See "Business — Our Businesses — Automotive Specialty Chemicals — Subcontracting."

Diesel exhaust fluids

Diesel exhaust fluid helps reduce harmful nitrogen oxides in diesel engine emissions into nitrogen and water vapor, enabling diesel engines to run cleaner. We are a major diesel exhaust fluid manufacturer in the PRC. With a strong dedication to product quality and environmental protection, we are committed to developing products that could more efficiently lower the concentration of nitrogen oxides in diesel engine emissions. In 2019, China implemented the Limits and Measurement Methods for Emissions from Diesel Fuelled Heavy-duty Vehicles (also known as the China VI Standards) (重型柴油車污染物排放限值及測量方法(中國第六階段)) which tightens nitrogen oxide emission standards for heavy-duty diesel vehicles and bans producing, importing, and selling non-compliant vehicles. To help our customers comply with such new standards, we correspondingly developed a new series of diesel exhaust fluids, namely the Shengchang Pro series (省暢PRO系列), adopting catalysis technology, which improves the rate of reduction of nitrogen oxides in diesel engine emissions.

As a testament to our success and expertise in the diesel exhaust fluid market, we were invited by China Society of Automotive Engineers (中國汽車工程學會) to participate in the drafting of the Requirement and Test Method of Urea Solution for Motor Vehicle (《車用尿素溶液技術規範》).

Kelas Shengchang Pro Series
(可蘭素省暢PRO系列)

Kelas Jiejin No.1
(可蘭素潔勁1號)

Kelas Chichang Series
(可蘭素持暢系列)

Automobile and industrial lubricants

Our automobile and industrial lubricant products mainly include automobile lubricants and industrial lubricants. Our wide range of automobile lubricant products can be used for passenger cars and commercial vehicles and their components such as gasoline and diesel engines, gears and gearboxes, and our industrial lubricant products are suitable for engineering instruments used by electricity, cement and mining companies and also agricultural equipment.

Lopal No.1 automobile lubricant (龍蟠1號)

Lopal Xiya gasoline engine oil (龍蟠喜壓燃氣機油)

Lopal Sijitong diesel engine oil (龍蟠四季通柴油機油)

Coolants

Coolant regulates the temperature of car engines to ensure proper functioning. Effective cooling with quality coolant products helps improve engine durability and lifespan and therefore reduces waste. Proper functioning engines run more efficiently and reduce fuel consumption. Additionally, our coolant products can form a layer of protective film over the metallic surface of the cooling system which helps prevent corrosion of metals. In July 2023, we launched a new low electrical conductivity coolant product targeted at the NEV market, demonstrating our commitment to focus product development efforts around NEV solutions. We are currently supplying this new product to two major Chinese NEV brands.

Kelas engine coolant (可蘭素發動機冷卻液)

Lopal anti corrosion coolant (龍蟠拒蝕冷卻液)

Teec top configuration antifreeze coolant (迪克全效防凍冷卻液)

Car maintenance products

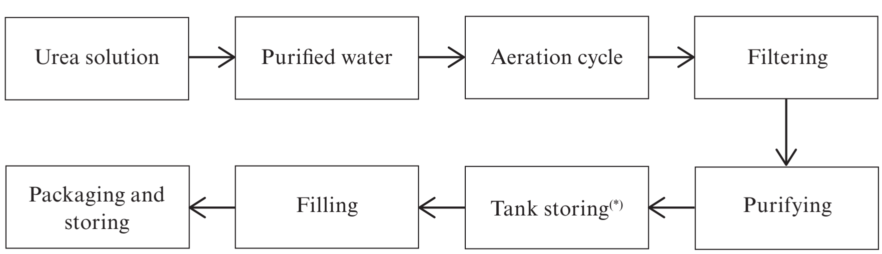
We also provide a wide array of car maintenance products, including fuel additives and power-boosting additives, which cover major systems of automobile operations, including cooling system, fuel system, gearbox and braking system.

Lopal power boosters (龍蟠動力提升劑)	*Lopal exhaust purifier (龍蟠尾氣清淨劑)*	*Lopal fuel additive (龍蟠燃油增效劑)*
		

Production processes

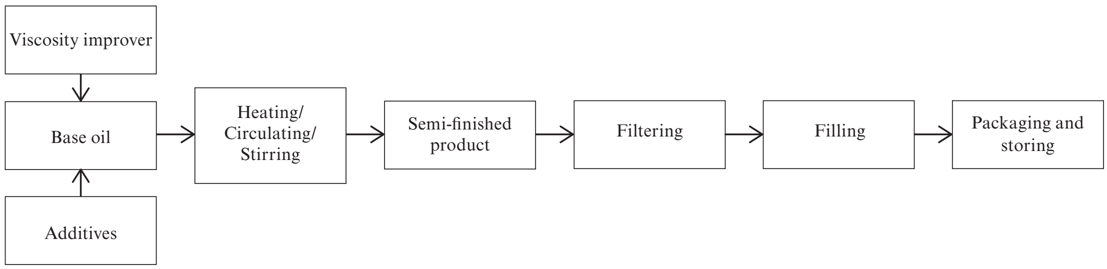
We have separate production facilities and processes for the production of different types of automotive chemicals with various check points throughout the entire production processes. For details, see "— Our Businesses — Automotive Specialty Chemicals — Quality control." The following charts illustrate the general production processes of diesel exhaust fluids, automobile and industrial lubricants, coolants and car maintenance products:

Diesel exhaust fluids

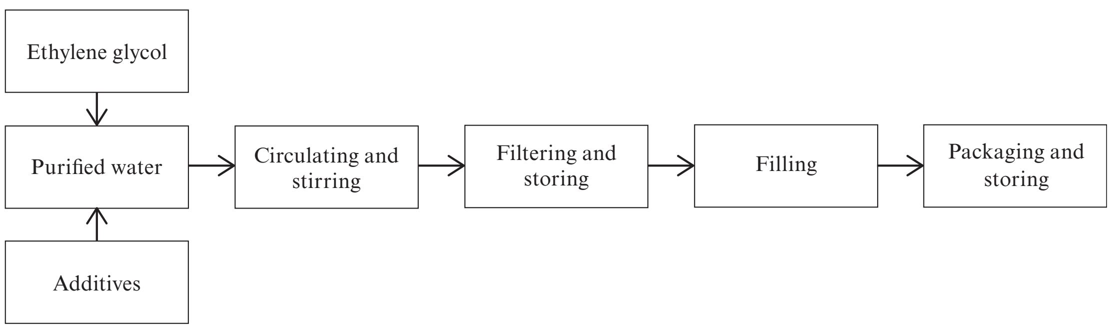


* additives may be used depending on specific product type

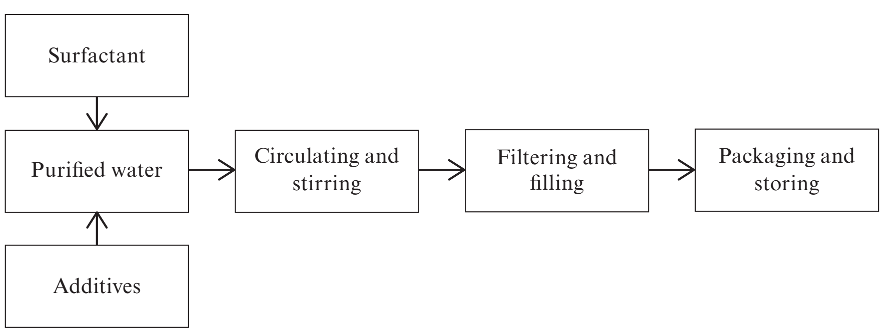
Automobile and industrial lubricants



Coolants



Car maintenance products



Production planning

Our logistics planning team is responsible for preparing our production plans, primarily considering procurement of raw materials, existing inventory levels and demand from downstream customers. We will subsequently adjust production plans according to the actual orders received from customers and real-time inventory levels to prepare monthly production schedules.

Existing production facilities

We produce substantially all of our automotive specialty chemical products by ourselves. The table below sets forth the location, primary products produced and GFA of our production facilities as of the Latest Practicable Date:

Facility Name	Location	Primary products produced	GFA (sq.m.)
Xingang Plant	Jiangsu Province, PRC	Automobile and industrial lubricants and coolants	40,896.6
Lishui Plant	Jiangsu Province, PRC	Diesel exhaust fluids	84,989.9
Binhai Plant	Tianjin Municipality, PRC	Diesel exhaust fluids, automobile and industrial lubricants and coolants	50,622.0
Zhangjiagang Plant	Jiangsu Province, PRC	Automobile and industrial lubricants, coolants and car maintenance products	30,380.1
Shandong Plant	Shandong Province, PRC	Diesel exhaust fluids, coolants and car maintenance products	62,254.0
Sichuan Plant	Sichuan Province, PRC	Diesel exhaust fluids and coolants	41,992.5
Hubei Plant	Hubei Province, PRC	Diesel exhaust fluids and coolants	95,310.2[Note]

Note: GFA of Hubei Plant includes the production facilities of daily chemical operated by Hubei Green Melon.

Production capacity and utilization

The following table sets forth a summary of our production capacity in terms of designed production capacity and utilization rates of automotive specialty chemicals by product type for the periods indicated:

	Year ended December 31,									Six months ended June 30,		
	2021			2022			2023			2024		
	Designed Capacity[1]	Actual Production[2]	Utilization Rate[3]	Designed Capacity[1]	Actual Production[2]	Utilization Rate[3]	Designed Capacity[1]	Actual Production[2]	Utilization Rate[3]	Designed Capacity[1]	Actual Production[2]	Utilization Rate[3]
	(ton)		%	(ton)		%	(ton)		%	(ton)		%
Diesel exhaust fluid	337,666.7	363,866.4	107.8	531,500.0	353,761.2	66.6	690,132.1	318,723.2	46.2	412,912.5	157,751.8	38.2
Automobile and industrial lubricant	83,000	56,339.9	67.9	83,000.0	36,067.7	43.5	82,875.0[4]	41,189.7	49.7	42,530.0	21,779.2	51.2
Coolant	100,000.0	83,418.9	83.4	100,000.0	70,745.1	70.7	113,067.0	106,200.5	93.9	64,796.0	52,147.5	80.5
Car maintenance products	10,000.0	14,296.9	143.0	21,220.0	11,189.5	52.7	25,000	15,704.1	62.8	10,000.0	10,065.2	100.7

Notes:

(1) The designed production capacity of the period represents the effective production capacity accumulated by months, which is calculated based on the optimal hourly production rate of production lines operating ten hours a day, for 250 working days a year, adjusted pro rata according to the actual days of operation for respective production lines in a period.

(2) The actual production during the period is the total volume of the products manufactured during that period.

(3) The utilization rate equals to the actual production volume divided by the designed production capacity during the same period.

(4) The slight decrease in designed capacity for automobile and industrial lubricants in 2023 was due to the decommissioning of an aging facility in Zhangjiagang in June 2023 that had been in operation for over ten years.

With respect to diesel exhaust fluid, our utilization rate exceeded 100% in 2021 primarily because we increased working hours to cope with the strong demand for our products. Therefore, we continuously increase our designed annual production capacity during the Track Record Period with the commissioning of new production facilities in Shandong, Sichuan and Hubei Provinces. The utilization rate of our diesel exhaust fluid production lines declined from over 100% in 2021 to 66.6% in 2022, and 46.2% in 2023, primarily due to the addition of new production capacity in Hubei Province since the second half of 2022. In addition, our diesel exhaust fluids and other automotive specialty chemicals businesses were also affected by the COVID-19 pandemic. Quarantine or restrictive public health measures disrupted the distribution and transportation of finished products to our distributors as well as their sales operations and end-market demand in certain regions faced temporary or prolonged disruptions due to such measures. As we primarily plan our production volumes based on demand forecasts and actual purchase orders from distributors, the adverse impact on their sales activities also negatively affected our production output and utilization rates. Furthermore, the decrease in actual production of diesel exhaust fluid from 2022 to 2023 was also attributable to reduced sales volume, impacted by more intense competition and more aggressive sales and marketing strategies employed by competitors such as bundle sales.

With respect to automobile and industrial lubricants, utilization rate of our production lines decreased from 67.9% in 2021 to 43.5% in 2022. Such decrease was mainly due to reduced automobile usage and lower demand for automotive chemical products as transportation and logistics in mainland China were affected during the COVID-19 pandemic. Following the gradual recovery from the COVID-19 pandemic in 2023, utilization rates of relevant production lines increased to 49.7% in 2023.

With respect to coolants, the relatively higher utilization rates in the years ended December 31, 2021 and 2023 were primarily attributable to strong demands of our products in the respective periods. The relatively lower utilization rate in the first half of 2024 was mainly due to increased designed capacity in relation to the new Zhangjiagang facility. For details, see "— Production Expansion Plans" below.

With respect to car maintenance products, our utilization rate exceeded 100% in 2021 primarily because we increased working hours to cope with the strong demand for our products. The utilization rates of our car maintenance products decreased from 143.0% in 2021, respectively to 52.7% and 62.8% in 2022 and 2023, respectively, primarily due to additional production capacity that was gradually released in 2022. Utilization rate reached 100.7% in the first half of 2024 primarily due to decommissioning of the aging facility in Zhangjiagang. For details, see "— Production Expansion Plans" below.

Subcontracting

During the Track Record Period, in order to satisfy the highly time-sensitive needs of a few customers, we subcontracted a portion of production of automotive specialty chemical products to five diesel exhaust fluid third-party manufacturers in the vicinity of those customers to ensure timely delivery of products. We strictly selected our third-party manufacturers based on production processes, product storage and delivery. We regularly inspect the quality of products produced by the third-party manufacturers. The third-party manufacturers provide us accurate records of products and delivery. We enter into framework subcontracting agreements with the third-party manufacturers which produce the required products with raw materials supplied by us and based on specifications and standards established by us. The framework subcontracting agreements specify the agreed subcontracting fees based on quantity specification and we place production orders to the third-party manufacturers according to purchase orders received from the relevant customers. To ensure the quality of products produced by the third-party manufacturers, we evaluate them according to production performance and quality control, and also designate supervisory personnel to oversee the production processes. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the amount of diesel exhaust fluid products produced by third-party manufacturers was approximately 86,899 tons, 18,481 tons, 15,169 tons and 6,406 tons, respectively, representing approximately 19.3%, 4.9%, 4.6% and 3.7% of the sales volume of our diesel exhaust fluid products for the respective periods. Our subcontracting arrangement decreased because the new production facilities of diesel exhaust fluid in Shandong, Sichuan and Hubei Provinces have commenced operation. The subcontracting fees paid to the third-party manufacturers generally ranged from RMB135 per ton to RMB256 per ton, subject to changes in order amounts, packaging requirements and geographical locations of third-party manufacturers. During the Track Record Period, we have also subcontracted the production of a small amount of car maintenance products to third-party manufacturers, which is immaterial as compared to the sales volume of our car maintenance products.

Critical machinery and equipment

We endeavor to equip our production facilities with qualified equipment, which we believe would reduce costs of labor and ensure reliability and product quality. The key equipment and machinery used in the production process of our automotive specialty chemicals include raw material storage tanks, mixing tanks, bottling lines and blow molding machines. As of the Latest Practicable Date, the majority of production equipment utilized in the production of automotive specialty chemicals were owned by us. We periodically conduct inspection and maintenance for our production facilities and machinery and equipment. Our on-site maintenance teams conduct daily checks on our production equipment. We calculate depreciation on our equipment under our property, plant and equipment using the straight-line method over their estimated useful lives, ranging from five to ten years. As of the Latest Practicable Date, the remaining service life of our critical machinery and equipment of our automotive specialty chemicals business was approximately 5.2 years on average. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or prolonged suspension of operations due to failures of our machinery, equipment or other facilities for automotive specialty chemicals.

The table below sets forth certain details of the critical machinery and equipment used in the production of our automotive specialty chemicals as of June 30, 2024:

Critical machinery and equipment	Number of units/sets	Function
Raw material storage tank	89	To store raw materials before processing
Mixing tank	33 (for diesel exhaust fluid) 37 (for lubricant) 45 (for coolant) 14 (for car maintenance products)	To mix and process raw materials of different products according to respective production processes
Bottling line	117	To subpackage different products according to respective packaging requirements and specifications
Blow molding machine	62	To mold and process packaging materials

Production expansion plans

During the Track Record Period, we have been expanding production capacity for diesel exhaust fluids in Sichuan, Shandong and Hubei. The designed annual production capacity of diesel exhaust fluids is expected to eventually reach approximately 980.0 thousand tons. In addition, following the decommissioning of an aging facility in Zhangjiagang that had been in operation for over ten years, we brought a new facility online which completed all acceptance procedures by the end of 2023. In anticipation of the growing demand for coolant products as a result of emergence and growing popularity of NEVs, the new facility will primarily focus on the production of coolant products. In 2023, utilization rate of our existing production capacity of coolant reached 93.9%. By the end of 2024, the designed annual production capacity of coolant of the new facility is expected to reach approximately 43.0 thousand tons. As of the Latest Practicable Date, we do not have any planned production facility under construction for our automotive specialty chemical business.

Quality control

We have devoted substantial resources to the quality control of our automotive specialty chemical products since the inception of this business. Our testing center in Nanjing has obtained CNAS certification awarded by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) in 2006, and we have obtained and maintained ISO9001 certification and IATF16949 certification. As of June 30, 2024, we have a quality control team comprising of 31 members for our automotive specialty chemical business. Following the expansion of our customers' business, our products are sold worldwide and are subject to different safety standards and quality requirements of different nations. We have adopted the appropriate quality control system and invited external experts to provide training for our quality control personnel. As a result of our commitment to quality control management, we did not experience any material sales returns or any material product liability or major legal claims due to quality control issues in relation to our automotive specialty chemical products during the Track Record Period and up to the Latest Practicable Date. Set forth below are key quality control measures of our automotive specialty chemicals business:

- *Quality control on product development*. Our testing centers have passed the CNAS certification to ensure quality of our product development.

- *Quality control on procurement*. We maintain a list of qualified suppliers. All qualified suppliers must pass our mandatory sample test and we conduct sample tests on raw materials upon delivery. Our quality control team would conduct onsite inspections at our suppliers' facilities from time to time.

- *Quality control on production*. Our quality control team closely monitors our production processes to ensure compliance with our protocols and applicable standards. Semi-finished products are also inspected by our quality control team, and only qualified semi-finished products can be processed to the next step in production processes.

- *Quality control on finished product and logistics*. Each batch of our finished products is tested on a sampling basis by our quality control team. Usually, our finished products are packaged and stored at our warehouses before delivered to our customers. We regularly monitor our warehouses and finished products in terms of storage conditions, packaging and inventory ledgers and take safety measure to prevent fire hazards and other similar risks to our finished products.

Research and development

As of June 30, 2024, we had 72 employees at the research and development team of our automotive specialty chemical business. Our research and development team comprises qualified professionals with skills sets including chemical engineering, materials engineering and other scientific fields essential to the research and development of automotive specialty chemicals. Our testing center in Nanjing has obtained CNAS certification awarded by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) in 2006. As a testament to our strong research and development capabilities, we participated in the drafting of The Requirement and Test Method of Urea Solution for Motor Vehicle (《車用尿素溶液技術規範》) issued by China Society of Automotive Engineers (中國汽車工程學會). For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our research and development expenses in relation to automotive specialty chemicals amounted to approximately RMB93.1 million, RMB93.8 million, RMB91.9 million and RMB49.7 million, respectively.

Leveraging our strong research and development capabilities, we have achieved a number of technical breakthroughs and accumulated a large amount of intellectual properties and industry know-hows. For example, our Lopal series automobile oil, which adopted our proprietary Hyper Zing technology (超級鋅技術) and ActivZing technology (活力鋅技術), has high reactivity and low volatility and can effectively decompose carbon deposition and oil sludge while forming a compact anti-wear layer on automobile engine. Our Lopal series automobile oil has been selected into the China LubTop Awards (中國潤滑油行業年度總評榜) (previously known as China Lubricants Industry Awards) for nine consecutive years since 2013 and obtained licenses or approvals from the American Petroleum Institute (API), the International Lubricant Standardization and Approval Committee (ILSAC) and various automobile manufacturers. We also developed the Shengchang Pro series (省暢PRO系列) diesel exhaust fluid, which adopted catalysis technology and greatly increases the surface tension of urea molecules and significantly improves the rate of reduction of nitrogen oxides in diesel exhaust emissions. Our continuous efforts on research and development of new products in the industry have been recognized and awarded with multiple awards from various organizations and entities. Our testing center in Nanjing has been awarded as Nanjing Engineering Research Center for Lubricant Material (南京市潤滑材料工程技術研究中心). As of June 30, 2024, we hold 203 patents, including 69 invention patents, in relation to our automotive specialty chemical business, in mainland China. For details, see "— Intellectual Property."

Customers, sales and distribution

We have a multi-channel sales and distribution network for our automotive specialty chemical business, encompassing a number of online and offline sales channels. Our multi-channel sales and distribution network comprises the following:

- *Distributors:* we sell our products to distributors including gas stations, vehicle repair plants and vehicle service centers, which use or sell our automotive specialty chemical products in the ordinary course of their businesses, as well as distributors who sell to these customers. We engage distributors for their regional sales resources, pre-existing and long-term relationships with local retailers and regional logistics networks.

- *Corporate clients:* we directly sell our products to corporate clients, including automobile manufacturers (including their respective 4S dealership stores) and engineering equipment manufacturers. We believe that these large-scales manufacturing companies directly cooperate with us primarily due to our cross-regional operating abilities to support their businesses.

- *OEM customers:* we design and produce automotive specialty chemical products to certain customers including globally leading automotive chemical brands on an OEM basis. Such OEM customers generally order mass quantities of products according to their requirements and specifications for distribution under their own brands and through their distribution networks.

- *Online channels:* we sell our products to retail consumers through our self-operated online stores on various popular e-commerce platforms in China, including Tmall, JD.com and Pinduoduo.

The table below sets forth a breakdown of revenue from automotive specialty chemical products by sales channel for the periods indicated:

	Year ended December 31,						Six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distributors	1,065,852	50.3	894,740	50.8	839,497	44.1	466,589	49.7	440,585	45.4
Corporate clients	822,112	38.8	735,612	41.7	853,251	44.8	390,448	41.6	460,094	47.4
OEM customers	196,539	9.3	105,740	6.0	176,939	9.3	66,337	7.1	52,514	5.4
Online channels	34,222	1.6	26,722	1.5	33,525	1.8	14,683	1.6	16,954	1.8
Total	**2,118,725**	**100.0**	**1,762,814**	**100.0**	**1,903,212**	**100.0**	**938,057**	**100.0**	**970,147**	**100.0**

Distributors

Consistent with market practice in the industry, we sell our automotive specialty chemical products through distributors. As of June 30, 2024, we have established a nationwide distribution network comprised of 919 distributors covering 22 provinces, four municipalities and five autonomous regions in the PRC. We select and review our distributors based on their reputation in relevant regions, industry experience, financial conditions, marketing capabilities, warehousing and delivery capabilities, business scales and the breadth and quality of sales network.

During the Track Record Period, we have maintained good business relationships with our distributors. The table below sets forth the movement in number of our distributors during the Track Record Period:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Number of distributors at the beginning of the period	1,006	986	1,273	1,150
Number of new distributors(1)	271	567	325	186
Number of terminated distributors(2)	291	280	448	417
Number of distributors at the end of the period	986	1,273	1,150	919

Notes:

(1) The number of new distributors represents those distributors that made purchases from us for the period indicated but did not purchase from us for the period immediately preceding the period indicated.

(2) The number of terminated distributors represents those distributors that made purchases from us for the period immediately preceding the period indicated but did not purchase from us for the period indicated. Such distributors may purchase from us in a subsequent period.

As of June 30, 2024, the average length of our business relationships with our top five distributors during the Track Record Period was approximately six years. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue generated from our top five distributors in mainland China amounted to approximately RMB210.0 million, RMB145.9 million, RMB119.1 million and RMB73.8 million, respectively, representing approximately 9.9%, 8.3%, 6.3% and 7.6%, respectively, of our revenue from automotive specialty chemical products for the respective periods. The significant increase in the number of distributors at the end of 2022 was primarily due to new individual distributors developed by our Teec brand in the corresponding year.

We terminated distribution relationship with 291, 280, 448 and 417 distributors in 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively, due to (i) their personal reasons that they were not willing to or not able to operate their own businesses under the prolonged COVID-19 pandemic, (ii) their subpar performance, and (iii) violation of our distribution agreements or policies including selling our products outside of their designated areas. The table below sets forth the breakdown of the number of terminated distributors during the Track Record Period:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Personal Reasons	242	218	412	406
Subpar Performance	44	60	34	8
Violation of distribution agreements	5	2	2	3
Total	**291**	**280**	**448**	**417**

The table below sets forth the aggregate revenue contribution attributable to the distributors terminated for the respective period indicated:

	Year ended December 31,			Six months ended June 30,
	2021	2022	2023	2024
		RMB'000		
Aggregate revenue contribution by terminated distributors(1)	N/A(2)	62,057	74,241	60,426

Notes:

(1) Calculated by aggregating revenue that is recognized during the period immediately preceding the period indicated and attributable to the terminated distributors during the period indicated.

(2) Aggregate revenue contribution by terminated distributors during 2021 is inapplicable given that the calculation requires revenue information from the year of 2020, which precedes the Track Record Period.

During the Track Record Period and up to the Latest Practicable Date, we had no material unresolved disputes or lawsuits with these terminated distributors. For terminated distributors that still have remaining inventory, our policy is that we do not accept their product return.

We typically enter into standardized distribution agreements with distributors, which specify terms including payment method, pricing policies, designated distribution area and delivery arrangements. To the best knowledge of our Directors, during the Track Record Period, there was no material breach of distribution agreements by distributors. Set forth below are the key terms of the standardized framework agreement we typically enter into with our distributors:

- *Terms*. Typically one year, subject to renewal.

- *Payment and credit terms*. Distributors are generally required to make full payment before we deliver our products to them.

- *Designated distribution area and product types*. Distributors are only allowed to sell designated product types within their designated distribution areas.

- *Delivery of products*. In general, we are responsible for delivering the products to the location designated by distributors.

- *Transfer of risks*. Risks transfer to distributors once they accept delivery.

- *Pricing policy*. We provide recommended prices to our distributors. If distributors deviate substantially from such prices, we are entitled to increase our distribution price, terminate or reduce incentives, discontinue supply or terminate the distributorships.

- *Standards of business conduct*. We have mutually agreed with our distributors on anti-commercial bribery policies to require our employees and distributors to conduct business legally and ethically.

- *Sales target and incentives*. We set monthly, quarterly and/or annual sales targets for our distributors. Distributors' failure to meet sales targets would entitle us to adjust distribution areas or terminate the relevant distribution agreements. Distributors are incentivized to achieve or overachieve our sales targets. If the total purchase amount of a distributor exceeds a mutually agreed sales target, we would provide the distributor with a certain amount of products free of charge on future purchases of our products.

We have a seller-buyer relationship with our distributors and revenue is recognize when distributors accept our products. Our distributors place orders with us when and to the extent they deem appropriate based on their business operations and inventory level. To the best knowledge of our Directors, all of our distributors are primarily engaged in distributing automotive chemical products. We do not rely on any of our distributors individually.

We have formulated general guidance and detailed working principles in relation to the operation of our distributors to ensure distributors understand and adhere to our sales strategies and policies. To minimize the risk of cannibalization, we have adopted the following measures:

(i) we provide recommended price of all of our products to our distributors to ensure consistent pricing across different regions. If distributors deviate substantially from such prices, we are entitled to increase our distribution price, terminate or reduce incentives, discontinue supply or terminate the distributorships;

(ii) when recruiting new distributors, we take into account the respective geographic coverage of our distributors to avoid potential competition among our distributors within a region;

(iii) we adopted a traceability system to minimize the risk of cannibalization under which a unique QR code is assigned to a product, allowing our sales team and distributors to quickly access the production and distribution information of the product. By scanning the QR code, the system helps identify incidents of cross region sales, facilitating our sales team to accurately inquire and monitor the stocking behavior of our distributors. As of the Latest Practicable Date, each product produced under our automotive specialty chemicals business has been assigned a unique QR code;

(iv) we require our sales team and distributors to report any incidence of cannibalization that they identify and provide a dedicated channel in our OA system for such purpose; and

(v) we are entitled to cancel its status as qualified distributor and suspend our supply of products to distributors that repeatedly engage in cannibalization.

During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there was no material non-compliance with the terms and conditions of our distributor agreements and policies.

To the best knowledge of our Directors, our distributors typically engage sub-distributors when they cannot directly cover rural or remote markets in their designated areas. To the best knowledge of our Directors, save as disclosed in "Connected Transactions", all of our distributors and their respective sub-distributors are Independent Third Parties. Based on the Joint Sponsors' due diligence, the Joint Sponsors are not aware of any circumstances suggesting the contrary to the above. We do not have direct contractual relationships with sub-distributors and thus have no control over their sales activities. Our distributors choose their sub-distributors on their own and negotiate the contractual arrangements directly with them. According to Frost & Sullivan, it is not uncommon for companies in the industry to rely on third-party distributors to sell their products to sub-distributors without entering into contractual relationships with such sub-distributors.

We believe that our sales correspond to actual market demand and therefore our products are at low risk of channel stuffing in our distribution network. Distributors are generally required to make full payment before we deliver our products to them and we generally do not allow returns of products sold to distributors, except for quality issues. To the best of our knowledge, distributors tend to adopt the same approach when making sales to their sub-distributors.

We also rely on our sales team to manage our sales and distribution networks. As of June 30, 2024, our sales team of our automotive specialty chemical business was comprised of 166 members. During visits to our distributors, our sales team conducts physical stock takes, communicates with our distributors to understand their sales plans, monitors their pricing policies and provides necessary trainings to facilitate their sales performance and avoid accumulation of inventory. Specifically, our sales team provides guidance each month to help distributors formulate regional promotional campaigns. We also encourage distributors to hold local product promotion or order-placing events. We continuously adjust and optimize our sales strategy to cope with changing market conditions based on market intelligence and customers' feedbacks collected by our sales team and provide guidelines and working principles to our distributors. Based on the sales performance of distributors, we may consider enhancing, weakening or even terminating our distribution relationships with them.

We formulate and implement stringent policies to prevent existing employees from working for or owning equity in any of our distributors. Our internal control policy ensures equal treatment of our distributors. During the Track Record Period and to the best of knowledge of our Directors, seven of our distributors were operated by our former employees and the revenue from such distributors was negligible to our revenue generated from our automotive specialty chemicals business and our Group as a whole. Save as disclosed above, to the best knowledge of our Directors, there was no employment, financing, family or other relationship between our distributors (including their directors, shareholders and senior management, and their respective associates) and us during the Track Record Period and up to the Latest Practicable Date.

Corporate clients

We engage direct sales to corporate clients including major automobile manufacturers and engineering equipment manufacturers. Our automotive specialty chemical products supplied to our corporate clients are often customized in accordance with specifications of different corporate clients. Corporate clients also procure our products for their respective 4S dealership store networks. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue of automotive specialty chemical products generated from our corporate clients was RMB822.1 million, RMB735.6 million, RMB853.3 million and RMB460.1 million, respectively, representing 38.8%, 41.7%, 44.8% and 47.4% of total revenue generated from our automotive specialty chemical products for the same periods, respectively.

We generally enter into framework agreements with our corporate clients. Set forth below are the key terms of the framework agreements we typically enter into with our corporate clients:

- *Terms*. Typically one to three years.
- *Purchase order*. Corporate clients shall notify us of the type, unit price and quantity of the products they require in the form of purchase orders.

- *Payment and credit terms*. We typically grant corporate clients credit terms ranging from 30 to 90 days. Corporate clients typically settle with us through bank transfers or bank acceptance notes.

- *Delivery of products*. We would engage third-party logistics companies to deliver products to corporate clients. The logistics costs are generally borne by us.

- *Transfer of risks*. Risks transfer to the corporate clients after they confirm receipt of such products.

- *Pricing policy*. We sell our product to corporate clients at price levels that have been mutually agreed by us and the corporate clients. In limited circumstances, we provided best price guarantee for certain major customers. The best-price guarantee represents our contractual commitment that the product pricing under relevant sales agreements will remain competitive or lower compared to the prices of comparable products over corresponding periods. We provide such preferential pricing to major corporate clients that require additional price protection based on their sizable procurement volumes from us. During the Track Record Period, there were no compensation payments incurred in connection with our contractual best-price guarantee obligations for major corporate clients.

- *Product returns*. Corporate clients are entitled to return products to us for quality issues.

- *Termination*. Either party has the right to unilaterally terminate the agreement if the other party breaches the agreement and fails to rectify such breach within a reasonable period of time.

OEM customers

We design and produce automotive specialty chemical products to certain customers including globally leading automotive chemical brands on an OEM basis. Such OEM customers generally order products produced according to their requirements and specifications for distribution under their own brands. Pursuant to our agreements with the OEM customers, we shall adhere to the OEM customers' requirements and specifications for the products produced, including production formula, package design and delivery. Partnering with these industry leaders enable us to enhance our production processes by adopting their valuable experience and best practices. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, our revenue of automotive specialty chemical products generated from OEM customers amounted to RMB196.5 million, RMB105.7 million, RMB176.9 million and RMB52.5 million, respectively, representing 9.3%, 6.0%, 9.3% and 5.4% of our revenue generated from our automotive specialty chemical products for the same period, respectively.

Online channels

We sell our products online to fulfil retail consumers' demand for more seamless shopping experience and to enhance our brand awareness. To avoid competition and cannibalization, we usually distinguish some of our products sold online from products sold through other sales channels. For example, we have developed our *SONIC* series products tailored for our online customers. As of June 30, 2024, we had 15 self-operated online stores on six online channels, including Tmall, JD.com and Pinduoduo. After consumers place orders for our products at our self-operated online stores and make payments via online payment channels, we are responsible for the delivery and after-sales services of the orders. Pursuant to the policies of certain online platforms, consumers' payments are held at escrow accounts of the online platforms which will settle with us upon the relevant consumer's confirmation of receipt of products, typically within 14 days after delivery. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue of automotive specialty chemical products generated from our online channels was RMB34.2 million, RMB26.7 million, RMB33.5 million and RMB17.0 million, respectively, representing 1.6%, 1.5%, 1.8% and 1.8% of our revenue generated from automotive specialty chemicals products for the same period, respectively.

Customer service

We have a dedicated customer service team and maintain a customer service hotline to ensure a timely response to all customer requests and complaints. Our customer service team take notes of all inquiries, requests and complaints and get in touch with our customers with timely responses. We generally do not allow our distributors to return or exchange product with reasons other than quality issues. For corporate clients, we may accept return or exchange products based on mutually agreed contract terms, including quality defects and damaged packaging. OEM customers may return or exchange products with quality defects. Customers from online channels may return products according to return rules of relevant online platforms. This includes the seven-day no hassle return policy ("七天無理由退換"), where customers may request product return and refund within seven days of receipt of our products subject to conditions prescribed by relevant laws and regulations, such as the Consumers Rights and Interests Protection Law of the PRC (消費者權益保護法). It also includes returns for general situations such as quality defects, incorrect quantity or wrong products delivery.

As a result of our strict quality control policies, during the Track Record Period, and up to the Latest Practicable Date, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC government or other regulatory bodies, (ii) receive any material product return request from our customers or (iii) receive any material complaints from consumers. As a result, we did not record any provision for product warranty during the Track Record Period.

Pricing policy

We set our sales prices taking reference to various factors including raw material costs, market conditions and our expected profit level. Our distributors are required to follow our pricing policies with product prices and can slightly adjust the price of the products where appropriate to reflect local competition. However, if distributors deviate substantially from our pricing policies and sell our products at prices lower than our supply prices, we are entitled to increase our distribution price, terminate or reduce incentives, discontinue supply or terminate the distributorships.

Branding and marketing

We strategically utilize multiple marketing vehicles integrating offline and online channels and social media platforms, including cooperating with internet celebrities and KOLs, to carry out promotional and advertising campaigns that focus on cultivating markets, introducing our products and creating customers' demand. We have also developed a membership program whereas all consumers that purchase through our online channels become our members and enjoy discounts according to their membership levels. In addition, we have held offline press conference, sponsored commercial advertisements on CCTV1 and CCTV6, and used advertising in elevators, high-speed railway stations and on highway billboards and other medium to promote our products.

Raw materials and suppliers

Raw materials

The principal raw materials used in our automotive specialty chemical production processes include urea, base oil, ethylene glycol and lubricant additives. Urea is used as the raw material for the production of diesel exhaust fluids. Base oil and lubricant additives are the principal raw materials used for the production of automobile and industrial lubricants. Ethylene glycol is the major chemical used to produce coolants. During the Track Record Period, our procurement costs of raw materials used in the production of our automotive specialty chemical products amounted to RMB1,230.0 million, RMB1,114.6 million, RMB1,144.9 million and RMB623.7 million, respectively, representing 81.9%, 82.7%, 80.7% and 89.3% of the cost of sales of our automotive specialty chemicals for the same periods, respectively.

The cost of our raw materials fluctuated during the Track Record Period. In particular, the prices of raw materials, especially base oil, which is extracted from crude oil, and urea granule, have risen significantly from 2021 to 2022. According to Frost & Sullivan, in 2021 and 2022, the average price of crude oil was RMB443.5 per barrel and RMB646.6 per barrel, respectively, and the average price of urea granule was RMB2,510.5 per ton and RMB2,820.2 per ton, respectively. Such price increase was primarily due to the inflation in the countries of origin of our raw materials and the gradually lifted COVID-19 pandemic restriction measures. However, rising inflation led to slowed economic growth and reduced oil demand, causing crude oil prices to decline to RMB567.3 per barrel in 2023. For further details of prices of the principal raw materials of our automotive specialty chemical business, see "Industry Overview — Overview of automotive specialty chemical industry — Average price analysis of automotive specialty chemical raw materials and products." We typically take into account price fluctuations in raw materials in our pricing policy.

During the Track Record Period, we also leveraged futures contracts to mitigate risks associated with price fluctuations of certain raw materials including urea and ethylene glycol. We have in place Group-wide hedging policies and internal control measures regarding our overall hedging activities. For details, see "— LFP Cathode Materials — Lithium carbonate hedging" above. On September 30, 2024, our Board of Directors approved certain adjustments to our Company's hedging policies, subject to approval of shareholders of our A Shares, the procedures of which is currently expected to take place before the Listing. The proposed changes include expanding the scope of permitted commodities, which are limited to production-related items, to now include crude oil, considering its relation to our lubricant products. For a relevant risk factor, see "Risk Factors — Risks Relating to Our Industry and Business — We may be exposed to risks from our hedging activities in relation to the commodity prices of our raw materials."

Principal raw materials, such as base oil and additives, used in the production processes of our automobile specialty chemicals are primarily procured from overseas suppliers from countries including Singapore and South Korea. We source other principal raw materials of automotive specialty chemicals both domestically and internationally according to our production schedule.

In order to ensure the stable supplies of our raw materials, we have entered into framework supply agreements with several suppliers of the principal raw materials in relation to our automotive specialty chemical products. Set forth below are the key terms of our typical framework product supply agreements:

- *Term*. Typically six months to two years.

- *Price*. The prices of principal raw materials are generally determined based on prevailing market prices of the relevant raw materials. Under certain agreements, we would determine the price based on a benchmark price by referring to the then prevailing market prices. Moreover, we have also entered into annual price-lock arrangements, primarily with certain suppliers of urea granule. Such arrangements generally allow us to mitigate risks from commodity price volatility and provide greater certainty for our raw material costs and budgets. Specifically, these arrangements enable us to secure urea granule at pre-determined prices that are set based on prevailing market price with adjustment mechanism to cater to price fluctuation at a prescribed rate. We periodically review and adjust the locked prices through negotiations with suppliers in order to realign pricing with the latest commodity market situation. Going forward, we intend to continue exploring such arrangements with the aim to balance cost competitiveness with supply stability amid fluctuating market dynamics.

- *Quantity*. We specify the quantity of raw materials we procure in separate purchase orders based on our production plan. For base oil and urea, the quantity we procure during the term of the supply agreements are generally fixed or subject to a minimum procurement amount. In the limited circumstances where we agreed to minimum procurement requirements, while we have sometimes procured less than initially agreed, as confirmed by our Directors we do so with the consensus of the relevant suppliers and we have not incurred any liquidated damages or penalty during the Track Record Period and up to the Latest Practicable Date.

- *Payment*. We make payments to our suppliers according to the terms specified in the purchase agreements. Depending on the specific arrangement, some suppliers require full payment upfront while some suppliers grant us credit terms ranging from 30 days to 60 days.

- *Delivery and transfer of risks*. Suppliers are generally responsible for delivery of the products to our designated location. The risks transfer to us when the products are delivered to the designated locations.

Suppliers

The suppliers of our automotive specialty chemical business are primarily raw material providers. We only procure raw materials from the suppliers in our qualified suppliers list who must pass our sample tests to be registered in such list. We carefully select our suppliers, requiring them to pass our internal supplier selection standards and satisfy various assessment criteria, including the quality of raw materials provided, capabilities to meet our delivery schedule, resources management and customer relationships. Our procurement team will conduct on-site inspection on potential suppliers to evaluate their production processes, machinery and equipment, quality-control procedures and to obtain relevant certificates. In order to ensure stable supply of relevant commodity raw materials such as ethylene glycol, we will also procured such raw materials from the open commodity market.

We utilize an integrated procurement planning, inventory management, and performance monitoring process to maintain a reasonable stock level of principal raw materials that aligns with our production demand and schedules. We reassess our procurement strategy and inventory replenishment logic on a monthly basis, ensuring raw material purchase cycles and inventory parameters are updated to match demand. Additionally, we conduct weekly reviews of multiple inventory indicators including total inventory level, overstock situations and turnover rates. By regularly recalibrating our procurement in alignment with continuous assessment of our current raw materials inventory levels and consumption patterns, we believe are able to maintain reasonable levels of principal raw materials. We procure other raw materials based on our production demands. Moreover, we devised more than one product formula using different principal raw materials for our key products. If certain principal raw materials of our key products were short in supply, we can timely resort to our back-up formula of relevant products and procure substituted raw materials to ensure that our production is not interrupted.

During the Track Record Period, we did not experience any breach of agreements by suppliers of our automotive specialty chemical business that resulted in suspension or interruption of our production operations. During the Track Record Period, we did not experience any material shortage of raw material supplies of our automotive specialty chemical business, and the raw materials provided by relevant suppliers did not have any significant quality issues.

Lithium Carbonate Processing Services

In the first half of 2024, we recorded revenue for the provision of lithium carbonate processing service, albeit to a limited extent. This development stems from our enhanced business cooperation with CATL Group, as outlined in several agreements, including the Lopal Times Transfer Agreement and Lithium-mica Concentrate Procurement Framework Agreements.

Under such business cooperation, we commenced construction of a lithium carbonate production facility in Yichun, Jiangxi Province which commenced trial operation since March 2024. At full capacity, this facility is designed to produce 40.0 thousand tons of battery-grade lithium carbonate annually.

Pursuant to the Lithium-mica Concentrate Procurement Framework Agreements, we received lithium-mica concentrate from CATL Group for processing. We independently secured other necessary raw materials for lithium carbonate production, such as sodium carbonate, calcium sulfate and sodium sulfate.

In the first half of 2024, we processed approximately 220,000 tons of lithium-mica concentrate from the CATL Group, representing approximately RMB162.2 million in value with which our facility produced 6,495.0 tons of lithium carbonate. The majority of this output of approximately 5,753.3 tons was utilized in-house for the production of approximately 23,000 tons of LFP cathode materials (representing approximately 30.9% of the sales volume of LFP cathode materials in the first half of 2024), which we subsequently supplied to CATL Group generating approximately RMB665.5 million in revenue (representing approximately 26.9% of revenue from sales of LFP cathode materials in the first half of 2024). The remaining 741.7 tons of lithium carbonate were processed for a company designated by CATL (an associate company of CATL). Pursuant to the relevant agreements with this company, the pricing for the processed lithium carbonate was set by CATL. This pricing takes into account discussions among all parties. Revenue generated from lithium carbonate processing for this company amounted to approximately RMB42.7 million in the first half of 2024 while we recorded negative gross margin of 1.4% for this transaction primarily due to lack of economies of scale at the early production phase of the facility for the relevant batches.

We believe this arrangement provides significant benefits to our operations including stabilizing our raw material costs and supply of lithium carbonate and enhancing our synergies with CATL thereby strengthening our position in the LFP cathode material supply chain.

Our current business strategy for the lithium carbonate processing business is primarily governed by the Lopal Times Transfer Agreement. Under the business cooperation plans contemplated in this agreement, we have committed the production capacity of the Yichun facility to CATL, for a period extending from the completion of facility construction to four years after achieving mass production. During this period, our lithium carbonate processing business will primarily serve CATL and any companies they may designate. The pricing structure for our lithium carbonate processing service under this agreement generally accounts for our costs and operational expenses and an agreed-upon profit component that decreases annually over the four-year commitment period. Upon Listing, we expect our lithium carbonate processing service to CATL Group will be generally governed by the CATL Purchase Framework Agreement entered into with CATL. For details, see "History and Development — Our Strategic Cooperation — Acquisition of Lopal Times in 2022" and "Connected Transaction — Partially Exempt Continuing Connected Transactions — Our enhanced business cooperation with CATL Group."

After fulfilling our initial commitment to CATL, we may explore opportunities to expand our customer base for lithium carbonate processing. While our long-term strategy for our lithium carbonate processing business remains flexible, any decision to sell or process lithium carbonate for other customers will be subject to careful consideration of market conditions and potential new arrangements we may reach with CATL, including the possible construction of a phase 2 of the Yichun facility. In the event we sell lithium carbonate or provide processing services to any customer other than CATL or its designated companies, our pricing will generally take into account the cost of raw materials, prevailing market prices of lithium carbonate as listed on the SMM, margin for our processing service pricing of similar products or services offered by our competitors, and, as applicable.

Other Businesses

During the Track Record Period, we also generated revenue from certain other sources including sales of daily chemical products and unfinished products as well as revenue from our emerging hydrogen business. For the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our revenue from others amounted to RMB57.9 million, RMB67.0 million, RMB72.6 million, RMB24.6 million and RMB80.2 million, respectively, representing 1.4%, 0.5%, 0.8%, 0.6% and 2.2% of our total revenue.

Driven by the PRC government's dual objectives of "carbon emission peak" (碳達峰) and "carbon neutrality" (碳中和), we have been developing our hydrogen energy business since 2022 across upstream hydrogen production, midstream hydrogen storage, and downstream hydrogen application sectors. In upstream hydrogen production, our first electrolytic tank with a designed production capacity of 1,000 cubic meters per hour came online in September 2023. In midstream hydrogen storage, we successfully developed the one of first domestic nine- and twelve-liter Type IV hydrogen storage vessels for unmanned aerial vehicles. In downstream hydrogen application, we successfully developed our hydrogen fuel cell catalyst products that help improve hydrogen fuel cell efficiency. Recently, we have started the trial production of our hydrogen fuel cell catalyst products.

Our hydrogen energy business is still at an early stage of development, and in 2022 and 2023 and the six months ended June 30, 2024, revenue generated from our hydrogen energy business amounted to approximately RMB0.1 million, RMB1.6 million and RMB1.3 million, respectively. Going forward, we plan to keep developing our hydrogen energy business and implement our sustainable development strategy. For details, see "— Strategies — Strengthen our research and development capabilities and attract high-caliber talents."

MAJOR SUPPLIERS AND CUSTOMERS

Major Suppliers

Our major suppliers are primarily suppliers of raw materials. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, purchase from our largest supplier in each period during the Track Record Period amounted to RMB278.5 million, RMB1,244.5 million, RMB936.5 million and RMB297.9 million, respectively, representing 8.8%, 9.3%, 12.5% and 10.4%, respectively, of our total purchase amount for the respective periods. For the same periods, purchase amount from our five largest suppliers in each period during the Track Record Period, amounted to RMB1,106.5 million, RMB3,526.3 million, RMB2,791.7 million and RMB1,029.1 million, respectively, representing 34.9%, 26.4%, 37.3% and 35.9% of our total purchase amount for the respective periods.

The following tables set forth the details of our five largest suppliers by purchase amount for each year of the Track Record Period:

For the year ended December 31, 2021

Supplier	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
				(RMB'000)	(%)
Supplier A[(1)]	Lithium carbonate	2021	30 days against monthly clearing	278,495	8.8
Supplier B[(2)]	Lithium carbonate	2021	30 days after invoice date	256,942	8.1
Supplier C[(3)]	Iron phosphate	2021	60% prepayment; 40% against monthly clearing	203,935	6.4
Supplier D[(4)]	Lithium carbonate	2021	Payment before delivery	193,896	6.1
Supplier E[(5)]	Urea	2014	Prepayment	173,266	5.5
				1,106,534	**34.9**

Notes:

(1) Company mainly engaged in trading chemical products based in the PRC; Incorporated in 2014; RMB10 million registered capital. (Sources: commercial database)

(2) Company mainly engaged in producing chemical raw materials and chemical products; Incorporated in 2007; USD13 million registered capital. (Sources: commercial database)

(3) Producer of lithium-ion battery cathode material precursor located in Hunan Province; Incorporated in 2007; RMB563.9 million registered capital. (Sources: commercial database)

(4) Subsidiary of its Shanghai Stock Exchange-listed parent company headquartered in Xiamen, Fujian Province, which focuses on integrated logistics and supply chain services for commodities such as agricultural products, energy, chemicals, metals and minerals; Incorporated in 2009; RMB200 million registered capital. (Sources: official website of parent company and commercial database)

(5) Producer of nitrogenous fertilizers headquartered in Wuxi, Jiangsu Province; Main products include synthesis ammonia, urea, diesel exhaust fluid, ammonium sulfate and industrial grade carbon dioxide with annual production capacity of one million tons, 1.7 million tons, 0.2 million tons, 30 thousand tons and 0.2 million tons, respectively; Incorporated in 1979; RMB143.7 million registered capital. (Sources: official website and commercial database)

For the year ended December 31, 2022

Supplier	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
				(RMB'000)	(%)
Supplier F[6] . . .	Lithium carbonate	2021	Payment before delivery	1,244,450	9.3
Supplier G[7] . . .	Lithium carbonate	2022	Payment before delivery	751,258	5.6
Supplier H[8] . . .	Lithium carbonate	2022	Payment before delivery	528,931	4.0
Supplier I[9] . . .	Lithium carbonate	2022	Payment before delivery	520,337	3.9
Supplier J[10] . . .	Iron phosphate	2021	Payment before delivery	481,346	3.6
				3,526,322	**26.4**

Notes:

(6) Company specializing in the research and development, production and sales of lithium carbonate, rubidium cesium based in the PRC; Incorporated in 2017; RMB500 million registered capital. (Sources: official website and commercial database)

(7) Subsidiary of its Shanghai Stock Exchange-listed parent company headquartered in Xiamen, Fujian Province, which focuses on integrated logistics and supply chain services for commodities such as agricultural products, energy, chemicals, metals and minerals; and a fellow subsidiary of Supplier D; Incorporated in 2018; RMB400 million registered capital. (Sources: official website of parent company and commercial database)

(8) Company mainly engaged in the trading of chemical products and is located in Nanchong, Sichuan; Incorporated in 2020; RMB10 million registered capital. (Sources: commercial database)

(9) Company mainly engaged in the trading of chemical products and is located in Chengdu, Sichuan; Incorporated in 2020; RMB10 million registered capital. (Sources: commercial database)

(10) Company engaged in, among others, sale of iron phosphate located in Panzhihua, Sichuan; Incorporated in 2018; RMB30 million registered capital. (Sources: commercial database)

For the year ended December 31, 2023

Supplier	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
				(RMB'000)	(%)
Supplier K(11) . .	Lithium carbonate/iron phosphate	2021	Payment before delivery	936,474	12.5
Supplier L(12) . .	Lithium carbonate	2023	30 days after invoice date	897,047	12.0
Supplier M(13) . .	Lithium carbonate	2022	Prepayment	533,208	7.1
Supplier N(14) . .	Lithium carbonate	2023	Prepayment	228,178	3.1
Supplier J.	Iron phosphate	2021	Settlement every 15 days	196,755	2.6
				2,791,662	**37.3**

Notes:

(11) A group of companies engaged in trading of lithium carbonate and iron phosphate under the common control of an individual, including (i) a company located in Yichun, Jiangxi Province; Incorporated in 2020; RMB10 million registered capital; (ii) a company located in Zibo, Shandong; Incorporated in 2022; RMB10 million registered capital; and (iii) a company located in China (Jiangsu) Pilot Free Trade Zone; Incorporated in 2021; RMB10 million registered capital. (Sources: commercial database)

(12) Subsidiary of its Shenzhen Stock Exchange- and Hong Kong Stock Exchange-listed parent company located in Sichuan Province, which is a leading lithium producer in China and globally with lithium as the core; Incorporated in 2014; RMB2,500 million registered capital. (Sources: annual report and commercial database)

(13) Subsidiary of its Nasdaq-listed parent company headquartered in Santiago, Chile, which focuses on producing potassium nitrate, lithium, specialty plant nutrients, iodine derivatives, lithium derivatives, potassium chloride, potassium sulfate and certain industrial chemicals; Incorporated in 2017; USD5 million registered capital. (Sources: official website of parent company and commercial database)

(14) Company mainly engaged in trading of lithium carbonate based in the PRC; Incorporated in 2021; RMB680 million registered capital. (Sources: official website and commercial database)

For the six months ended June 30, 2024

Supplier	Supply type	Year of commencement of business relationship with us	Credit terms	Purchase amount	Percentage of total purchase
				(RMB'000)	(%)
Supplier L	Lithium carbonate	2023	30 days after invoice date	297,938	10.4
Supplier O[(15)] . . .	Lithium carbonate	2024	Payment before delivery	283,550	9.9
Supplier P[(16)]. . . .	Iron phosphate	2023	30 days against monthly clearing	157,319	5.5
Supplier G	Lithium carbonate	2022	Payment before delivery	155,430	5.4
Supplier Q[(17)] . . .	Iron phosphate	2023	60 days against monthly clearing	134,818	4.7
				1,029,055	**35.9**

Notes:

(15) A group of companies engaged in supply chain organization and management related business including material purchasing, inventory management, finished product sale and product delivery etc.; Incorporated in 1999; RMB699,491.979 thousand registered capital. (Sources: official website and commercial database)

(16) A group of companies engaged in production and sale of compound fertilizer and related business; Incorporated in 1995; RMB1,207,723.762 thousand registered capital. (Sources: official website and commercial database)

(17) Involved in production and sales of lithium-ion battery and related ecosystem; Incorporated in 2021; RMB1.25 billion registered capital. (Sources: official website and commercial database)

During the Track Record Period and as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholders (who owned or to the knowledge of Directors had owned more than 5% of our issued share capital) had any interest in any of our five largest suppliers.

During the Track Record Period and as of the Latest Practicable Date, we did not have any material litigation, dispute or unresolved issue with our suppliers.

Major Customers

Our customers include major lithium-ion battery manufacturers, distributors of automotive chemical products, automobile manufacturers, engineering equipment manufacturers, automotive chemical brands and retail consumers in China. In the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate revenue generated from our five largest customers in each period during the Track Record Period amounted to RMB1,739.2 million, RMB11,253.8 million, RMB5,627.4 million and RMB2,159.8 million, respectively, representing 42.9%, 80.0%, 64.5% and 60.5% of our total revenue for the respective periods. For the same periods, revenue generated from our largest customer in each period during the Track Record Period amounted to RMB1,160.4 million, RMB7,486.9 million, RMB2,648.0 million and RMB1,123.1 million, respectively, representing 28.6%, 53.2%, 30.3% and 31.5%, respectively, of our total revenue for the respective periods. In view of the substantial revenue contribution by our five largest customers during the Track Record Period, we are exposed to certain customer concentration risks, for further details on customer concentration risk, see "Risk Factors — Risks Relating to Our Industry and Business — The majority of our revenue was generated from a relatively small number of customers during the Track Record Period" and "— Major Suppliers and Customers — Customer Concentration."

The following tables set out details of our five largest customers during the Track Record Period:

For the year ended December 31, 2021

Customer	Procurement type	Year of commencement of business relationship with us	Credit terms	Revenue	Percentage of total revenue
				(RMB'000)	(%)
CATL Group[(1)] . .	LFP cathode materials and coolants	2021	Up to 60 days after invoice date	1,160,415	28.6
Customer A[(2)] . . .	LFP cathode materials	2021	30 days against monthly clearing	225,605	5.6
Customer B[(3)] . . .	Lubricants, diesel exhaust fluids, coolants and car maintenance products	2005	90 days after delivery	123,839	3.1
Customer C[(4)] . . .	LFP cathode materials	2021	30 days	122,441	3.0
Customer D[(5)] . . .	Lubricants, diesel exhaust fluids, coolants and car maintenance products	2018	60 days after invoice date	106,866	2.6
				1,739,166	**42.9**

Notes:

(1) CATL is a leading electrical machinery and equipment manufacturer in mainland China, located in Ningde, Fujian Province; Primarily engaged in the research and development, manufacturing and sale of lithium-ion batteries, lithium polymer batteries, fuel cell, power batteries, extra large capacity ESS batteries and other equipment and instrument, and other related businesses; Incorporated in 2011; RMB2,442.4 million registered capital. (Sources: official website, annual report and commercial database) CATL is an indirect shareholder of two of our subsidiaries, namely, Changzhou Liyuan and Lopal Times. For details of Changzhou Liyuan, see "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021." For details of Lopal Times, see Note 35(b) to Part II of the Accountants' Report in Appendix IA to this prospectus. Tianjin Beiterui Nano had been a supplier of CATL Group since 2018 prior to our acquisition.

(2) Fortune 500 company in mainland China focused on stainless steel production with investments in the new energy sector; Main products include stainless steel ingot, bar, rod, plate, wire, pipe and other products, which are widely used in petroleum, chemical industry, machinery, electric power, automobile and other fields; Incorporated in 2003; RMB2.8 billion registered capital. (Sources: official website and commercial database). Customer A is also the controlling shareholder of Customer E below.

(3) Comprehensive automobile manufacturer in mainland China mainly engaged in the research and development, production, sales and service of commercial vehicles, passenger vehicles and powertrain components with its history dating back to 1964; Incorporated in 1999 and Shanghai Stock Exchange-listed. (Sources: official website and annual report)

(4) State-owned high-tech enterprise, focused on research and development of lithium-ion batteries; Incorporated in 1997; RMB1.9 billion registered capital. (Sources: official website and commercial database)

(5) Leading automobile company in China; Main business covers research and development, production and sales of both passenger and commercial vehicles and actively promoting commercialization of NEVs and internet-connected vehicles; Sold over 5.3 million vehicles in 2022; Incorporated in 1984 and Shanghai Stock Exchange-listed; RMB11.7 billion registered capital. (Sources: official website and commercial database)

For the year ended December 31, 2022

Customer	Procurement type	Year of commencement of business relationship with us	Credit terms	Revenue	Percentage of total revenue
				(RMB'000)	(%)
CATL Group . .	LFP cathode materials and coolants	2021	Up to 60 days after invoice date	7,486,860	53.2
Customer E(6) . .	LFP cathode materials	2021	30 days after delivery	1,991,882	14.2
Customer F(7) . .	LFP cathode materials	2021	30 days after invoice date	999,826	7.1
Customer G(8) .	LFP cathode materials	2021	50% payment before delivery; 50% 30 days against monthly clearing	432,280	3.1
Customer H(9) .	LFP cathode materials	2021	60 days after invoice date	342,993	2.4
				11,253,841	**80.0**

Notes:

(6) A fast-growing lithium-ion battery manufacturer in mainland China, focusing on the research and development, manufacturing and sales of lithium-ion NEV battery products and ESS battery products; A subsidiary of Customer A; Incorporated in 2017 and Hong Kong Stock Exchange-listed; RMB2.2 billion registered capital. (Sources: official website and commercial database)

(7) Globally leading lithium-ion battery manufacturer; Headquartered in Shenzhen, has production facilities located in Guangdong Province, Jiangsu Province, Zhejiang Province, Shandong Province, Jiangxi Province, Sichuan Province, Hubei Province, and India, and has branch offices globally, including the U.S., France, Germany, South Korea and Japan; Incorporated in 1997 and Shenzhen Stock Exchange- and SIX Swiss Exchange-listed; RMB1.9 billion registered capital. (Sources: official website, annual report and commercial database)

(8) Supplier of lithium-ion motive batteries and ESS batteries headquartered in Jiangsu Province; Incorporated in 2019; RMB1.9 billion registered capital. (Sources: official website and commercial database)

(9) Battery manufacturer in mainland China with core technologies of cell development and system integration, providing products and solutions from cells, modules, BMS and systems, which are widely used in new energy passenger cars, new energy commercial vehicles, new energy construction machinery, energy storage and electric ships markets; Incorporated in 2012 and a subsidiary of Shanghai Stock Exchange-listed parent company; RMB1.3 billion registered capital. (Sources: official website and commercial database)

For the year ended December 31, 2023

Customer	Procurement type	Year of commencement of business relationship with us	Credit terms	Revenue	Percentage of total revenue
				(RMB'000)	(%)
CATL Group . .	LFP cathode materials and coolants	2021	Up to 60 days after invoice date	2,648,020	30.3
Customer E . . .	LFP cathode materials	2021	30 days after delivery	1,545,614	17.7
Customer F . . .	LFP cathode materials	2021	60 days against monthly clearing	723,103	8.3
Customer I(10) .	LFP cathode materials	2023	30 days after invoice date	442,212	5.1
Customer J(11) .	LFP cathode materials	2021	45 days after invoice date	268,494	3.1
				5,627,443	**64.5**

Note:

(10) Manufacturer of lithium-ion battery providing comprehensive lithium-ion battery and battery system solutions; Incorporated in 2017; RMB1.0 billion registered capital. (Sources: official website and commercial database)

(11) Focusing on research and development of lithium-ion batteries; Incorporated in 2011; RMB2.98 billion registered capital. (Sources: official website and commercial database)

For the six months ended June 30, 2024

Customer	Procurement type	Year of commencement of business relationship with us	Credit terms	Revenue	Percentage of total revenue
				(RMB'000)	(%)
CATL Group . .	LFP cathode materials and coolants	2021	Up to 60 days after invoice date	1,123,140	31.5
Customer E . . .	LFP cathode materials	2021	30 days against monthly clearing	504,837	14.1
Customer F . . .	LFP cathode materials	2021	60 days against monthly clearing	369,278	10.4
Customer K[(12)] .	LFP cathode materials and coolants	2023	30 days against monthly clearing	85,973	2.4
Customer L[(13)] .	LFP cathode materials	2021	60 days after invoice date	76,578	2.1
				2,159,806	**60.5**

Notes:

(12) A Shenzhen Stock Exchange-listed holding company mainly involved in the manufacture and sale of lithium-ion battery, energy storage technical service, battery rental service, battery-management systems and other battery-related businesses; Incorporated in 1985; RMB384.6 million registered capital (Sources: official website and commercial database)

(13) A new energy battery supplier specialized in the research and development, production, and sales of industrial vehicle lithium-ion batteries, new energy ship lithium-ion batteries, lithium-ion cells, heavy-duty truck energy storage products; Incorporated in 2016; RMB112.9 million registered capital. (Sources: official website and commercial database)

During the Track Record Period, we had not experienced any material disputes or termination of sales contracts with our five largest customers for the Track Record Period. As of the Latest Practicable Date, we were not aware of any information or arrangements which would lead to cessation or termination of our relationships with any of our five largest customers for the Track Record Period. During the Track Record Period and as of the Latest Practicable Date, none of our Directors, their associates or any of our shareholder (who owned or to the best knowledge of our Directors had owned more than 5% of our share capital) had any interest in any of our five largest customers.

Customer Concentration

For the years ended December 31, 2021 and 2022 and 2023 and the six months ended June 30, 2024, we generated a majority of our revenue from our five largest customers. In particular, for 2021, 2022 and 2023 and the six months ended June 30, 2024, revenue generated from CATL Group amounted to RMB1,160.4 million, RMB7,486.9 million, RMB2,648.0 million and RMB1,123.1 million, respectively, representing 28.6%, 53.2%, 30.3% and 31.5% of our revenue for the respective periods. The relatively high revenue contribution of CATL Group was mainly due to its large demand for LFP cathode materials as it is one of the leading lithium-ion battery manufacturers in the world in the highly concentrated lithium-ion battery industry. We have entered into a framework sales and purchase agreement with CATL Group regarding our LFP cathode material products, setting forth general terms to be applied in each individual purchase order. The individual purchase orders we receive from CATL Group from time to time set out the specific terms and conditions, including pricing details, product specifications, quantities and delivery dates. For key terms of our framework agreements with customers, see "— Our Businesses — LFP Cathode Materials — Customers and sales" and "Connected Transaction — Partially Exempt Continuing Connected Transactions — CATL purchase framework agreement." Our Directors are of the view that the reliance between our major customers and us is bilateral and our LFP cathode material business is sustainable despite such customer concentration after taking into account the following factors:

(i) According to Frost & Sullivan, customer concentration is an industry norm in the LFP cathode material industry. Lithium-ion battery manufacturers require rigorous product screening procedures, which can last for months or even a year, since the quality of cathode materials has a direct impact on the quality and safety of lithium-ion batteries — the top priority concern of the downstream customers. Therefore, once a supplier or its production line satisfies the requirements of accredited suppliers, customers rarely make any substantial changes or replacements. Even if customers seek to switch cathode material suppliers, it could take years with no guarantee of success. As a result, the lithium-ion battery industry relies on a relatively small number of LFP cathode material suppliers. According to Frost & Sullivan, the global LFP cathode material market is highly concentrated, with the top five manufacturers taking up 66.7% of the market share in 2023. In 2023, we were the fourth largest LFP cathode material manufacturer in the world and mainland China in terms of sales volume, accounting for 6.5% of the global market share. According to Frost & Sullivan, we were also one of the major suppliers of LFP cathode materials to CATL Group in 2023.

(ii) We have developed strong and bilateral relationships with CATL Group through long-term collaboration to steadily achieve shared goals and benefits.

CATL Group is a globally leading lithium-ion battery manufacturer. According to CATL's 2023 annual report, CATL took up 36.8% of the market share of the global power battery market by usage volume in 2023. According to the same source, for the year ended December 31, 2022, CATL recorded a revenue of approximately RMB400.9 billion, representing a 22.0% increase from the year ended December 31, 2022. In view of the market share of CATL Group, we believe CATL Group will continue to have stable demands for quality LFP cathode materials. Prior to our acquisition, Tianjin Beiterui Nano had been a supplier of CATL Group since 2018 given Tianjin Beiterui Nano's industry leadership and market reputation. This pre-existing business relationship continued notwithstanding our acquisition of Tianjin Beiterui Nano in 2021.

Furthermore, we believe our strategic relationship with CATL Group continues to deepen in other aspects. In 2022 and 2023, CATL directly provided us lithium carbonate to produce LFP cathode materials. For details, see "Our Businesses — LFP Cathode Materials — Raw materials and suppliers." In addition, we have formed strategic partnerships with CATL Group during the Track Record Period. As of the Latest Practicable Date, CATL controls 5.91% and 30.0% equity interest in two of our subsidiaries, Changzhou Liyuan and Lopal Times, respectively. Pursuant to the terms of the equity transfer agreement regarding CATL's investment in Lopal Times and as part of our strategy to expand our production capabilities upstream, CATL Group shall supply lithium-mica concentrate to us to be processed into lithium carbonate by Lopal Times, which will then be used for our production of LFP cathode materials for CATL Group. We entered into framework agreements and supplemental agreements with, among others, CATL. Pursuant to these agreements, Lopal Times agreed to purchase lithium-mica concentrate from CATL's subsidiary for production of battery grade lithium carbonate, which will be subsequently utilized to produce LFP cathode material. CATL enjoys a preferential right to purchase such LFP cathode materials under these arrangements. Our revenue to be received from CATL Group to be derived from this arrangement with procurement of lithium carbonate from customers is expected to be recognized as revenue from contracts with customers under IFRS 15. For details, see "History and Development — Our Strategic Cooperation — Acquisition of Lopal Times in 2022" and "Connected Transaction — Partially Exempt Continuing Connected Transactions — Our enhanced business cooperation with CATL Group."

In 2022 and 2023, the volume of lithium carbonate procured from CATL amounted to 680.0 tons and 4,051.4 tons. In the first half of 2024, we expanded our procurement options and acquired 197.3 thousand tons of lithium-mica concentrate from CATL during this period. We processed this concentrate to produce approximately 6,495.0 tons of lithium carbonate. The majority of this output was utilized in-house for our LFP cathode materials manufacturing, which we subsequently supplied to CATL Group.

We believe our cooperation with CATL in terms of lithium carbonate and lithium-mica concentrate has helped strengthen our supply chain and demonstrates the growing trust between our Company and CATL Group. By leveraging CATL's upstream investments and access to critical raw materials, we can ensure a stable supply of high-quality lithium carbonate at competitive prices for our LFP cathode material production, which in turn supports CATL's battery manufacturing operations.

With our history and strategic relationship with CATL Group, we believe we are well positioned to capture future business opportunities and achieve mutually beneficial collaboration with CATL Group.

(iii) We have made continuous efforts in expanding and diversifying the customer base for our LFP cathode material business. Our mass production capability, stable supply ability and diverse product portfolio help us satisfy diversified demands from other customers. During the Track Record Period, besides CATL Group, some other leading lithium-ion battery manufacturers were also our customers, including REPT BATTERO, Sunwoda and EVE. For example, Customer A (controlling shareholder of Customer E) accounted for 5.6% of our total revenue in 2021 and Customer E accounted for 14.2%, 17.7% and 14.1% of our total revenue for 2022 and 2023 and the six months ended June 30, 2024, respectively. In addition, we have entered supplier verification procedures for on-site inspection for a number of lithium-ion battery manufacturers. Our planned new production plant in Indonesia is also expected to aid us in our overseas business development efforts and further diversify our customer base.

LOGISTICS AND INVENTORY MANAGEMENT

Warehousing and Logistics

During the Track Record Period, our warehousing needs were mainly satisfied by warehouses at our production bases. Pursuant to requirements of certain customers, we also use external warehousing facilities that are closer to locations of such customers as transit warehouses. For base oil, which is primarily used for the production of our automobile and industrial lubricants, we also lease storage tanks located at a port before delivery to our production bases.

We procure delivery services from third-party logistics service providers. During the Track Record Period, we collaborated with over 40 third-party logistics service providers in total. We select logistics service providers primarily based on their qualification, track record, geographic coverage and quotation. We maintain a list of qualified logistics service providers and evaluate their service quality. Some customers may require us to choose among their designated logistics service providers. Our arrangements with third-party logistics service providers allow us to provide efficient delivery services of our products, reduce our capital investment and reduce the risk of incurring liability for traffic accidents, delivery delays or loss. Once our logistics service providers confirm receipt of the products to be delivered, the risks relating to the transportation and delivery of our products are transferred to the logistics service providers. During the Track Record Period, we did not experience any material disruption in the delivery of our products or suffer any material loss as a result of delays in delivery or poor handling of goods.

Inventory Management

Our inventory primarily consists of raw materials, work-in-progress and finished goods. We generally maintain a sufficient inventory of our principal raw materials based on market conditions and our order quantity, while we also review our inventory levels on a regular basis to minimize the risk of inventory build-up. For other raw materials, we generally make purchase orders based on our production schedules. We leverage a variety of information technology systems to assist us in planning and managing our inventories, such as our ERP, WMS and MES systems. Such systems provide our management with real-time information and transparency of our inventories. For further details on our information technology systems, see "— Information Technology." We believe that maintaining appropriate levels of inventories can help us better plan raw material procurement and deliver our products to meet customer demand in a timely manner without straining our liquidity. To ensure stable and continuous production, we generally maintain a safety level of inventory which is determined based on historical sales, market demands and sales projections.

As of December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the closing balance of our inventories amounted to approximately RMB1,100.6 million, RMB3,007.3 million, RMB1,610.2 million and RMB1,647.8 million, respectively, which accounted for approximately 31.3%, 32.4%, 19.2% and 20.1% of our total current assets as of the same dates, respectively. The following table sets forth our inventories turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Inventory turnover days	87.3	64.4	95.9	90.9
— LFP cathode materials	103.9	58.9	97.8	99.1
— Automotive specialty chemicals	88.4	107.9	90.3	80.6

For detailed discussion of our inventory turnover days, see "Financial Information — Selective Key Items of Consolidated Statement of Financial Position — Inventories."

COMPETITION

LFP Cathode Material Industry

The global LFP cathode material market is highly competitive and concentrated with the top five LFP cathode material manufacturers accounting for approximately 66.2% of the global market share in terms of sales volume in 2023, with the largest LFP cathode material manufacturer accounting for 30.5%. At the same time, sales of LFP cathode materials in mainland China accounted for around 99% of the global LFP cathode materials sales volume. As such, we generally compete with other large-scale LFP cathode material manufacturers in mainland China. According to Frost & Sullivan, the key barriers to entering into the LFP cathode material industry include, among others, (i) raw material supply; (ii) capital barrier; (iii) talent reserve; and (iv) client recognition.

According to Frost & Sullivan, the primary competitive factors in the LFP cathode material market include supply, price, economies of scale, product quality, research and development capabilities and customer recognition. We believe we can compete effectively in the market by leveraging our mass production capability, stable supply, strong research and development capabilities, diverse product portfolio and reliable partnerships with suppliers and customers.

Automotive Specialty Chemical Industry

According to Frost & Sullivan, the global automotive specialty chemical industry has experienced significant growth due to the expansion of the automotive industry and the increasing demand for sustainable solutions. Being one of the largest and fastest-growing automotive markets globally, mainland China has become an active market for the automotive specialty chemical industry. We generally compete with similar products of other large and small companies, including well-known domestic and global competitors, on a product-by-product basis. According to Frost & Sullivan, the entry barriers of the automotive specialty chemical primarily include, among others, (i) customer recognition; (ii) sales channel; and (iii) certification and license requirements such as being ISO or IATF certified or having CNAS certified laboratories.

According to Frost & Sullivan, the primary competitive factors in the automotive specialty chemical market are brand recognition, price, research and development capabilities and distribution network. We believe we are competitively positioned due to our established brand reputation, strong research and development capabilities, extensive sales and distribution network and the ability to keep abreast of market trends.

For further details on the competitive landscapes of relevant industries and our competitive strengths, see "Industry Overview" and "— Strengths."

INFORMATION TECHNOLOGY

We believe that high levels of automation, digitalization and technology are essential for maintaining our competitive position and supporting our strategic objectives. In order to improve our overall operational efficiency and sustain our business growth, we have established information technology systems that empower us in planning and managing our procurement, production, financial accounting, enterprise performance and human resource. Our main information technology systems include the following:

- ERP system — Our enterprise resources planning system, or ERP system, regulates our operations, inventory control, procurement, production and sales management. Timely access to inventory and sales data allows our management to monitor our sales performance and make appropriate adjustments in response to the market conditions. It also facilitates our procurement, marketing strategies and decision-making process.

- OA system — We utilize the office automation, or OA system which provides a platform for paperless information sharing and dissemination within our Company and our subsidiaries, enhances administrative record management and optimizes various approval procedures for our business operations.

- MES system — We utilize the manufacturing execution system, or MES, to support our production process, including scheduling production plans and real-time monitoring of the production process. The MES system is connected with our production equipment and records and transmits information of our production lines, including production volume and time used to our ERP system, achieving digitalized production management, so as to improve the management level of our production lines and production efficiency.

- LIMS system — Our laboratory information management system, or LIMS system, is used to enhance the automation and management level of our quality control procedures. Our LIMS system takes full advantage of computerized technology and automated equipment to promote working efficiency, improve testing accuracy and quality control management, providing timely and accurate quality information for the production process.

- WMS system — Our warehouse management system, or WMS system, has functions including receipt, dispatch, transfer and management, integrating product batch management, material management, inventory, instant inventory management and other applications of the system. WMS system can effectively control and track the logistics and cost management of the entire process.

- TMS system — Our transportation management system, or TMS system, has functions including order management, loading operation, dispatching and distribution, driving management, vehicle management, personnel management, data report and basic information maintenance. The system conducts a detailed statistical assessment of vehicles, drivers, routes, etc., which can help improve operational efficiency and reduce transportation costs.

We have also adopted three digital apps to better manage the sales and distribution network for our automotive specialty chemicals business:

- Channel Cloud (渠道雲) — Channel Cloud is used to distinguish customers from each channel. It mainly strengthens the channel information management capabilities, and mainly possesses functions including customer procurement, billing, inventory management, sales promotion search, etc. Channel Cloud is integrated with our ERP and other internal systems, ensuring unified access management of customer information, product information and selling prices, etc.

- Business Assistant (業務助手) app — Business Assistant app is a mobile office management software, which enables us to better manage our off-site personnel (mainly our sales team). It records information including attendance and customer visitations. Additionally, the app allows for real-time collection of orders and sales information at point-of-sales.

- Virtual Shopkeeper (雲掌櫃) app — Virtual Shopkeeper is a procurement and sales platform connecting distributors and retail buyers, such as automobile repair service shops. The platform integrates product information, policies, and order processing. The app enables automobile repair service shop owners to view products and promotions in real-time, conveniently place orders and view the real-time processing status of their orders.

We plan to strengthen our information technology systems to keep up with the growth of our business. We believe such improved systems will strengthen supply chain management as well as improve our ability to develop products that meet the demands and preferences of our customers.

DATA PRIVACY AND PROTECTION

Primarily in relation to our automotive specialty chemicals business, we collect and use certain personal information of end consumers via our self-operated online stores and websites, such as consumers' network identity information, address, contact information and transaction history which are primarily used for providing personalized services and pushing sales promotion information. We display our privacy policy to consumers before they use our and self-operated online stores and websites or provide sensitive personal information to us. Our privacy policy primarily sets forth the scope of personal information, how we collect, use, store, disclose and protect consumers' personal information.

To ensure the confidentiality and integrity of our data, we have in place policies, procedures, software and technology infrastructure to collect, use, store, retain and transmit our consumer data in compliance with applicable data protection laws and regulations of the PRC. For example, we encrypt confidential personal information and take other necessary technological measures to ensure the secure processing, transmission and usage of data. We have established stringent internal policies under which access to privacy data is only granted to limited employees with access authorization. We provide training to ensure that our employees are well aware of the significance of data privacy, our internal policies and relevant laws and regulations. We also plan to seek advice from data privacy & compliance counsel in the future to enhance our information security system.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material hacking incident or IT system failure.

Data Privacy

On November 14, 2021, the Cyberspace Administration of China (國家互聯網信息辦公室) (the "**CAC**") released the Administration Governing the Cyber Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Regulations on Data Security**"), which among other things, stipulates that data processors seeking for listing in Hong Kong that affects or may affect national security must apply to the CAC for a cybersecurity review. However, the Draft Regulations on Data Security provides no further explanation or interpretation of "affects or may affect national security". The Draft Regulations on Data Security has not been effective as of the Latest Practicable Date and therefore subject to further changes and interpretation. As advised by our PRC Legal Advisor, if the Draft Regulations on Data Security takes effect in its current form, we need to fulfill corresponding obligations, including "conducting data security assessment once a year on our own or by entrusting a data security search institution, and submitting the previous year's data security assessment report to the municipal network information department divided into districts before January 31 of each year", "formulating data security training plans and organizing data security education and training for all employees every year", etc.

On December 28, 2021, the CAC and certain other regulatory authorities in mainland China published the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Cybersecurity Review Measures**") which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that the purchase of cyber products and services or network platform operators that engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the relevant regulatory authorities may initiate cybersecurity review if such regulatory authorities determine that the issuer's network products or services, or data processing activities affect or may affect national security.

On December 1, 2023, our PRC Legal Advisor conducted, on behalf of us, a phone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**CCRC**"), which is a competent authority according to our PRC Legal Advisor. During the consultation, the CCRC confirmed that currently, for the proposed Listing, the Company need not to apply for the cybersecurity review. Based on the understanding of the Cybersecurity Review Measures and the consultation with the CCRC mentioned above, our PRC Legal Advisor is of the view that a listing on the

Main Board currently does not fall within the scope of "listing abroad" which triggers cybersecurity review as provided in the Cybersecurity Review Measures, and we currently do not need to apply for cybersecurity review, as we had not received any notification from relevant authorities about being identified as a critical information infrastructure operator or requiring us to apply for cybersecurity review. Based on the aforementioned opinions of our PRC Legal Advisor, our Directors are of that view that the Cybersecurity Review Measures would not have material adverse impact on our business operations or the proposed Listing.

Moreover, our PRC Legal Advisor is of the view that, assuming the Draft Regulations on Data Security are implemented in the current form, the Draft Regulations on Data Security would not have a material adverse impact on our business operations or the proposed Listing if we fulfill corresponding obligations. We undertake that if the Draft Regulations on Data Security comes into effect, we will fulfill our obligations under the Draft Regulations on Data Security. Based on the aforementioned opinions of our PRC Legal Advisor and the undertakings we made, our Directors are of the view that the Draft Regulations on Data Security (if implemented in current forms) would not have a material adverse impact on our business operations or the proposed Listing. We will closely monitor the legislative and regulatory development in connection with cybersecurity and data protection and will adjust and enhance data practices in a timely manner to ensure compliance with all applicable laws and regulations.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. As of June 30, 2024, we had 4,354 full-time employees, substantially all of whom were stationed in mainland China. The following table sets forth the number of our employees by function, age group and gender as of June 30, 2024:

	Number of employees	Percentage of Total (%)
Function		
Production	2,282	52.4
Technician	915	21.0
Administration	854	19.6
Sales	203	4.7
Finance	100	2.3
Total	**4,354**	**100.0**
Age		
51 or above	84	1.9
41 to 50	681	15.6
31 to 40	2,114	48.6
18 to 30	1,475	33.9
Total	**4,354**	**100.0**
Gender		
Female	954	21.9
Male	3,400	78.1
Total	**4,354**	**100.0**

Our employees are important assets for our development, and we place great importance on attracting and recruiting qualified employees. Our human resource department is responsible for recruiting employees. We recruit our employees primarily through on-campus recruitment, mainstream recruitment platforms and referral. We treat our employees fairly and ensure that they enjoy fair opportunities and conditions. In order to attract and retain employees and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide training periodically and across operational functions, including introductory training for new employees, technical training, product training, sales training, management training and occupational safety training, etc.

We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety conditions in the workplace and dispute resolution. We also enter into standard confidentiality agreements and non-competition agreements with our core employees, including mid to senior management personnel and engineers, as well as sales personnel having access to important client information. As required by laws and regulations in the PRC, we participate in various social security plans for our employees including housing provident fund, pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance.

During the Track Record Period, we had not been subject to any administrative penalties in connection with the PRC labor laws and regulations including regulations in relation to social insurance and housing provident fund contributions for our employees. Our PRC Legal Advisor is of the view that we were in compliance with PRC labor laws and regulations in material aspects during the Track Record Period.

During the Track Record Period, we have not experienced any significant difficulty in recruiting employees, nor have we experienced any labor shortages during the Track Record Period that materially affected our operations.

Our Company has established a labor union that represents relevant employees with respect to labor disputes and other employee matters. During the Track Record Period, we did not experience any major disputes with our employees, and we believe we have maintained a good relationship with our employees and is expected to remain amicable in the future.

PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. They mainly include premises for our production facilities, research and development centers, warehouses, offices, and dormitories.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our Group's interests in land or buildings, for the reason that, as of June 30, 2024, we had no single property with a carrying amount of 15% or more of our total assets.

Owned Land and Buildings

As of June 30, 2024, we owned 34[Note] buildings in mainland China with an aggregated GFA of 261,817.1 sq.m. The following table sets forth a summary of certain information regarding our owned buildings as of June 30, 2024:

Location	Usage	GFA
		sq.m.
Nanjing, Jiangsu.	Production facilities, research and development centers, warehouses, offices, dormitories and others	95,132.3
Tianjin	Production facilities, dormitories and others	66,255.9
Zhangjiagang, Jiangsu . .	Production facilities	100,428.9
Total		**261,817.1**[Note]

Note:

Not inclusive of three recently constructed buildings with an aggregate GFA) of 29,099.4 sq.m., for which the completion acceptance and fire safety acceptance filing procedures have been completed, and upon finalizing these, we have commenced the process of obtaining the relevant property title certificates as of the Latest Practicable Date.

In addition to land use rights related to the aforementioned buildings, we owned the land use rights of six parcels of land with a total site area of 415,314.6 sq.m. in Nanjing and Yichun. The following table sets forth a summary of certain information regarding such land parcels as of June 30, 2024:

Location	Number of land parcels	Usage	GFA
			sq.m.
Nanjing, Jiangsu.	four	Production facilities and research and development center	44,751.6
Yichun, Jiangxi	two	Production facilities	370,563.0
Total			**415,314.6**

As of the Latest Practicable Date, our PRC Legal Advisor confirmed that, save for the three recently constructed buildings mentioned above and the heightened property described under "— Legal Proceedings and Compliance — Non-compliance — Lack of requisite permits and certificates for a heightened property" below, we had obtained all relevant land use rights certificates and property title certificates for all of the lands and buildings we own in mainland China, which are material to our operations.

As of June 30, 2024, we owned a parcel of land with a total site area of 106,108 sq.m. in Indonesia which will be used for the construction of our Indonesia Plant. For details, see "— Our Businesses — LFP Cathode Materials — Production expansion plans."

Leased Properties

As of June 30, 2024, we leased 13 properties in Changzhou, Tianjin, Xiangyang, Suining, Heze, Nanjing, Shenzhen and Zhangjiagang with an aggregated GFA of 829,562.3 sq.m. used as production facilities, research and development centers, warehouses, offices and dormitories to support our business operations. These leases generally have a term ranging from approximately one to five years.

AWARDS AND RECOGNITIONS

We have received recognition with respect to our products and research and development capabilities, including but not limited to the following:

Award/Recognition	Awarded Entity	Issuing Entity	Awarding Year
China Well-known Trademark (中國馳名商標)	The Company	Trademark Office of State Administration for Industry and Commerce (國家工商行政管理總局商標局)	2015
Top 10 Lubricant Brands in China (中國潤滑油十大品牌)	The Company	www.sinolub.com (中國潤滑油信息網)	2015–2023
Jiangsu Quality Awards (江蘇省質量獎)	The Company	People's Government of Jiangsu Province (江蘇省人民政府)	2016
High and New Technology Enterprise Certificate (高新技術企業證書)	The Company, Jiangsu Kelas, Tianjin Beiterui Nano, Zhangjiagang TEEC, Jiangsu Beiterui Nano	Relevant departments of science and technology, departments of finance and Tax Service, State Taxation Administration in respective administrative regions	2020–2022
2022 Golden Globe Award — New Spherical Shape LFP Product — "Lithium Iron No. 1" 2022 Annual Product (2022高工金球獎 — 新型球狀磷酸鐵鋰產品 —「鐵鋰1號」2022年度產品)	Changzhou Liyuan	Shenzhen Gaogong Consulting Co., Ltd. (深圳市高工諮詢有限公司)	2022
2023 (8th) China International New Energy Industry 30 • 60 Award (2023年(第八屆)中國國際新能源產業30 • 60獎)	Changzhou Liyuan	SMM	2023
2023 Lithium Battery Material Industry TOP 50 (2023鋰電材料產業TOP 50)	Changzhou Liyuan	Shenzhen Gaogong Consulting Co., Ltd. (深圳市高工諮詢有限公司)	2023

Award/Recognition	Awarded Entity	Issuing Entity	Awarding Year
2023 World Power Battery Conference — China's Top 15 Most Promising Enterprises (2023世界動力電池大會 — 中國最具成長力企業十五強)	Changzhou Liyuan	China Automotive Battery Innovation Alliance (中國汽車動力電池產業創新聯盟)	2023

INTELLECTUAL PROPERTY

Our intellectual property rights are fundamental to our success and competitiveness. We rely on a combination of trademark, trade secret and other intellectual property laws as well as confidentiality agreements and confidentiality clauses of other agreements with our employees, suppliers, customers and others to protect our intellectual property. We manage our patents, trademarks and copyrights, such as the management of authorized use of our trademarks with distributors and customers, development, application and maintenance of our patents, copyright registration and taking legal actions against infringers of our patents and trademarks.

As of June 30, 2024, we had 350 patents (among which 121 are invention patents), 125 copyrights, 712 trademarks and 15 domain names in mainland China. For further details of our material intellectual property rights, see the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" in Appendix IV.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any threatened or pending disputes, litigation, or legal proceedings for any material violation of intellectual property rights of any person which would have a material adverse effect on our business. However, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Relating to Our Industry and Business — The failure to protect our intellectual property rights could have an adverse impact on our business and competitiveness" and "Risk Factors — Risks Relating to Our Industry and Business — Third parties may assert or claim that we have infringed their intellectual property rights, which may disrupt and affect our business."

INSURANCE

Besides statutory social insurances as required under relevant PRC Law including pension insurance, medical insurance, work-related injury insurance, maternity insurance, and unemployment insurance, we mainly maintain property-related insurance to cover our buildings, facilities, equipment and inventories.

We believe our existing insurance coverage is adequate for our existing operations and is in line with industry standards. Nevertheless, we may be exposed to claims and liabilities which exceed our insurance coverage. See "Risk factors — Risks Relating to Our Industry and Business — We have limited business insurance coverage which could expose us to significant costs and business disruption." During the Track Record Period and up to the Latest Practicable Date, we had not made, neither had we been the subject of, any insurance claims which are of a material nature to us.

ENVIRONMENTAL, HEALTH, SAFETY AND SOCIAL RESPONSIBILITY MATTERS

Governance

We are committed to incorporating corporate social responsibility and sustainable practices into all major aspects of our business operations. We view corporate social responsibility as central to our growth strategy and ability to generate long-term value to our Shareholders.

We have set up a top-down ESG governance structure to oversee ESG matters and review the implementation of ESG management strategies. Our Board maintains collective and overall responsibility for overseeing, determining and addressing our ESG-related risks. Our Board undertakes periodic evaluations of ESG-related risks and may elect to engage independent third parties to undertake reviews of our ESG strategies, targets and internal controls to ensure compliance. Requisite improvements will then be implemented to mitigate identified risks. Under the Board, the Strategy Committee is authorized to oversee ESG risks, develop and update ESG management strategies, and monitor the implementation of ESG matters on behalf of the Board. The Strategy Committee reports ESG management progress and performance to the Board on a quarterly basis. With respect to environmental protection, concentrated efforts across departments including procurement, production and research and development are coordinated to execute our internal environmental protection policies and procedures, and manage environmental and climate change-related risks, particularly to reduce the utilization of hazardous materials, energy and natural resources, and reduce the generation of waste.

To ensure a better implementation system is in place, we have established an ESG working group that is focused on environmental, social, and governance matters in December, 2023, which will report to our Strategy Committee. The ESG working group consists of representatives from different departments and roles across our Group, including administration, human resources, production, finance, legal and other, to ensure that all aspects of our Group are represented. The primary duty of the ESG working group is to assist our Board in executing ESG goals and strategies, including (i) conducting materiality assessments on ESG-related risks and providing improvement recommendations based on assessment results, (ii) collecting ESG-related information from various parties, including our major suppliers, customers, management team and employees to facilitate the identification of material ESG issues and risks and for the purpose of preparing ESG reports, (iii) continuously monitoring and reviewing the implementation of our ESG risk management measures and regularly reporting to the Board, and (iv) consulting external professionals when necessary to assist and elevate the ESG working group's efforts, with the goal of attaining leading ESG standards.

We maintain a suite of internal policies in respect of ESG issues. Regarding environmental matters, policies have been adopted covering, among others, (i) reduction of greenhouse gas emissions, (ii) use of environmentally friendly production methods, (iii) treatment of waste gas, sewage and solid waste and (iv) conservation of energy. Regarding social matters, policies have been adopted covering, among others, (i) production safety, (ii) employee health, promotion, compensation, benefits and training and (iii) employee complaint handling. Periodic reviews are undertaken to monitor compliance with the foregoing policies.

Upon Listing, our Directors confirm that they will closely monitor and ensure strict compliance with Corporate Governance Code and Corporate Governance Report as set out in Appendix C1 to the Listing Rules, the Environmental, Social and Governance Reporting Guide as set out in Appendix C2 to the Listing Rules and all relevant rules and regulations in relation to environmental, social and governance aspects.

Potential Impact of ESG-related Risks and Responses

We place a heightened focus on environmental, social and climate-related matters and their impact on our business operations and financial performance. We have identified that the environmental, social and climate-related matters that may present us with various risks and opportunities include (i) risks related to the physical impacts of climate change and (ii) risks related to the transition to a lower-carbon economy.

(i) Physical risks from climate change

Climate change has increased extreme weather events in recent years creating physical risks with financial implications. For example, natural disasters and power outages caused by climate change may disrupt industrial production. Our widespread production network helps mitigate such risks. Our LFP Cathode production facilities and offices are located Tianjin city, as well as Jiangsu, Sichuan, Shandong and Hubei provinces in China, along with operations in Singapore and Indonesia. The main physical risks identified in these locations include typhoons, rainstorms and rising temperatures. On the other hand, our automotive specialty chemicals operations are situated in the same PRC locations as our LFP cathode material business and primarily face risks from rainstorms. To mitigate the impact of these physical risks, we have established emergency protocols for extreme weather events and conduct corresponding practice drills from time to time. These measures help ensure our staffs' improved responsiveness to disasters and emergencies. Additionally, we allocate an annual budget for extreme weather preparedness and maintain a stock of flood control and disaster relief materials. We also have emergency plans to ensure safety at our production facilities. We also continuously monitor our supply chain and evaluate alternative suppliers to mitigate impacts from such identified physical risks.

(ii) Transition risks to a lower-carbon economy

The transition to a lower-carbon economy may involve substantial policy, legal, technological and market changes to address climate change mitigation and adaptation. Policy and legal transition risks include PRC laws and regulations changing in ways that could increase our compliance costs. In response, we train relevant employees on policy and regulatory developments to plan for compliance proactively.

In July 2024, General Office of the State Council has published the Workplan for Accelerating the Construction of a Dual Control System for Carbon Emissions (《加快構建碳排放雙控制度體系工作方案》), which identifies the chemical industry as one of the crucial industries for establishing carbon emission accounting and monitoring systems. Corporations should improve their carbon emission management to achieve actual reductions. Our automotive specialty chemicals business is committed to complying with this regulation. In 2023, we have obtained a carbon footprint certificate issued by the China United Certification Center for one of our automotive specialty chemical products and have introduced autonomous vehicles, automated and environmentally friendly blow molding technology at relevant production bases to create a low-carbon production demonstration park. In Europe, the EU has introduced Carbon Border Adjustment Mechanism and plans to impose tariffs on carbon-intensive imports. Additionally, in July 2023, a new EU battery regulation (Regulation 2023/1542) was approved aiming to create a harmonized legislation for the sustainability and safety of batteries. This directly affects our LFP cathode material business as part of the battery industry supply chain. We have initiated various practices to reduce our carbon emissions and improve our carbon management capabilities. Our plans include conducting product carbon footprint calculations, annual corporate carbon accounting, and incorporating a carbon property management system in the coming years to establish a comprehensive carbon management mechanism.

In addition, market demand for low-carbon products could also force companies to develop more sustainable technologies and products increasing research and development expenses. By 2030, we plan to deploy low-carbon production lines, implement energy conservation measures and utilize renewable energy sources across both our LFP cathode materials and automotive specialty chemicals businesses.

(iii) Opportunities

Despite the above-mentioned physical and transition risks, we also believe that climate change may bring about opportunities to our business operations. The PRC government announced its dual objectives of "carbon emission peak" and "carbon neutrality" at the seventy-fifth United Nations General Assembly. As a major LFP cathode material provider, we intend to take advantage of such dual objectives by enabling safer, longer-lasting and more sustainable lithium-ion batteries for vehicles, energy storage and other end market applications. Under our automotive specialty chemicals business, we also intend to further promote our diverse suite of automotive chemical products which we believe contribute to environmental sustainability. Our diesel exhaust fluid helps reduce harmful nitrogen oxide emissions from diesel engines. Our engine coolants minimize waste and pollution while maximizing engine durability and fuel efficiency. Our automotive and industrial lubricants are formulated to reduce friction, enhance fuel economy, extend equipment life and thereby reduce waste. With the fast promotion of NEVs, we are also in the process of developing NEV suitable chemicals that have similar environmental benefits.

Health, Safety and Social Responsibilities

Our business operations in mainland China are subject to various laws and regulations relating to occupational health and work safety. For details, see "Regulatory Overview — Laws and Regulations on Labor, Social Insurance and Housing Provident Fund." We have implemented internal guidelines for different aspects of production safety, including fire safety, operation safety, warehouse safety and emergency response. We regularly provide training on health, safety and accident prevention for employees. We also carry out equipment maintenance regularly to ensure their safe operations. Our occupational health and safety management systems are ISO 45001 certified. During the Track Record Period, we did not record any accidents that had a material impact on our business or operations and have not encountered any material non-compliance issues relating to work safety laws and regulations.

We focus on embracing diversity within our Group and have adopted a board diversity policy which considers factors such as experience, knowledge, gender, age and cultural background. We also promote diversity and equal treatment of all our employees and continuously invest in the training and career development of our employees. We care about our employee's well-being and organize activities supporting work-life balance.

We have been and will continue to be highly committed to sustainable corporate responsibility projects through various charitable endeavors for different social causes. For example, we donated ambulances to fight against the COVID-19 pandemic in 2021. We also provided scholarships to university education foundation during the Track Record Period. Going forward, we will continue identifying impactful charitable initiatives to which we can contribute.

Environmental Protection

We are subject to environmental laws and regulations in mainland China including the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》). These laws and regulations govern a broad range of environmental matters, including air pollution, noise emissions and water and waste discharge. For details, see "Regulatory Overview — Laws and Regulations on Environmental Protection." We consider environmental protection important and strive to ensure our facilities comply with relevant regulations and standards. We have a production management system and adopted a series of environmental protection measures, including, among others, (i) choosing energy-saving equipment, and (ii) continuously optimizing production processes through technological innovation and automation to increase efficiency and thereby reduce waste and carbon dioxide emissions. Besides, the wide application of LFP cathode materials in NEVs and energy storage sectors is generally recognized to have environmental benefits. Moreover, through our automotive specialty chemical business we are committed to producing environmentally friendly automotive chemicals using eco-friendly production methods. For example, our diesel exhaust fluid helps reduce nitrogen oxides pollutant in diesel exhaust emissions into nitrogen and water vapor. We developed a biodegradable hydraulic oil which is over 80% biodegradable.

We evaluate our environmental performance through a number of metrics including pollutant management, electricity usage and water usage.

Pollutant management

As of the Latest Practicable Date, we have obtained the relevant pollutant discharge permits and registrations for all of our production facilities. As confirmed by our Directors, the waste we produced is processed in accordance with applicable environmental standards.

- *Management of Wastewater*. We generate wastewater during our production process and such wastewater is discharged in accordance with the Comprehensive Wastewater Discharge Standard (《污水綜合排放標準》) GB 8978–1996.

- *Management of Waste Gas*. We generate waste gas during the production process and such waste gas was properly collected and treated prior to discharge. The concentration limit of waste gas emissions is in accordance with Air Pollutant Emission Standard (《大氣污染物排放標準》) DB32/4041–2021.

- *Management of Solid Waste*. We generate general and hazardous solid waste during our production process. In particular, our hazardous solid wastes primarily include waste machine oil, waste lubricants, laboratory wastes and waste oil vessels, and we engage qualified third-party waste treatment companies to treat some of such hazardous solid waste.

The table below sets forth certain quantitative information regarding our pollutant management for the periods indicated.

Pollutant	Unit	Year ended December 31,			Six months ended June 30,
		2021	2022	2023	2024
Wastewater	tons	150,215.60	156,315.15	243,609.25	182,755.10
Intensity	tons/million RMB revenue	37.06	11.11	27.91	48.67
NOx emissions	tons	10.43	22.23	24.99	43.55
Intensity	tons/million RMB revenue	0.0026	0.0016	0.0029	0.0116
SOx emissions	tons	4.64	10.79	8.41	18.04
Intensity	tons/million RMB revenue	0.0011	0.0008	0.0010	0.0048
Particles emissions	tons	4.73	6.97	15.20	11.99
Intensity	tons/million RMB revenue	0.0012	0.0005	0.0017	0.0032
Solid waste	tons	1,193.33	1,737.74	58,363.87	353,141.20
Intensity	tons/million RMB revenue	0.29	0.12	6.69	94.04(1)

Note:

(1) The significant increase in solid waste disposal and intensity since 2023 was primarily generated during the configuration and setup of lithium carbonate production lines at the Yichun facility which generated substantial solid waste by products during this process. We adopt various measures to minimize the environmental impact including, among others, (i) recycling product packing materials to reduce the consumption of packaging materials and the generation of solid waste; and (ii) optimizing production processes to reduce the generation of solid waste during the production process, achieving clean production and economic benefits in the meantime.

Resource consumption

The table below sets forth certain quantitative information regarding our resource consumption for the periods indicated.

		Year ended December 31,			Six months ended June 30,
Resource consumption	**Unit**	**2021**	**2022**	**2023**	**2024**
Fossil fuel	GJ	261,485.97	833,536.41	1,680,735.99	1,700,712.33
Electricity	GJ	105,632.0	358,699.2	2,177,582.40	1,435,806.35
Steam	GJ	9,897.76	11,949.68	167,293.30	236,893.77
Intensity	GJ/million RMB revenue	160.76	151.85	461.15	898.34[1]
Water	tons	881,566.75	1,536,446.65	1,699,676.70	1393,934.32
Intensity	tons/million RMB revenue	217.48	109.19	194.71	371.20

Note:

(1) Energy consumption intensity increased significantly since 2023 primarily due to (i) the ramp-up and commencement of production of certain of our production facilities and the increase in production volume since 2023, resulting in increased consumption of natural gas and electricity, and (ii) the decrease in our total revenue due to lower average selling prices of our products, which does not directly impact energy consumption.

We will continuously strive to reduce our energy utility by improving production efficiency, incorporating intelligent technology, and optimizing production management. In addition, we will develop renewable energy facility to replace fossil fuel usage. With respect to water consumption, we will endeavor to improve water efficiency, apply water saving production technology, and optimize water management practice.

Greenhouse gas emission

The table below sets forth our greenhouse gas emission in 2021, 2022 and 2023 and the six months ended June 30, 2024:

Scope of greenhouse gas emission[(1)]	Emission sources	Unit	Year ended December 31, 2021	2022	2023	Six months ended June 30, 2024
Scope 1 emission[(2)]	Combustion of coal, natural gas, diesel, petrol and liquified petroleum gas	tCO_2e	15,877.46	50,649.30	102,137.40	103,367.59
Scope 2 emission[(3)]	Purchased electricity and heat	tCO_2e	62,767.28	205,881.51	363,067.33	253,167.14
Total		tCO_2e	78,644.74	256,530.81	465,204.73	356,534.73
Intensity		tCO_2e/million RMB revenue	19.40	18.23	53.29	94.95[(4)]

Notes:

(1) Greenhouse Gas emission calculation has referenced GHG Protocol published by the World Resource Institute and the World Business Council for Sustainable Development, China Greenhouse Gas Emission Coefficient Library for Product Life Cycle (2022), EPA Supply Chain GHG Emission Factors Dataset 2021 and other available carbon emission factors for Company Reporting.

(2) As pursuant to Appendix 2 of "How to Prepare an ESG Report" set out by the Stock Exchange, Scope 1 greenhouse gas emissions refer to direct emissions from equipment and operations that are owned or controlled by our Group including natural gas used by manufacturing process, and petrol and diesel used by our vehicles.

(3) As pursuant to Appendix 2 of "How to Prepare an ESG Report" set out by the Stock Exchange, Scope 2 greenhouse gas emissions refer to energy indirect emissions resulting from the generation of purchased or acquired electricity, heating, cooling, and steam consumed within our Group.

(4) Greenhouse gas emission intensity increased significantly since 2023 primarily due to (i) the ramp-up and commencement of production of certain of our production facilities and the increase in production volume since 2023, resulting in increased consumption of natural gas and electricity, and (ii) the decrease in our total revenue due to lower average selling prices of our products, which does not directly impact greenhouse gas emissions.

Moreover, we strictly adhere to the standards, metric and targets set or issued by the relevant ESG-related laws and regulations in assessing and managing our impacts on the environment as a result of our business activities, such as the greenhouse gas emission in our production. In the meantime, we are in the process of establishing more detailed ESG-related metrics and targets after consulting with relevant professional ESG consultants and taking reference to the results of our carbon mapping and relevant data of industry peers.

Approaches to improve our resource efficiency and reducing emissions

	Measures	Targets, impacts and achievability
Greenhouse gas emission reduction target	• Closely monitor changes in greenhouse gas emission • Gradually replace our fossil cars with NEVs • Incorporate energy-efficient equipment for new production lines as we upgrade our current machinery and equipment • Purchase green electricity from sustainable and renewable sources when available and possible	We have set target to reduce our operational greenhouse gas emission intensity (scope 1 and scope 2) by approximately 20% by 2030, compared to its 2023 level. We will designate special funds to implement the measures to achieve the greenhouse gas emission reduction target, which, in the short run, will incur additional costs and expenses. In the long run, our customers and investors will recognize our commitment to environmental protection, which may in turn contribute to our revenue growth and brand image.
Energy efficiency.	• Advocate green office practices and purchase energy efficient equipment and office supplies • Keep tracking the energy consumption of our production facilities, office buildings and warehouses • Strengthen real-time monitoring and full-process data management of energy consumption to address abnormal energy consumption patterns	We will continuously strive to reduce our energy utility by improving production efficiency, incorporating intelligent technology, and optimizing production management. In addition, we will develop renewable energy facility to replace fossil fuel usage. We have set target to reduce our energy consumption intensity by approximately 20% by 2030, compared to its 2023 level. Purchasing energy efficient equipment and office suppliers may incur additional costs in the short run, but can help the Group to reduce energy expenses and operational costs.
Water efficiency	• Actively reuse and recycle our water usage • Introduce recycled water systems, water reuse systems, and rainwater collection systems to reduce unnecessary waste of water • Constantly monitor water usage and install water efficiency equipment to reduce water usage	We have set target to reduce our water consumption intensity by approximately 20% by 2030, compared to the 2023 level. Purchasing water efficient equipment may incur additional costs in the short run, but can help the Group to reduce water expenses and operational costs.

LICENSES, PERMITS AND REGULATORY APPROVALS

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Advisor, (i) we had complied with all relevant laws and regulations in all material respects and (ii) had obtained all requisite licenses, approvals, registrations and permits from relevant regulatory authorities for our material businesses.

The following table sets forth the licenses, permits and registrations currently held by us, which are material to our business, taken as a whole:

No.	Licenses/Permits	Holder	Issuing Authority	Expiry Date
1.	Pollutant Discharge Permit (排污許可證)	Zhangjiagang TEEC	Relevant Ecological Environment Bureaus or Administrative Approval Bureau of respective administrative regions	January 18, 2028
		Zhangjiagang TEEC		December 10, 2025
		Shandong Liyuan		February 15, 2028
		Sichuan Liyuan		January 5, 2027
		Tianjin Beiterui Nano		November 19, 2027
		Hubei Liyuan		August 22, 2028
		Lopal Times		August 14, 2028
2.	Receipt on the Registration of Pollution Discharge for Fixed Pollution Sources (固定污染源排污登記回執)	Lopal Lubrication	/	July 5, 2025
		Jiangsu Beiterui Nano	/	April 21, 2026
		Jiangsu Kelas	/	September 19, 2028

LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

As of the Latest Practicable Date, as confirmed by our Directors, there was no litigation, arbitration, or administrative proceedings or disputes pending or threatened against our Company, any of our Directors or executive officers which could have a material and adverse effect on our financial condition or results of operations. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business, and regardless of the outcome, any of such legal, arbitration or administrative proceedings is likely to result in substantial cost and diversion of our resources, including our management's time and attention. See "Risk Factors — Risks Relating to Our Industry and Business — We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result."

Non-compliance

During the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors had been or were involved in any material non-compliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on the business, financial condition and results of operations of our Group taken as a whole. However, as disclosed hereunder, we could be subject to fines, penalties, and orders requiring that we change our practices, which could have an adverse effect on our business and results of operations if our practice fails to comply with applicable laws and regulations. See "Risk Factors — Risks Relating to Our Industry and Business — Defects related to certain of our properties may adversely affect our ability to use such properties" and "Risk Factors — Risks Relating to Our Industry and Business — Increases in labor costs and the enforcement of stricter labor laws and regulations in the region we operate may adversely affect our business and our profitability."

Dispatched Workers

During the Track Record Period, some of our subsidiaries engaged dispatched workers from employment agencies in mainland China who were assigned to work on our production lines, to support our temporarily increased staffing needs to meet production orders. Individuals dispatched by the service providers receive their salaries and other employee benefits from the service providers. According to the Interim Provisions on Labour Dispatch (勞務派遣暫行規定, the "**Interim Provisions**") issued on January 24, 2014 and implemented on March 1, 2014 by the Ministry of Human Resources and Social Security, the number of the dispatched workers shall not exceed 10% of the total number of the employees.

During the Track Record Period, the percentage of dispatched workers engaged by some of our subsidiaries had exceeded the 10% regulatory threshold, ranging from 10.05% to 24.38%. We have taken rectification measures for such non-compliance by directly entering into employment contracts with required workers and closely monitoring the number of dispatched workers we engage. As of the Latest Practicable Date, the number of dispatched workers engaged by us had been reduced to the percentage below the regulatory threshold and thus, we have rectified this non-compliance. Pursuant to the Interim Provisions and Labor Contract Law, employer who fails to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make rectification within a stipulated period. Where rectification is not made within the stipulated period, employer may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the regulatory threshold. During the Track Record Period and up to the Latest Practicable Date, none of our subsidiaries had received any notice of rectification from the labor administrative authorities. In view of (i) the rectification made in relation to the aforesaid non-compliance, (ii) the compliance certificates obtained from the local human resources and social security bureaus (人力資源和社會保障局), all of which are competent authorities to issue such compliance certificates as advised by our PRC Legal Advisors, in relation to the majority of our subsidiaries, the dispatch workers engaged by which had exceeded the 10% regulatory threshold during the Track Record Period and the fact that no administrative penalty has been imposed to our Company during the Track Record Period, (iii) our Company's undertaking to fully comply with the relevant PRC laws and regulations on labor dispatch to prevent future recurrence in the future, our PRC Legal Advisor is of the view that the risk that our relevant subsidiaries are exposed to pecuniary penalties imposed by the labor administrative authorities resulting from the aforesaid non-compliance is remote. Accordingly, our Directors are of the view that such non-compliance incident does not constitute a neither material nor systemic non-compliance incident, and will not have a material adverse impact on our business operations or financial condition as a whole.

Social Insurance and Housing Provident Fund Contributions

During the Track Record Period, we failed to make full contribution to the social insurance fund and housing provident funds for certain employees based on their average salaries of the immediately preceding year and/or the statutory contribution bases, and paid the contributions for certain employees of our subsidiaries through third party payment agents, which did not fully comply with the provisions of the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Administrative Regulations on the Housing Provident Fund (《住房公積金管理條例》). Based on the estimation of our Directors, the aggregate shortfall of social insurance fund in 2021, 2022 and 2023 and the six months ended June 30, 2024 amounted to approximately RMB12.3 million, RMB18.9 million, RMB22.4 million and RMB12.6 million, respectively, while the aggregate shortfall of housing provident fund amounted to approximately RMB7.8 million, RMB14.3 million, RMB15.9 million and RMB10.3 million, respectively.

We believe this non-compliance incident occurred primarily because: (i) we made standardized contribution to the social insurance fund and the housing provident funds for certain employees based on their job title ranking instead of making the contribution based on their average salaries of the immediately preceding year and/or the statutory contribution bases in accordance with the requirement of the relevant PRC laws and regulations, (ii) the lack of experience of our relevant personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations; (iii) personal preference of our employees to have their social insurance fund and housing provident funds paid in the accounts in a different location because of their work arrangement; and (iv) some employees' unwillingness to have social insurance and housing provident fund contributions to the full extent due to the requirement that they co-contribute and their own financial considerations. Pursuant to the agreements entered into between our relevant subsidiaries and third-party payment agents are required to pay social security funds and housing provident funds for our relevant employees on time and in full pursuant to our policies. These third party payment agents have confirmed in writing that they have paid such contributions on time and in full according to our agreements. They have also confirmed in writing that they have not been subject to any administrative penalty for social insurance and housing provident fund contributions. As of the Latest Practicable Date, we had not received any administrative penalty, labor arbitration application from employees or any inquiry from relevant government authorities regarding such arrangements with third party payment agents.

In the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the number of employees whose social insurance fund and housing provident fund contributions were paid by third party payment agents were 42, 99, 116 and 80, respectively, representing approximately 2.0%, 2.9%, 2.7% and 1.8% of our total employees for the same periods. The contribution amounts in relation to third party payment agents amounted to 2.8%, 4.7%, 6.0% and 3.4%, respectively, of our total social security and housing provident fund contributions for the same periods.

Legal consequences and potential maximum penalties

Our PRC Legal Advisor has advised us that, under relevant PRC laws and regulations, (i) in respect of the payment through third party payment agents, the relevant authorities in mainland China may demand us to rectify within a stipulated deadline and we may be liable to a fine of one to three times the amount of the relevant contributions; (ii) in respect of outstanding social insurance contributions, the relevant authorities in mainland China may demand us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay; if we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. Based on the aggregate shortfall of social insurance fund contribution, whether directly or indirectly, we estimate the maximum potential penalties which may be imposed on us if we fail to make required payments within the stipulated period required by the competent government authorities to equal to three times of the shortfall amount, being RMB36.9 million, RMB56.7 million, RMB67.2 million and RMB37.8 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. We undertake to pay any such shortfall contributions of social insurance and overdue charge within the prescribed period after receipt of notice from relevant competent government authorities. In which case, no fine will be further imposed on our Group.

Our PRC Legal Advisor has also advised us that, pursuant to relevant PRC laws and regulations, (i) in respect of the payment through third party payment agents, the housing provident fund management center may order rectification within a prescribed time limit. If the rectification is not made within such time limit, a fine ranging from RMB10,000 to RMB50,000 may be imposed; (ii) in respect of outstanding housing provident fund, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order it to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As advised by our PRC Legal Advisor, there is no expressed legal provisions or regulations that imposes a penalty on the Group for shortfall contributions for housing provident fund contributions but we may be ordered to pay the shortfall amount. Such outstanding amount, whether directly or indirectly, amounted to approximately RMB7.8 million, RMB14.3 million, RMB15.9 million and RMB10.3 million for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, respectively. If we were ordered to make such payment, we will do so within the prescribed time period.

Moreover, for social insurance, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, it is prohibited for administrative enforcement authorities to self-organize centralized collection of enterprises' historical social insurance arrears. The Notice on Implementing Measures to Further Support and Serve the Development of Private Economy (《國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知》) (Shui Zong Fa [2018] No. 174) promulgated by the SAT and became effective on November 16, 2018, repeated that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises in the previous years. The Notice on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》) (Guo Ban Fa [2019] No. 13), promulgated by the General Office of the State Council on April 1, 2019, emphasized that in the process of the reform of the collection system, it is not allowed to conduct self-collection of historical unpaid arrears from enterprises, and it is not allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprise.

Remedies and rectification measures taken

We have obtained written compliance confirmation letters from the relevant competent government authorities, which confirmed that no administrative penalties had been imposed on us in connection with the matter of social insurance and housing provident fund contributions. Further, we, along with the Joint Sponsors, the PRC legal advisor of the Joint Sponsors and Underwriters and the Reporting Accountants have conducted interviews with the relevant competent government authorities covering the majority of the employees in question, which confirmed that, among our subsidiaries that have been interviewed (i) as of the date of interviews, the accounts for the social insurance and housing provident fund had been set up; (ii) as of the date of interviews, no administrative penalties had been imposed on us in connection with the matter of social insurance and housing provident fund contributions; and (iii) in the event of failure to make full contribution to the social insurance fund and housing provident funds for certain employees based on their average salaries of the immediately preceding year and/or the statutory contribution bases, the possibility of the relevant competent government authorities actively ordering payment of the shortfall contributions without complaint being lodged or imposing administrative penalties without first ordering payment of the shortfall contributions are relatively remote.

The competent government authorities from which written compliance confirmation letters were obtained are local human resources and social security bureaus (人力資源和社會保障局) and housing provident fund management centers (住房公積金管理中心). The relevant government officials interviewed include directors, deputy directors and labor inspection inspectors, etc. of the competent government authorities. As advised by our PRC Legal Advisor, the government authorities referred to above are the competent government authorities responsible for administering the contribution of social insurance fund or housing provident fund of our Company and the aforesaid government officials were competent to represent the relevant government authorities.

As of the Latest Practicable Date, (i) we had not been subject to any material administrative penalties on social insurance and housing provident funds; (ii) we had not received any notification from the relevant authorities in mainland China requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds; (iii) we were neither aware of any material pending employee complaints nor were involved in any material pending labor disputes with our employees with respect to social insurance and housing provident funds, and (iv) interviews were conducted with the relevant competent government authorities covering the majority of the employees to confirm that in the event of failure to make full contribution to the social insurance fund and housing provident funds for certain employees based on their average salaries of the immediately preceding year and/or the statutory contribution bases, the possibility of the relevant competent government authorities actively ordering payment of the shortfall contributions without complaint being lodged or imposing administrative penalties without first ordering payment of the shortfall contributions are relatively remote.

Subject to (i) employees' cooperation in complying with the applicable payment base, which also requires additional contributions from them and (ii) employees' cooperation in participating in social insurance and housing fund schemes where they temporarily reside, we are committed to use our best efforts to comply in a manner as required by the relevant government authorities. We undertake that we will be making contributions for our employees in a manner as required as soon as practicable once we receive the notification from the relevant government authorities, if any, to require us to make contribution for the shortfall amounts or to amend our policies or practice in this regard, so that we will not receive administrative punishment from the relevant government authorities due to the failure of making the contributions in time.

In addition, in order to ensure ongoing compliance, we have also adopted a number of enhanced internal control measures. We have assigned designated personnel to monitor the status of payments of social insurance and provident fund contributions on a regular basis in order to ensure that we have made these payments for employees on time in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities. We are in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base, which also requires additional contributions from them. We have enhanced our internal control measures in this regard. We expect to continue to consult our legal advisors on a regular basis for advice on relevant PRC laws and regulations to keep abreast of relevant regulatory developments. We will provide our senior management, human resources department and relevant staffs with training regarding the legal and regulatory requirements applicable to its operations.

Furthermore, Mr. Shi and Ms. Zhu have undertaken to our Company that they would indemnify and keep indemnified our Company against any damage, loss or liability suffered by our Company or any other member of our Company arising out of or in connection with the above non-compliance.

In view of the above, in particular, our Company's undertaking, the confirmations from and interviews with relevant authorities, and the facts stated above, our PRC Legal Advisor is of the view that the risk of our Company being imposed of the administrative penalty for the aforementioned non-compliance incidents is relatively remote. Considering (i) the nature and reasons for such non-compliances, (ii) our undertakings to make timely payments when required to avoid any relevant fines, (iii) the confirmations from and interviews with relevant authorities, (iv) the opinion of our PRC Legal Advisors, and (v) the relevant government policies outlined above, our Directors are of the opinion that this non-compliance incident does not constitute a material nor systemic non-compliance incident, and will not have a material adverse impact on our business operations or financial condition as a whole. Based on the above, no provision has been made in relation to this incident.

Lack of requisite permits and certificates for a heightened property

Prior to our acquisition of Tianjin Beiterui Nano (the "**Acquisition**"), Tianjin Beiterui Nano heightened certain areas of one of the leased properties in Tianjin. Such heightened property is mainly used for production and occupies approximately 3,000.0 sq.m. Since this property was constructed on top of a property leased from a third party, Tianjin Beiterui Nano could not obtain relevant building ownership certificates. As such, as advised by our PRC Legal Advisor, the heightened property constitutes an unauthorized building work. To the best knowledge of our Directors, such non-compliance including failure to obtain relevant construction permits occurred primarily because the handling personnel of Tianjin Beiterui Nano prior to the Acquisition was not familiar with the relevant regulatory requirements. As of the Latest Practicable Date, Tianjin Beiterui Nano has obtained the Construction Projects Completion Inspection Fire Control Filing Certificate (建設工程竣工驗收消防備案受理憑證), and we were not aware of any incidents that have arisen due to the safety conditions of such heightened construction. We expect to continue using such properties as production facility for LFP cathode materials while we are actively exploring potential rectifying measures. As advised by our PRC Legal Advisor, the Law on Urban and Rural Planning of the PRC (中華人民共和國城鄉規劃法) provides that failing to obtain the construction planning permit or conducting the construction work without being in compliance with the construction planning permit, (i) the relevant government authorities at or above the county level shall order the construction to stop; (ii) if rectification measures can be taken to eliminate the impact on the implementation of the plan, corrections shall be made within a time limit and a fine of no less than 5.0% but not more than 10.0% of the construction costs shall be imposed; and (iii) if rectification measures cannot be taken to eliminate the impact, the construction shall be demolished within a prescribed period of time. If the construction cannot be demolished, the illegal income shall be confiscated, and a fine of not more than 10.0% of the construction costs may be imposed.

In addition, the Construction Law of the PRC (中華人民共和國建築法) provides that before the commencement of a construction project, the party in charge of construction shall apply to the construction administrative department of the people's government at or above the county level where the project is located for a construction permit in accordance with relevant laws and regulations. Those who commence construction without obtaining a construction permit or without commencement report shall be ordered to make corrections, and those who do not meet the conditions for conducting construction shall be ordered to stop construction and may be fined.

As advised by our PRC Legal Advisor, based on the aforementioned laws, the maximum exposure for such defect is that the relevant government authority may require the heightened property to be demolished within a prescribed period of time. If the heightened property cannot be demolished, the relevant government authority may confiscate the illegal income, and impose a fine of not more than 10.0% of the construction costs of the heightened property. We undertake to proactively arrange for the heightened demolition if so required by the relevant government authority in order to avoid confiscation of the illegal income. The construction costs of the heightened property amounted to approximately RMB4.0 million. Taking into account estimated costs and expenses for demolition and site restoration, transportation and reinstallation of equipment, rental and fit-out expenses for alternative premises, we estimate cost for relocation would amount to approximately RMB4.5 million in the event we are ordered to demolish the heightened property.

As of the Latest Practicable Date, we had not been subject to any administrative penalties by the relevant competent authorities because of the abovementioned defect.

We are of the view that the aforementioned defect does not constitute a material non-compliance incident and would not materially and adversely affect our business, results of operations and financial conditions, primarily considering the facts state above and the following factors: (i) we have obtained written confirmations from the Tianjin Baodi Economic Development District Management Committee (天津寶坻經濟開發區管理委員會), the local Planning and Natural Resources Bureau (規劃和自然資源局), Housing and Construction Committee (住房和建設委員會), and Municipal Comprehensive Administrative Law Enforcement Support Team (城市管理綜合行政執法支隊) stating that Tianjin Beiterui Nano was not subject to any administrative penalties from any of these government authorities. In addition, Tianjin Baodi Economic Development District Management Committee also stated in its written confirmation that (a) necessary assistance will be provided to Tianjin Beiterui Nano in obtaining required construction permits and building ownership certificates pertaining to the heightened construction, (b) Tianjin Beiterui Nano will neither be compelled to demolish the heightened construction nor be subjected to any penalties regarding these defects; (ii) the original lessor has assumed full responsibility and consequences for the defects, and has committed to use its best efforts to assist us in obtaining all requisite permits and certificates; and (iii) we have obtained an indemnity from Mr. Shi and Ms. Zhu, our Controlling Shareholders, to indemnify our Group against any claims, fines, economic losses and expenses which may arise from such defects.

Furthermore, with an aim to actively rectify the issue, Tianjin Beiterui Nano has purchased the relevant leased property and corresponding land use rights for a consideration of approximately RMB37.0 million and obtained the relevant property title certificate in March 2024 and is in the process of actively communicating with relevant government authorities to supplement the requisite permits and certificates as of the Latest Practicable Date.

As advised by our PRC Legal Advisor, the local Planning and Natural Resources Bureau (規劃和自然資源局), Housing and Construction Committee (住房和建設委員會), and Municipal Comprehensive Administrative Law Enforcement Support Team (城市管理綜合行政執法支隊) are the competent government authorities responsible for administering unauthorized building works in the Tianjin Baodi District. According to our PRC Legal Advisor, based on relevant public available information from the official website of the Baodi District People's Government of Tianjin Municipality (天津市寶坻區人民政府), the Tianjin Baodi Economic Development District Management Committee (天津寶坻經濟開發區管理委員會) is a district-level administrative authority responsible for matters relating to planning and construction, industrial development, investment service, finance, statistics, safety and environmental protection in the Tianjin Baodi Economic Development District. As such, while it is not the direct competent authority administrating local planning, natural resources or housing construction, it does have a collaborative function with competent government authorities in administering construction projects and worksites. See "Risk Factors — Risks Relating to Our Industry and Business — Defects related to certain of our properties may adversely affect our ability to use such properties."

In an effort to prevent future recurrence of similar issues regarding our future construction projects, we have expanded the scope of our internal review for new construction projects to encompass compliance with regulatory and permitting requirements. If necessary, external legal counsel may also be engaged to provide advice on permits and certifications regarding our new construction projects.

Non-registration of lease agreements

As of the Latest Practicable Date, we had not filed the lease agreements for eight of our leased properties (accounting for approximately 77.5% of the aggregate GFA of our leased properties) with relevant local housing administration authorities as required under the PRC law since the relevant lessors have not obtained relevant title certifications. We believe that the reasons the lessors failed to obtain the relevant title certificates and therefore are unable to file for lease agreement registrations were beyond our control. The above-mentioned leased properties are primarily used for our production facilities, research and development centers, offices, dormitories and others. Our PRC Legal Advisor has advised us that the non-registration and filing of the relevant property lease will not affect the validity of the lease contracts and the legal use of the leased properties and therefore would not result in us being required to vacate the leased properties. However, competent government authorities may order us to complete the filing within the prescribed period, and if we fail to rectify, a penalty ranging from RMB1,000 to RMB10,000 per lease agreement may be imposed on us as a result of delay in filing. As of the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of our failure to file the lease agreements described above, and we will register relevant lease agreements as soon as relevant lessors have obtained the title certificates or such agreements could be registered. In addition, we have established internal guidelines and enhanced our internal control procedures requiring us to seek the lessors' agreement to register lease agreements before signing in order to ensure compliance with applicable PRC laws and regulations. Considering the facts and our PRC Legal Advisors' advice state above, our Directors are of the opinion that the non-registration of lease agreements do not constitute a material or systemic non-compliance incident, and the failure to register these lease agreements will not have any material adverse effect on our operations and financial position.

Lack of title certificates for certain leased properties

As of the Latest Practicable Date, lessors of eight of the leased properties with a GFA of 643,273.6 sq.m. had not provided us with the relevant building title certificates. Such leased properties are used for our production facilities, research and development centers, offices, dormitories and others. We believe that the reasons the lessors failed to provide us with the relevant title certificates were beyond our control. In order to minimize the potential adverse impacts on our operations, we have maintained communications with such lessors regarding the progress of rectification of the title defects. We have obtained written confirmations from relevant government authorities, which are the competent authorities to give the such confirmations as advised by our PRC Legal Advisor, that the relevant lessors are entitled to lease the properties to others or have obtained other documentation such as construction project planning permits. Considering the abovementioned written confirmations from competent government authorities and alternative documentation obtained, our Directors are of the view that such irregularities do not constitute a material or systemic non-compliance, and will not have any material adverse effect on our operations and financial positions as a whole. In addition, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of the new leased properties from a compliance perspective, and we will make careful inspections of the title of leased properties before signing the lease in the future. We will also consult our external legal advisor with regard to reviewing the title certificates and other documents of our new leased properties in order to ensure compliance with applicable laws and regulations.

Lack of title certificate and relevant planning permits for a facility under construction

In connection with our lithium carbonate production facility in Yichun, our subsidiary, Lopal Times, commenced construction of a lithium residue treatment and comprehensive utilization project in early 2024. However, the land pertaining to this project is designated as agriculture land (including forest land) rather than construction land. While Lopal Times has received the 'Approval for Use of Forest Land' (使用林地審核同意書) issued by the Forestry Bureau of Jiangxi Province, which is a prerequisite for converting forest land into construction land, as of the Latest Practicable Date, Lopal Times has not completed all the requisite approval procedures for converting agriculture land to construction use. Consequently, Lopal Times has not obtained the relevant land use right certificate and planning permits pertaining the relevant land as of the Latest Practicable Date.

As advised by our PRC Legal Advisor, pursuant to relevant laws and regulations including the Land Administration Law of the PRC (中華人民共和國土地管理法) and the Law on Urban and Rural Planning of the PRC (中華人民共和國城鄉規劃法), failure to obtain the relevant land use right certificate and planning permits, as well as complete the required procedures before commencing construction, may result in orders to cease construction, return the land, restore the land to its original condition, require demolition of any constructions already undertaken, be subject to fines.

According to the 'Explanatory Statement' (情況說明) issued by the Natural Resources Bureau of Yifeng County (宜豐縣自然資源局) on April 24, 2024, it is confirmed that the Lopal Times is in the process of applying for the relevant title certificate and planning permits and completing approval procedures for the aforementioned lithium residue treatment project, and upon completion of review, it is expected that there will be no substantive obstacles to obtaining the relevant title certificates and planning permits. The bureau confirmed that it will not pursue legal liability or impose administrative penalties on our Lopal Times and/or the responsible persons for the aforementioned matters. In addition, according to the 'Natural Resources Compliance Certificate' (自然資源合規證明) issued by the same bureau on July 18, 2024, it is confirmed that Lopal Times is in strict compliance with relevant laws and regulations pertaining to natural resource management, territorial spatial planning, urban and rural construction, with no violations identified in these areas. The bureau has not initiated any investigations, imposed administrative penalties, nor are there any ongoing or potential disputes or litigations involving the bureau. The bureau also confirmed that it had not received any third-party reports, complaints or claims against Lopal Times.

Our PRC Legal Advisor is of the view that the aforementioned defect would not have a material adverse impact on the current business operations of the Group on the basis of (i) Lopal Times is proactively completing the requisite approval procedures and obtaining relevant land use right certificate and planning permits, (ii) the abovementioned written Explanatory Statements issued by the Natural Resources Bureau of Yifeng County confirming, among other things, that there are no substantive obstacles for Lopal Times to obtain the title certificate and planning permits and it will not pursue legal liability or impose administrative penalties on Lopal Times and/or the responsible persons, and (iii) as of the Latest Practicable Date, we had not been subject to any investigation or administrative penalties from the Natural Resources Bureau of Yifeng County due to the abovementioned defect. Considering the view of our PRC Legal Advisors and its basis, including our receipt of the written confirmations obtained from the relevant authorities, and the fact that lithium residue treatment and comprehensive utilization project has not made any revenue contribution during the Track Record Period, and such non-compliance had not resulted in any adverse impact on our LFP cathode material production, our Directors are of the view that such non-compliance does not constitute a material non-compliance incident, and will not have any material adverse effect on our operations and financial positions.

As advised by our PRC Legal Advisor, the Natural Resources Bureau of Yifeng County is the competent government authority responsible for matters including conversion of agricultural land to construction land and land expropriation approval, issuance of planning permits and imposing penalties for illegal transfer of land and unauthorized conversion of agricultural land to construction land, and therefore is a competent authority to give the such Explanatory Statement and the compliance certificate.

Despite all the above immaterial non-compliance incidents, our Directors are of the view, and the Joint Sponsors concurs, that our Directors are suitable to act as Directors under Rules 3.08 and 3.09 of the Listing Rules and that the Company is suitable for listing under Rule 8.04 of the Listing Rules.

Verbal Warning by the Shanghai Stock Exchange

On March 28, 2023, our Company and Mr. Shen as our chief financial officer received a verbal warning (the "**Verbal Warning**") from the Shanghai Stock Exchange for an error in the accounting of our financial liability which affected our consolidated financial statements for the financial year ended December 31, 2021, the three months ended March 31, 2022 and the six months ended June 30, 2022 (collectively, the "**relevant financial statements**").

The error in the accounting of our financial liability was in relation to the capital increase of Changzhou Liyuan in December 2021 and June 2022, pursuant to which the minority equity holders of Changzhou Liyuan were granted the right to demand us to repurchase their equity interest in Changzhou Liyuan under certain conditions. In preparing the relevant financial statements, we inadvertently failed to recognize our potential obligation to repurchase the equity interest in Changzhou Liyuan as our financial liability under our accounting treatment. Pursuant to the 2021 Listed Company Annual Report Accounting Supervision Report (2021年上市公司年報會計監管報告) issued by the CSRC, if we are under a contractual obligation to repurchase our equity instrument in cash which cannot be unconditionally exempted, we should recognize the present value of the amount of consideration required to fulfil our obligation to repurchase such equity instrument as our financial liability in our consolidated financial statements.

Upon seeking advice from and confirming the accounting treatment with our independent auditors, our Company passed a Board resolution on September 16, 2022 to rectify the relevant figures in the relevant financial statements and made a clarification announcement on September 17, 2022 to explain the accounting error and how such error was being rectified. We also strengthened our efforts to supervise the accounting work, improve the competence of our financial personnel including Mr. Shen and strengthen the training on the accounting standards and policies, so as to better understand the disclosure requirements and avoid recurrence of similar breaches. Specific measures include:

- Passed a Board Resolution on September 16, 2022, to rectify the relevant figures in the affected financial statements and made a clarification announcement on September 17, 2022 to explain the accounting error and how it was being rectified.

- Commenced providing specific training to responsible employees, including Mr. Shen, on the disclosure requirement under the Stock Listing Rules of the Shanghai Stock Exchange and No. 15 of Rules for the Preparation of Information Disclosure by Companies Issuing Public Securities — General Provisions on Financial Reports (公開發行證券的公司信息披露編報規則第15號 — 財務報告的一般規定).

- Hired two additional personnel with CPA qualifications after the Verbal Warning. These two CPAs are strategically positioned separately at our headquarters, overseeing group-wide financial reporting processes and ensuring consistency in accounting practices across the organization, and at our production bases respectively, providing direct supervision of financial data collection and initial reporting at the operational level.

- Relevant accounting staff have attended training in relation to PRC GAAP and HKFRS.

- We are also committed to engage or consult external accounting experts when encountering complex accounting issues, and maintain regular communication with reporting accountants to clarify any points of uncertainty as needed.

Furthermore, we have engaged an internal control consultant to perform an internal control review on our internal control systems, including those pertaining to our Group's financial reporting. We have established and issued comprehensive accounting policies to regulate accounting treatment and approval controls. The internal control consultant has completed internal review procedures in August 2024. We have not received any further recommendations or findings from the internal control consultant. Despite the Verbal Warning against Mr. Shen, our Directors (other than Mr. Shen) are of the view and concurred by the Joint Sponsors, that Mr. Shen is suitable to act as a Director under Rules 3.08 and 3.09 of the Listing Rules having considered the following reasons:

- as stated in the Verbal Warning, as there are uncertainties and difficulties in the application of accounting standard in the relevant accounting treatment and the accounting error does not affect the profits of our Company, the breach and its impact to the market were minor;

- as advised by our PRC Legal Advisor, according to the Measures for the Implementation of Disciplinary Actions and Supervisory Measures of the Shanghai Stock Exchange (Revised in 2022) (上海證券交易所紀律處分和監管措施實施辦法(2022年修訂)), the Verbal Warning was neither an administrative penalty nor a disciplinary action imposed by the Shanghai Stock Exchange. As such, our Directors are of the view that the Verbal Warning does not constitute a non-compliance incident of the Company;

- as advised by our PRC Legal Advisor, under the PRC Company Law, there are five circumstances that would affect a person's eligibility for appointment of directors, supervisors and senior officers, namely (1) any person who does not have civil capacity or who has limited civil capacity; (2) any person who has been convicted of any criminal offence in the nature of corruption, bribery, disseizing, misappropriation or disrupting the economic order of the socialist market and the five-year period has not elapsed since any penalty imposed has been completed, or any person who has ever been deprived of his political rights due to any crime and a five-year period has not elapsed since the penalty imposed was completed; (3) any former director, factory director or manager of a company or enterprise which has been declared bankrupt and liquidated in circumstances where he was personally responsible for the bankruptcy of the company or enterprise, and a three-year period has not elapsed since the bankruptcy and liquidation of the company or enterprise was completed; (4) any former legal representative of a company or enterprise which has had its business license revoked and has been ordered to close its business operations due to any violation of law in circumstances where the former legal representative was personally liable for the revocation of the business license and a three-year period has not elapsed since the date of revocation; or (5) any person who has significant unpaid due debts. The Verbal Warning does not fall into any of the above;

- no monetary fine or other penalty was imposed on our Company or Mr. Shen and Mr. Shen remained to be qualified to serve as a Director of our Company;

- there has not been any occurrence of other similar events in our Company when Mr. Shen served as a Director of our Company; and

- Mr. Shen received directors' training from our Hong Kong legal advisor and he has confirmed that he fully understands his obligations as a director of a company listed on the Hong Kong Stock Exchange, in particular the directors' fiduciary duties and the relevant disclosure requirements under the Listing Rules.

RECENT REGULATORY DEVELOPMENT IN MAINLAND CHINA

Regulations Relating to Overseas Listing

On February 17, 2023, the CSRC promulgated the Trial Measures for Administration of the Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which took effect on March 31, 2023. The Trial Measures comprehensively reformed the regulatory regime for overseas offering and listing of PRC domestic companies' securities, either directly or indirectly, into a filing-based system. According to the Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information. Where an issuer submits an application for initial public offering to competent overseas regulators, filing application with the CSRC shall be submitted within three business days thereafter. As advised by our PRC Legal Advisor, our Listing is a direct overseas listing by domestic company under the Trial Measures. See "Regulatory Overview — Laws and Regulations in the PRC — Laws and Regulations on Overseas Offering and Listing." We have submitted the filing application to CSRC within three business days after our submission of the application of listing to the Stock Exchange. Our Group will comply with the filing requirements under the Trial Measures. The CSRC publicly informed us that it accepted our filing application on November 3, 2023. In addition, as advised by our PRC Legal Advisor, we do not fall under any of the prohibited circumstances that would disallow an overseas listing as stipulated in the Trial Measures. On January 18, 2024, the CSRC has issued a notification on our Company' completion of the PRC filing procedures for the listing of our H Shares on the Stock Exchange and the Global Offering.

RISK MANAGEMENT AND INTERNAL CONTROL

We have in place a reasonable internal control and risk management system to address the strategic, operational, financial, legal, investment and market risks identified in relation to our operations. This system comprises various measures and policies, including budget management, procurement management, expenditure management, sales and development management, safety and environmental protection management, investment management, financial leverage management, connected party transaction controls, anti-fraud and whistleblowing procedures, information disclosure controls, human resources management, IT management and financial and operational controls and monitoring procedures.

To monitor the implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted and will continue to adopt, among others, the following risk management measures:

- establish the strategy committee to evaluate and make recommendations on (i) long-term development strategies and plans; (ii) major financing proposals where Board approval is required by our Articles of Association; (iii) major capital expenditures or investments where Board approval is required by our Articles of Association; and (iv) other key matters that may affect our development. The strategy committee consists of three Directors, being Mr. Shi, Mr. Zhang Yi and Mr. Li Qingwen. For details of the qualification and experience of these members, see "Directors, Supervisors and Senior Management."

- establish the audit committee to review our financial reporting process and internal control system, set up the risk management and internal audit procedures, provide advice and comments to our Board and perform other duties and responsibilities as may be assigned by the Board. The audit committee will consist of three Directors, being Ms. Geng Chengxuan, Mr. Ye Xin and Mr. Hong Kam Le. For details of the qualification and experience of these members, see "Directors, Supervisors and Senior Management."

- establish anti-fraud policies to identify, prevent and punish unethical and illegal conducts, as well as whistle-blowing procedures to encourage our employees to bring those conducts to the attention of our senior management and Board of Directors and ensure the protection of whistle-blowers;

- adopt various policies to ensure our compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosures;

- engage accounting firms to provide professional advice and consultations with respect to our risk management; and

- arrange for our Directors and senior management to attend training seminars on the Listing Rules' requirements and the responsibilities of a director of a Hong Kong listed company.

Some jurisdictions or organizations have implemented measures that impose economic sanctions against certain countries or against targeted industry sectors, groups of companies or persons, and/or organizations within such countries. Such sanctions involve uncertainties and could negatively impact our ability to work with existing and future customers and suppliers. In response, we have adopted the following internal control measures to identify and minimize our exposure to sanctions risk:

- implementing a sanctions response management protocol which equips our employees with a structured process for evaluating sanctions risks and determining appropriate actions;

- actively monitoring sanctions laws and regulations to stay on top of changes that may impact our business operation, and make appropriate adjustments to our protocols and procedures;

- maintaining and periodically updating a list of sanctioned parties based on publicly available sanctions lists to prescreen customers, suppliers and other business partners;

- promptly seeking appropriate advice from external legal counsel and experts upon identifying material sanctions risks in our operations; and

- providing relevant training on sanctions compliance and related issues to our senior management members and relevant employees.

Our Board is responsible for overseeing our overall risk management, such as determining risk management objectives and policies. The Board has authorized the senior management to design and implement procedures that ensure the effective implementation of risk management objectives and policies. The senior management review the effectiveness of implemented procedures and the rationality of risk management objects and policies through monthly reports submitted by functional department. After due consideration, our Directors are of the view that our current internal control measures are adequate and effective. For further details of our risk management measures, see "Directors, Supervisors and Senior Management — Board Committees — Audit Committee."

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised), Mr. Shi, Ms. Zhu (Mr. Shi's wife) and Nanjing Bailey will directly own approximately 31.98%, 3.55% and 0.29% respectively of the total issued share capital of our Company, representing approximately 32.08%, 3.56% and 0.29%, respectively, of the voting rights of the Company. Lopal International was the general partner of Nanjing Bailey and was owned as to 90% by Mr. Shi and as to 10% by Ms. Zhu as of the Latest Practicable Date. Accordingly, Mr. Shi, Ms. Zhu, Lopal International and Nanjing Bailey will be a group of Controlling Shareholders controlling in aggregate approximately 35.81% of the total issued share capital of our Company, representing approximately 35.93% of the voting rights of our Company, upon Listing.

For details of Mr. Shi and Ms. Zhu, see "Directors, Supervisors and Senior Management — Board of Directors." For details of Nanjing Bailey and Nanjing Lopal International, see "History and Development — Corporate Structure — Corporate Structure as of the Latest Practicable Date."

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

Each of our Controlling Shareholders and Directors confirms that he/she does not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our businesses, which would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

Mr. Shi has been the chairman of Hunan Farnlet New Energy Technology Co., Ltd. (湖南法恩萊特新能源科技有限公司) ("**Hunan Farnlet**") since June 2021 and Ms. Zhu has been a director of Hunan Farnlet since May 2022. As of the Latest Practicable Date, Mr. Shi directly held 45% of the equity interest in Hunan Farnlet, Nanjing Duoli Venture Capital Center (Limited Partnership) (南京多利創業投資中心(有限合夥)) ("**Nanjing Duoli**") held 4.5% of the equity interest in Hunan Farnlet, and Nanjing Hongli Venture Capital Center (Limited Partnership) (南京弘利創業投資中心(有限合夥)) ("**Nanjing Hongli**") held 4.5% equity interest in Hunan Farnlet. As of the Latest Practicable Date, Nanjing Duoli was managed by and owned as to 34.22% by Ms. Zhu as its general partner, and owned as to 18.15% by Mr. Zhang Yi (our executive Director), 17.01% by Mr. Shen Zhiyong (our executive Director), 2.27% by Mr. Lu Zhenya (our executive Director) and 2.27% by Mr. Qin Jian (our executive Director); Nanjing Hongli was managed by and owned as to 80% by Mr. Shi as its general partner, owned as to 10% by Ms. Zhu and owned as to 10% by Lopal International. There is clear delineation between Hunan Farnlet and our Group. Hunan Farnlet is primarily engaged in the production of lithium-ion electrolyte in mainland China. Our Group is not involved in the production of lithium-ion electrolyte. Hunan Farnlet is not in competition with our Group, as lithium-ion electrolyte (which Hunan Farnlet produces) and LFP cathode materials (which our Group produces) are different raw materials that are commonly used in parallel with each other in the production of lithium-ion batteries.

As of the Latest Practicable Date, Lopal International directly owned the entire equity interest of each of Jiangsu Meiduo Technology Co., Ltd. (江蘇美多科技有限公司) ("**Jiangsu Meiduo**") and Shandong Meiduo (together with Jiangsu Meiduo, the "**Meiduo Companies**"). We have agreed to acquire all equity interests in Shandong Meiduo in line with our strategic expansion upstream along the production value chain and such acquisition has not completed as of the Latest Practicable Date pending satisfaction of the Production Condition. Upon completion of such acquisition, Shandong Meiduo will be wholly-owned by our Group. For more details, see "History and Development — Major Acquisitions and Disposals — Acquisition of Shandong Meiduo." Mr. Shi has been a director of Jiangsu Meiduo since its incorporation in September 2022 and a director of Shandong Meiduo since its incorporation in September 2022. There was clear delineation between Meiduo Companies and our Group. Meiduo Companies are primarily engaged in the business of recycling of lithium-ion batteries. Our Group was not involved in recycling of lithium-ion batteries during the Track Record Period and that the Shandong Meiduo Acquisition is in line with our strategic expansion upstream along the production value chain.

For the purpose of the listing of our A Shares on the Shanghai Stock Exchange and in order to avoid any potential competition between our Group and the companies controlled by Mr. Shi and/or Ms. Zhu, Mr. Shi and Ms. Zhu provided a non-competition undertaking in favor of our Company on February 10, 2015 (the "**Non-competition Undertaking**"). Pursuant to the Non-competition Undertaking, each of Mr. Shi and Ms. Zhu has undertaken that:

(1) he/she does not and will not directly or indirectly engage or participate in any activities in or outside of the PRC which are in the same or similar areas as, or which compete with, our Company's present or future businesses, or own any equity or similar interests in economic entities, organizations or economic associations which compete with our Company, whether by way of investments, gaining of control, formation of joint ventures, entering into cooperation or otherwise; and will not assist, procure or represent any third party to directly or indirectly engage in activities which are in the same or similar areas as, or which compete with, our Company's present or future businesses; he/she is not and will not become a director, supervisor or other senior management member of any such economic entities, organizations or economic associations; he/she does not have and will not obtain control of any such economic entities, organizations or economic associations;

(2) as long as he/she remains as a Director and within six months after he/she resigns as a Director, he/she will not directly or indirectly engage or participate in any activities which compete with or may compete with, our Company's businesses, or own any interests in economic entities, organizations or economic associations which compete with our Company, or acquire control of any such economic entities, organizations or economic associations, or become a senior management member or key technical personnel of any such economic entities, organizations or economic associations;

(3) if he/she fails to perform the above undertakings or fails to perform the above undertakings promptly, (i) our Company will promptly and fully disclose the relevant facts and specific reasons of such failure to perform; (ii) he/she will promptly provide legal, reasonable and effective supplemental or replacement undertakings to protect the interests of our Company and its investors to the greatest extent; (iii) our Company will submit the said supplemental or replacement undertakings to our Shareholders in general meeting for approval; (iv) any gains resulting from his/her failure to perform the above undertakings or failure to perform the above undertakings promptly will belong to our Company; (v) if his/her failure to perform the above undertakings or failure to perform the above undertakings promptly has caused any damage to our Company or its investors, he/she will compensate our Company or its investors in accordance with the law;

(4) the above undertakings shall take effect immediately upon the signing of the Non-competition Undertaking, and such undertakings shall remain effective, unchangeable and irrevocable as long as he/she holds no less than 5% of our Shares or exerts material control over our Company.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Listing, taking into account the following factors:

Management Independence

Our Board comprises five (5) executive Directors, one (1) non-executive Director and four (4) independent non-executive Directors. Although Mr. Shi is an executive Director and Ms. Zhu is a non-executive Director, and both of them are our Controlling Shareholders, our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. Also, Mr. Shi and Ms. Zhu have a track record of devoting sufficient time and energy to discharge their duties as our Directors and senior management and they will continue to focus on our Group's business. When performing their duties as Directors, they have been and will continue to be supported by the separate and senior management team of the Group. The balance of power and authority is ensured by the operation of the senior management and our Board. See "Directors, Supervisors and Senior Management" for further details.

In addition, although Mr. Shi and Ms. Zhu are our Controlling Shareholders, we consider that our Board and senior management will function independently from our Controlling Shareholders because of the following reasons:

- each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he must act for the benefit of and in the best interests of our Company and not allow any conflict between his duties as a Director and his personal interests;

- four (4) out of our ten (10) Directors are independent non-executive Directors who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Hong Kong Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. We believe our independent non-executive Directors will bring independent judgment to the decision-making process of our Board;

- our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he or any of his close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and

- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "— Corporate Governance Measures."

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

Operational Independence

We do not rely on our Controlling Shareholders and their close associates for our business development, staffing, logistics, administration, finance, internal audit, information technology, sales and marketing, or our company secretarial functions. We have our own departments specializing in these respective areas which have been in operation and are expected to continue to operate separately and independently from the Controlling Shareholders and their close associates. In addition, we have our own headcount of employees for our operations and management for human resources.

Even though some of our distributors are our connected persons as disclosed in "Connected Transactions", we have independent access to suppliers and customers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses, certificates, facilities and intellectual property rights necessary to carry on and operate our principal businesses and we have sufficient operational capacity in terms of capital and employees to operate independently.

Based on the foregoing, our Directors believe that we are able to operate independently of the Controlling Shareholders and their close associates.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We make financial decisions according to our own business needs.

We have obtained certain bank loans which were secured by guarantees provided by Mr. Shi and/or Ms. Zhu (the "**Controlling Shareholders' Guarantees**"). As of August 31, 2024, we had an aggregate of approximately RMB2,075.8 million of bank borrowings guaranteed by Mr. Shi and/or Ms. Zhu (the "**Guaranteed Loans**"). Out of the Guaranteed Loans, the one with the latest maturity date will mature on August 10, 2030.

Our Directors are of the view that premature discharge of all outstanding Controlling Shareholders' Guarantees before the Listing would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant banks, and the renegotiation would be time-consuming and may affect our normal operation.

Notwithstanding the above, our Directors are of the view that we are financially independent of our Controlling Shareholders and/or their close associates for the following reasons:

(1) we have a strong track record of obtaining financing independently. As of August 31, 2024, our aggregate bank borrowings obtained independently, i.e. our aggregate bank borrowings deducted by our bank borrowings guaranteed by Mr. Shi and/or Ms. Zhu, amounted to approximately RMB5,487.0 million, representing approximately 72.55% of our total bank borrowings. As of August 31, 2024, the total amount of banking facilities obtained by our Group independently and available for drawdown was approximately RMB1,063.4 million. After June 30, 2024 and up to August 31, 2024, we have also obtained new bank facilities amounted to RMB1,226.9 million, which are not guaranteed by our Controlling Shareholders or their close associates. Furthermore, we have continuously been able to conduct various types of fundraising activities in addition to obtaining bank facilities. For instance, in May 2022, we underwent a non-public offering of our A Shares to independent investors and raised approximately RMB2,175.6 million in net proceeds (after deduction of the underwriting commissions and other offering related expenses). Moreover, we conducted several rounds of capital increases in our operating subsidiaries by independent investors during the Track Record Period. During the Track Record Period, Changzhou Liyuan has raised capital of over RMB730.4 million by independent investors;

(2) the Guaranteed Loans do not account for a huge portion of our total borrowings. As of August 31, 2024, the aggregate balance of the Guaranteed Loans were approximately RMB2,075.8 million, representing approximately 27.45% of our total bank borrowings; and

(3) we are capable of obtaining independent financing and resources to cover the Guaranteed Loans. As of August 31, 2024, we have unutilized banking facilities of RMB1,063.4 million which were not guaranteed by our Controlling Shareholders. Besides, we have obtained letters from financial institutions who have indicated that they were willing to provide our Group with facilities in the sum of RMB2.0

billion without guarantees from our Controlling Shareholders on comparable terms, subject to regulatory requirements, negotiation of detailed terms and the customary credit policies of such financial institutions. After Listing, we expect to carry out further fundraising activities in onshore and offshore markets depending on, among other things, market conditions, our business needs and our financial conditions subject to compliance with applicable regulatory requirements. In view of the foregoing, and having considered our proven track record of obtaining financing independently and business relationships with financial institutions, we believe that after Listing, we will be capable of obtaining financing on comparable terms to existing loans obtained by our Group from financial institutions in the PRC without requiring guarantees by our Controlling Shareholders which can be used as general working capital in recognition of our standalone credit.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from, and do not place undue reliance on, our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Hong Kong Listing Rules, which sets out principles of good corporate governance. Our Directors recognize the importance of good corporate governance in protection of our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests:

- as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the Hong Kong Listing Rules. In particular, our Articles of Association provide that a Director shall not vote on any resolution in which such Director have a material interest in the company involved, and if the laws and regulations and the rules of the stock exchange where our Shares are listed imposed any further restrictions on directors' attendance at board meetings and voting, such laws, regulation and rules shall be complied with;

- we have established internal control mechanisms to identify connected transactions. Upon the Listing, if we enter into connected transactions with any of our Controlling Shareholders or their respective associates, our Company will comply with the applicable Hong Kong Listing Rules;

- we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed four (4) independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in "Directors, Supervisors and Senior Management — Board of Directors — Independent Non-executive Directors;"

- in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other hand, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through our annual report or by way of announcements; and

- we have appointed Guotai Junan Capital Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Hong Kong Listing Rules including various requirements relating to directors' duties and corporate governance.

OVERVIEW

We have entered into certain transactions with certain parties which will, upon the Listing, become our connected persons. Upon the Listing, the transactions disclosed under this section will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The historical amounts disclosed for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 in respect of continuing connected transactions in this section constitute only a portion of the amounts disclosed in respect of our Group's related party transactions for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 as set out in Note 39 to Part II of the Accountants' Report set forth in Appendix IA. Our Group sold raw materials to Shandong Meiduo amounting to approximately RMB0.02 million after the end of the Track Record Period and up to the Latest Practicable Date and we do not currently expect to enter into transactions with Shandong Meiduo prior to completion of Shandong Meiduo Acquisition. Should any transactions with Shandong Meiduo materialises after the Listing and prior to the completion of the Shandong Meiduo Acquisition, we will comply with the applicable requirements under Chapter 14A of the Listing Rules in due course and further announcement(s) will be made if and when necessary. The related party transactions which do not constitute continuing connected transactions requiring disclosure in this section include transactions with Nantong Jutu Trading Co., Ltd. (南通聚途商貿有限公司), Nanjing Ruifute Chemical Co., Ltd. (南京瑞福特化工有限公司) and Hubei Fengli New Energy Technology Co., Ltd. (湖北豐鋰新能源科技有限公司), who will not be classified as our connected persons upon the Listing.

RELATIONSHIP WITH OUR CONNECTED PERSONS

Name	Connected relationship
Mr. Shi	Mr. Shi is an executive Director and a Controlling Shareholder. He will therefore be our connected person upon the Listing.
Ms. Zhu	Ms. Zhu is a non-executive Director and a Controlling Shareholder. She will therefore be our connected person upon the Listing.
Nanjing Weilejia Lubricants Co., Ltd. (南京威樂佳潤滑油有限公司) ("**Nanjing Weilejia**")	Mr. Qin Jian is an executive Director and will therefore be our connected person upon the Listing. As Mr. Xue Lingjian (薛領建), Mr. Qin Jian's brother-in-law, owns approximately 100% of the equity interest in Nanjing Weilejia, Nanjing Weilejia will be a majority-controlled company and thus an associate of Mr. Qin Jian upon the Listing. Therefore, Nanjing Weilejia will become our connected person upon the Listing.

Name	Connected relationship
Taizhou Hengan Commerce Co., Ltd. (泰州市恒安商貿有限公司) ("**Taizhou Hengan**")	As Ms. Shi Zhenhong (石珍紅), Mr. Shi's younger sister, owns 100% of the equity interest in Taizhou Hengan, Taizhou Hengan will be a majority-controlled company and thus an associate of Mr. Shi upon the Listing. Therefore, Taizhou Hengan will become our connected person upon the Listing.
Taizhou Changnengrui Commerce Co., Ltd. (泰州市暢能瑞商貿有限公司) ("**Taizhou Changnengrui**")	As Ms. Shi Shuhong (石書紅) and Ms. Shi Zhenhong (石珍紅), both Mr. Shi's sisters, own 98% and 2%, respectively, of the equity interest in Taizhou Changnengrui, Taizhou Changnengrui will be a majority-controlled company and thus an associate of Mr. Shi upon the Listing. Therefore, Taizhou Changnengrui will become our connected person upon the Listing.
the CATL CP Group	Lopal Times is a direct non-wholly owned subsidiary of our Company, which is owned as to 70% by our Company and 30% by Yichun Times. As Yichun Times owns 30% of the equity interest in Lopal Times, Yichun Times is a substantial shareholder of a subsidiary of our Company and thus will be a connected person of our Company upon the Listing. As Yichun Times will be a connected person of our Company upon the Listing, the CATL CP Group (comprising CATL, its subsidiaries and 30%-controlled companies (excluding Lopal Times)) will be associates of Yichun Times and will therefore become connected persons of our Company upon the Listing.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Set out below is a brief summary of our continuing connected transactions and the relevant waivers sought:

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, 2024	2025	2026
			(RMB million)		
Fully exempt continuing connected transaction					
Provision of guarantees by Mr. Shi, Ms. Zhu and CATL	Rule 14A.90	N/A	N/A	N/A	N/A
Partially exempt continuing connected transactions					
Weilejia Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	8.85	8.85	8.85
Hengan Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	6	6	6
Changnengrui Framework Agreement	Rule 14A.35 Rule 14A.76(2) Rule 14A.105	Announcement	15	15	15
CATL Sales Framework Agreement	Rule 14A.35 Rule 14A.101 Rule 14A.105	Announcement	994	N/A	N/A
CATL Purchase Framework Agreement	Rule 14A.35 Rule 14A.101 Rule 14A.105	Announcement	3,373	N/A	N/A

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

Guarantees Provided by Mr. Shi, Ms. Zhu and CATL

We expect to continue certain guarantee arrangement with Mr. Shi, Ms. Zhu and CATL, pursuant to which Mr. Shi, Ms. Zhu and CATL agree to provide guarantees in favour of our Group for certain bank loans we obtained for financing our development and operations. For further details of the guarantee arrangement with Mr. Shi and/or Ms. Zhu, see "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence." CATL agreed to provide guarantee in favour of Lopal Times (a subsidiary of our Company and owned as to 70% by our Group and 30% by a wholly-owned subsidiary of CATL) for certain bank loans obtained by Lopal Times for financing its development and operations, the guarantee amount of which is proportionate to CATL's equity interest in Lopal Times. Our Directors are of the view that the guarantees, being a form of financial assistance (as defined under the Hong Kong Listing Rules) provided by Mr. Shi, Ms. Zhu and CATL for our benefit, are conducted on normal commercial terms and are not secured by the assets of our Company, they will be exempted from the reporting, annual review, announcement, circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Weilejia Framework Agreement

Description of the transactions

On October 14, 2024, our Company and Nanjing Weilejia entered into a framework agreement (the "**Weilejia Framework Agreement**"), the principal terms and other details of which are set out below:

Parties	:	(i) Our Company; and (ii) Nanjing Weilejia
Term	:	From the Listing Date to December 31, 2026 (both dates inclusive)
Subject matter	:	Our Company (i) appoints Nanjing Weilejia as a distributor of our Group's *Kelas* (可蘭素) brand products (the "**Kelas Brand Products**") in the PRC and (ii) may supply our Group's *Lopal* (龍蟠) brand products (the "**Lopal Brand Products**") in the PRC to Nanjing Weilejia.
Product distribution, sales and pricing	:	Our Group shall supply Kelas Brand Products as ordered by Nanjing Weilejia from time to time at prices set according to the distributor price lists provided by our Group (which may be adjusted and updated by our Group from time to time), and Nanjing Weilejia shall distribute such Kelas Brand Products to its customers at prices that generally follow the guidance price lists provided by our Group from time to time and only within the regions as agreed between Nanjing Weilejia and our Group. Our Group may supply Lopal Brand Products as ordered by Nanjing Weilejia from time to time at prices arrived after taking into account the price lists provided by our Group (which may be adjusted and updated by our Group from time to time), the order size and transportation costs. Our Group may from time to time offer discounts to the prices set out in the price lists as part of our Group's promotional efforts.
Sales rebate for distribution of Kelas Brand Products	:	Consistent with our commercial terms with our other distributors of Kelas Brand Products, our Group provides sales rebates to Nanjing Weilejia on an annual basis.

Our Group and Nanjing Weilejia may from time to time agree in writing the specific types of Kelas Brand Products that are or are not subject to the sales rebate arrangement, and the specific types of Kelas Brand Product sales that are included or excluded from calculating the annual sales rebates.

Every year, depending on the percentage of the agreed annual sales target that Nanjing Weilejia is able to achieve, Nanjing Weilejia shall be entitled to a sales rebate calculated by multiplying the actual annual sales of Kelas Brand Products achieved by Nanjing Weilejia to an annual rebate rate.

Conditions precedent and performance obligations : Unless relevant waiver(s) have been granted by the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange, the Weilejia Framework Agreement and the performance of the Weilejia Framework Agreement shall be conditional upon our Company's fulfilment of the reporting, annual review, announcement, circular and independent Shareholders' approval obligations, and compliance with other requirements relating to related party/connected transactions under the rules of the Shanghai Stock Exchange and the Listing Rules, where applicable.

If the waiver(s) granted by the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange imposes any conditions or if there are any amendments to the relevant provisions of the Listing Rules, the performance of the Weilejia Framework Agreement shall adhere to such conditions and rule amendments.

If the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange has any regulatory comments on the Weilejia Framework Agreement or there are any amendments to the relevant provisions of the rules of the Shanghai Stock Exchange or the Listing Rules, the performance of the Weilejia Framework Agreement shall adhere to such regulatory comments and rule amendments.

If according to the requirements of the rules of the Shanghai Stock Exchange, the Listing Rules or the applicable laws and regulations, any party shall obtain the approval from any relevant authority of the Weilejia Framework Agreement, the performance of the Weilejia Framework Agreement shall be conditional upon the obtaining of such approval.

Reasons for and benefits of the transactions

As discussed in "Business — Our Products — Automotive Specialty Chemicals — Customers, sales and distribution", we rely on our distribution network as one of the channels for the sales of our automotive specialty chemical products. Taking into account (i) our long-standing business relationship with Nanjing Weilejia, which began in around 2012; (ii) Nanjing Weilejia's past performance in meeting our sales targets; (iii) our pricing policy adopted for the transactions under the Weilejia Framework Agreement is consistent with our pricing policy for other distributors of our Kelas Brand Products and (iv) sales to Nanjing Weilejia will enable us to maintain our coverage to meet demands of our Lopal Brand Products in the market, our Directors are of the view that it is commercially beneficial for us to continue to appoint Nanjing Weilejia as one of our distributors and to continue the sales of Lopal Brand Products to Nanjing Weilejia, and it is in the interests of our Group and Shareholders to enter into the Weilejia Framework Agreement.

Historical transaction amounts

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of purchase price for our Kelas Brand Products (net of any sales rebate) and Lopal Brand Products payable by Nanjing Weilejia to our Group was approximately RMB5.3 million, RMB5.8 million, RMB6.9 million and RMB3.3 million, respectively.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Weilejia Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out below:

	Proposed annual caps for the years ending December 31,		
	2024	**2025**	**2026**
	(RMB million)	**(RMB million)**	**(RMB million)**
Amount of purchase price for our Kelas Brand Products and Lopal Brand Products payable by Nanjing Weilejia under the Weilejia Framework Agreement	8.85	8.85	8.85

Note: Such revenue has taken into account any sales rebate or sales discount to Nanjing Weilejia.

Basis of annual caps

The proposed annual caps above are determined after taking into account the following factors: (i) the historical aggregate amount of purchase price for our Kelas Brand Products and Lopal Brand Products payable by Nanjing Weilejia to our Group during the Track Record Period, particularly noting that the historical transaction amount increased from approximately RMB5.8 million for the year ended December 31, 2022 to approximately RMB6.9 million for the year ended December 31, 2023, representing an increase of 20.6% in the transaction amount for the year ended December 31, 2023, and we consider the sales to Nanjing Weilejia will continue to increase at a similar magnitude for the years ending December 31, 2024, 2025 and 2026; (ii) the expected demand for our Kelas Brand Products and Lopal Brand Products in Nanjing City; (iii) our expected target sales and product mix of our Kelas Brand Products to be allocated to Nanjing Weilejia for distribution; (iv) the estimated purchase orders of Lopal Brand Products from Nanjing Weilejia for the years ending December 31, 2024, 2025 and 2026; and (v) any potential fluctuation in selling price after taking into account the selling price of our Kelas Brand Products and Lopal Brand Products was, and expected will continue to be, largely affected by costs of raw materials and supply and demand of our products and we experienced significant fluctuations in costs of raw materials leading to changes in selling prices of our Kelas Brand Products and Lopal Brand Products during the Track Record Period.

Implications under the Listing Rules

Based on the annual caps, we expect that, on an annual basis, the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Weilejia Framework Agreement will exceed 0.1% but be less than 5%. By virtue of Rule 14A.76(2) of the Listing Rules, such transactions will be subject to the reporting, annual review and announcement requirements, but be exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Hengan Framework Agreement

Description of the transactions

On October 14, 2024, our Company and Taizhou Hengan entered into a framework agreement (the "**Hengan Framework Agreement**"), the principal terms and other details of which are set out below:

Parties	:	(i) Our Company; and (ii) Taizhou Hengan
Term	:	From the Listing Date to December 31, 2026 (both dates inclusive)
Subject matter	:	Our Company appoints Taizhou Hengan as a distributor of our Lopal Brand Products and Kelas Brand Products in the PRC.
Sales targets	:	Our Group and Taizhou Hengan shall agree on the annual, quarterly and monthly sales targets for our Lopal Brand Products and Kelas Brand Products in writing from time to time.
Product distribution and pricing	:	Our Group shall supply Lopal Brand Products and Kelas Brand Products as ordered by Taizhou Hengan from time to time at prices set according to the distributor price lists provided by our Group (which may be adjusted and updated by our Group from time to time), and Taizhou Hengan shall distribute such Lopal Brand Products and Kelas Brand Products to its customers at prices that generally follow the guidance price lists provided by our Group from time to time and only within the regions as agreed between Taizhou Hengan and our Group in writing. Our Group may from time to time offer discounts to the prices set out in the distributor price lists as part of our Group's promotional efforts.
Pricing policy	:	The prices of our Lopal Brand Products and Kelas Brand Products included in our distributor price lists are determined using the cost-plus method. Our costs associated with our Lopal Brand Products and Kelas Brand Products mainly include raw materials costs. We provide the same distributor price lists to all of our distributors and our pricing policy is the same across all of our distributors.

Sales rebate	: Consistent with our commercial terms with our other distributors of Lopal Brand Products and Kelas Brand Products, our Group provides sales rebates to Taizhou Hengan on a quarterly basis and on an annual basis.

Our Group and Taizhou Hengan may from time to time agree in writing the specific types of Lopal Brand Products and Kelas Brand Products that are or are not subject to the sales rebate arrangement, and the specific types of Lopal Brand Product and Kelas Brand Products sales that are included or excluded from calculating the quarterly and/or annual sales rebates.

For every quarter, if Taizhou Hengan is able to achieve the agreed quarterly sales target, Taizhou Hengan shall be entitled to a sales rebate calculated by multiplying the actual sales of Lopal Brand Products and Kelas Brand Products achieved by Taizhou Hengan (excluding sales of Lopal Brand Products and Kelas Brand Products subject to discounts to prices set out in the distributor price lists) to a quarterly rebate rate.

In addition, for every year, depending on percentage of the agreed annual sales target that Taizhou Hengan is able to achieve, Taizhou Hengan shall be entitled to a sales rebate calculated by multiplying the actual annual sales of Lopal Brand Products and Kelas Brand Products achieved by Taizhou Hengan to an annual rebate rate.

Conditions precedent and performance obligations	:	Unless relevant waiver(s) have been granted by the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange, the Hengan Framework Agreement and the performance of the Hengan Framework Agreement shall be conditional upon our Company's fulfilment of the reporting, annual review, announcement, circular and independent Shareholders' approval obligations, and compliance with other requirements relating to related party/connected transactions under the rules of the Shanghai Stock Exchange and the Listing Rules, where applicable. If the waiver(s) granted by the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange imposes any conditions or if there are any amendments to the relevant provisions of the Listing Rules, the performance of the Hengan Framework Agreement shall adhere to such conditions and rule amendments. If the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange has any regulatory comments on the Hengan Framework Agreement or there are any amendments to the relevant provisions of the rules of the Shanghai Stock Exchange or the Listing Rules, the performance of the Hengan Framework Agreement shall adhere to such regulatory comments and rule amendments. If according to the requirements of the rules of the Shanghai Stock Exchange, the Listing Rules or other applicable laws and regulations, any party shall obtain the approval from any relevant authority of the Hengan Framework Agreement, the performance of the Hengan Framework Agreement shall be conditional upon the obtaining of such approval.

Reasons for and benefits of the transactions

As discussed in "Business — Our Products — Automotive Specialty Chemicals — Customers, sales and distribution", we rely on our distribution network as one of the channels for the sales of our automotive specialty chemical products. Taking into account (i) our long-standing business relationship with Taizhou Hengan, which began in around 2014; (ii) Taizhou Hengan's past performance in meeting our sales targets; and (iii) our pricing policy adopted for the transactions under the Hengan Framework Agreement is consistent with our pricing policy for other distributors of our Lopal Brand Products and

Kelas Brand Products, our Directors are of the view that it is commercially beneficial for us to continue to appoint Taizhou Hengan as one of our distributors, and it is in the best interests of our Group and Shareholders to enter into the Hengan Framework Agreement.

Historical transaction amounts

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of purchase price (net of any sales rebate) for our Lopal Brand Products and Kelas Brand Products payable by Taizhou Hengan to our Group was approximately RMB4.0 million, RMB3.7 million, RMB4.5 million and RMB3.1 million, respectively.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Hengan Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out below:

	Proposed annual caps for the years ending December 31,		
	2024	**2025**	**2026**
	(RMB million)	**(RMB million)**	**(RMB million)**
Our revenue receivable from Taizhou Hengan under the Hengan Framework Agreement[Note]	6	6	6

Note: Such revenue has taken into account any sales rebate or sales discount to Taizhou Hengan.

Basis of annual caps

The proposed annual caps above are determined after taking into account the following factors: (i) the historical aggregate amount of purchase price for our Lopal Brand Products and Kelas Brand Products payable by Taizhou Hengan to our Group during the Track Record Period; (ii) the expected demand for our Lopal Brand Products and Kelas Brand Products in Yangzhou City; and (iii) our expected target sales and product mix of our Lopal Brand Products and Kelas Brand Products to be allocated to Taizhou Hengan for distribution.

In particular, the proposed annual caps were determined based on the annual historical transaction amount in the year ended December 31, 2021, amounting to approximately RMB4 million, taking into account a margin of approximately RMB2 million for any unexpected change in price or product demand. In view of the gradual recovery of the logistics market from COVID-19, as evidenced by the significant re-bounce of the historical transaction amount for the year ended December 31, 2022 to approximately RMB4.5 million for the year ended December 31, 2023, representing an increase of 21.9% in the transaction amount for the year ended December 31, 2023, the transaction amount in 2023 recovered to a comparable level in 2021 and recorded transaction amount of RMB3 million for the six months ended June 30, 2024, our Directors expect that the demand for our automotive specialty chemicals in the second half of 2024 will continue to transact at a similar magnitude as in the first half of 2024.

Listing Rules implications

For details on the Listing Rules implications of the Hengan Framework Agreement, see "— Changnengrui Framework Agreement — Listing Rules implications" below.

Changnengrui Framework Agreement

Description of the transactions

On October 14, 2024, our Company and Taizhou Changnengrui entered into a framework agreement (the "**Changnengrui Framework Agreement**"), the principal terms and other details of which are set out below:

Parties	:	(i) Our Company; and (ii) Taizhou Changnengrui
Term	:	From the Listing Date to December 31, 2026 (both dates inclusive)
Subject matter	:	Our Company appoints Taizhou Changnengrui as a distributor of our Lopal Brand Products and Kelas Brand Products in the PRC.
Sales targets	:	Our Group and Taizhou Changnengrui shall agree on the annual, quarterly and monthly sales targets for our Lopal Brand Products and Kelas Brand Products in writing from time to time.
Product distribution and pricing	:	Our Group shall supply Lopal Brand Products and Kelas Brand Products as ordered by Taizhou Changnengrui from time to time at prices set according to the distributor price lists provided by our Group (which may be adjusted and updated by our Group from time to time), and Taizhou Changnengrui shall distribute such Lopal Brand Products and Kelas Brand Products to its customers at prices that generally follow the guidance price lists provided by our Group from time to time and only within the regions as agreed between Taizhou Changnengrui and our Group in writing. Our Group may from time to time offer discounts to the prices set out in the distributor price lists as part of our Group's promotional efforts.

Pricing policy	:	The prices of our Lopal Brand Products and Kelas Brand Products included in our distributor price lists are determined using the cost-plus method. Our costs associated with our Lopal Brand Products and Kelas Brand Products mainly include raw materials costs. We provide the same distributor price lists to all of our distributors and our pricing policy is the same across all of our distributors.
Sales rebate	:	Consistent with our commercial terms with our other distributors of Lopal Brand Products and Kelas Brand Products, our Group provides sales rebates to Taizhou Changnengrui on a quarterly basis and on an annual basis. Our Group and Taizhou Changnengrui may from time to time agree in writing the specific types of Lopal Brand Products and Kelas Brand Products that are or are not subject to the sales rebate arrangement, and the specific types of Lopal Brand Product and Kelas Brand Products sales that are included or excluded from calculating the quarterly and/or annual sales rebates. For every quarter, if Taizhou Changnengrui is able to achieve the agreed quarterly sales target, Taizhou Changnengrui shall be entitled to a sales rebate calculated by multiplying the actual sales of Lopal Brand Products and Kelas Brand Products achieved by Taizhou Changnengrui (excluding sales of Lopal Brand Products and Kelas Brand Products subject to discounts to prices set out in the distributor price lists) to a quarterly rebate rate. In addition, for every year, depending on percentage of the agreed annual sales target that Taizhou Changnengrui is able to achieve, Taizhou Changnengrui shall be entitled to a sales rebate calculated by multiplying the actual annual sales of Lopal Brand Products and Kelas Brand Products achieved by Taizhou Changnengrui to an annual rebate rate.

Conditions precedent and performance obligations	:	Unless relevant waiver(s) have been granted by the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange, the Changnengrui Framework Agreement and the performance of the Changnengrui Framework Agreement shall be conditional upon our Company's fulfilment of the reporting, annual review, announcement, circular and independent Shareholders' approval obligations, and compliance with other requirements relating to related party/connected transactions under the rules of the Shanghai Stock Exchange and the Listing Rules, where applicable. If the waiver(s) granted by the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange imposes any conditions or if there are any amendments to the relevant provisions of the Listing Rules, the performance of the Changnengrui Framework Agreement shall adhere to such conditions and rule amendments. If the CSRC, the Shanghai Stock Exchange or the Hong Kong Stock Exchange has any regulatory comments on the Changnengrui Framework Agreement or there are any amendments to the relevant provisions of the rules of the Shanghai Stock Exchange or the Listing Rules, the performance of the Changnengrui Framework Agreement shall adhere to such regulatory comments and rule amendments. If according to the requirements of the rules of the Shanghai Stock Exchange, the Listing Rules or other applicable laws and regulations, any party shall obtain the approval from any relevant authority of the Changnengrui Framework Agreement, the performance of the Changnengrui Framework Agreement shall be conditional upon the obtaining of such approval.

Reasons for and benefits of the transactions

As discussed in "Business — Our Products — Automotive Specialty Chemicals — Customers, sales and distribution", we rely on our distribution network as one of the channels for the sales of our automotive specialty chemical products. Taking into account (i) our long-standing business relationship with Taizhou Changnengrui, which began in around 2011; (ii) Taizhou Changnengrui's past performance in meeting our sales targets; and (iii) our pricing policy adopted for the transactions under the Changnengrui Framework Agreement is consistent with our pricing policy for other distributors of our Lopal Brand Products and Kelas Brand Products, our Directors are of the view that it is commercially beneficial for us to continue to appoint Taizhou Changnengrui as one of our distributors, and it is in the best interests of our Group and Shareholders to enter into the Changnengrui Framework Agreement.

Historical transaction amounts

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of purchase price for our Lopal Brand Products and Kelas Brand Products (net of any sales rebate) payable by Taizhou Changnengrui to our Group was approximately RMB14.3 million, RMB8.7 million, RMB9.1 million and RMB6.5 million, respectively. The decrease in the transaction amount in 2022 was due to the decrease in demand for our Lopal Brand Products and Kelas Brand Products as a result of the decrease in road traffic in the relevant regions in mainland China in 2022.

Proposed annual caps

The proposed annual caps for the transactions contemplated under the Changnengrui Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out below:

	Proposed annual caps for the years ending December 31,		
	2024	**2025**	**2026**
	(RMB million)	**(RMB million)**	**(RMB million)**
Amount of purchase price for our Lopal Brand Products and Kelas Brand Products payable by Taizhou Changnengrui under the Changnengrui Framework Agreement	15	15	15

Note: Such revenue has taken into account any sales rebate or sales discount to Taizhou Changnengrui.

Basis of annual caps

The proposed annual caps above are determined after taking into account the following factors: (i) the historical aggregate amount of purchase price for our Lopal Brand Products and Kelas Brand Products payable by Taizhou Changnengrui to our Group during the Track Record Period; (ii) the expected demand for our Lopal Brand Products and Kelas Brand Products in Taizhou City; and (iii) our expected target sales and product mix of our Lopal Brand Products and Kelas Brand Products to be allocated to Taizhou Changnengrui for distribution.

For the years ending December 31, 2024, 2025 and 2026, the proposed annual caps were determined based on the highest annual historical transaction amount during the Track Record Period, which was recorded in the year ended December 31, 2021, amounting to approximately RMB14.3 million, taking into account a relatively small margin of approximately 5% for any unexpected change in price or product demand. In view of the re-bounce from a decrease in transaction amount from 2021 to 2022 to an increase in transaction amount from approximately RMB8.7 million for the year ended December 31, 2022 to approximately RMB9.1 million for the year ended December 31, 2023 and that the transaction amount amounted to RMB6.5 million for the six months ended June 30, 2024, our Directors expect that the demand for our automotive specialty chemicals will recover in the near future, and that the historical transaction amount for the year ended December 31, 2021 would be an appropriate reference in determining the proposed annual caps.

In addition, the margin of approximately 5% for unexpected change in price or product demand was determined after taking into account the following factors: (i) the selling price of our Lopal Brand Products and Kelas Brand Products was, and is expected to continue to be, largely affected by costs of raw materials and supply and demand of our products and we experienced significant fluctuations in costs of raw materials leading to changes in selling prices of our Lopal Brand Products and Kelas Brand Products during the Track Record Period, (ii) the expected resumed demand for the Lopal Brand Products and Kelas Brand Products (specifically, our automotive specialty chemical products that Taizhou Changnengrui distributed for our Group during the Track Record Period) from Taizhou Changnengrui following the recovery of transportation and logistics in mainland China post-COVID-19 considering the potential growth in automotive specialty chemical industry in the near future and the long-term stable cooperation between our Group and Taizhou Changnengrui and (iii) a relatively stable expected target sales considering the historical transaction amount for the year ended December 31, 2023 and Taizhou Changnengrui's previous performance in meeting sales targets.

Listing Rules implications

As Ms. Shi Shuhong (石書紅), the majority equity holder of Taizhou Changnengrui, and Ms. Shi Zhenhong (石珍紅), the 100% equity holder of Taizhou Hengan, are sisters, the transactions contemplated under the Changnengrui Framework Agreement and the Hengan Framework Agreement are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules.

The aggregated proposed annual caps for the transactions contemplated under the Changnengrui Framework Agreement and the Hengan Framework Agreement for the years ending December 31, 2024, 2025 and 2026 are set out below:

	Proposed annual caps for the years ending December 31,		
	2024	**2025**	**2026**
	(RMB million)	**(RMB million)**	**(RMB million)**
Aggregated proposed annual caps for the transactions contemplated under the Changnengrui Framework Agreement and the Hengan Framework Agreement	21	21	21

Based on the aggregated annual caps, we expect that, on an annual basis, the highest applicable percentage ratio calculated in accordance with Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the Changnengrui Framework Agreement and the Hengan Framework Agreement will exceed 0.1% but be less than 5%. By virtue of Rule 14A.76(2) of the Listing Rules, such transactions will be subject to the reporting, annual review and announcement requirements, but be exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Enhanced Business Cooperation with CATL Group

Following the acquisition of equity interests in Lopal Times by our Group in 2022, our Group has continuously enhanced our cooperation with CATL Group to leverage on the expertise of CATL Group in the research, production and sales of NEV battery and charging systems.

During the Track Record Period and prior to the Listing, we have entered into procurement agreements and framework agreements with CATL Group. Pursuant to the procurement agreements, CATL Group has agreed to purchase certain raw materials and other products from us for their daily production operations. Moreover, we have entered into framework agreements and supplemental agreements (the "**Lithium-mica Concentrate Procurement Framework Agreements**") with and among others CATL, pursuant to which Lopal Times agreed to purchase lithium-mica concentrate from CATL's subsidiary, which will be used for Lopal Times's production of battery grade lithium carbonate, at a discount to the price posted on the Shanghai Metal Market (the "**SMM**"). Such lithium carbonate produced by Lopal Times during the Track Record Period and up to the Latest Practicable Date were either (i) sold to CATL Group or a company designated by CATL (an associate company of CATL) or (ii) utilized in-house by subsidiaries of Changzhou Liyuan. Furthermore, Changzhou Liyuan and its subsidiaries procured lithium carbonate from CATL Group for the production of LFP. CATL Group will enjoy a preferential right to purchase from Changzhou Liyuan such LFP produced and we may sell any unpurchased LFP products to Independent Third Parties on the same or better terms. Our revenue to be received from CATL Group to be derived from this arrangement with procurement of lithium carbonate from customers is expected to be recognized as revenue from contracts with customers under IFRS 15.

As we expect to continue selling and purchasing raw materials and other products to and from CATL Group after the Listing, we have entered into a continuing connected transaction agreement (sales) (the "**CATL Sales Framework Agreement**") and a continuing connected transaction agreement (purchase) (the "**CATL Purchase Framework Agreement**") with CATL. Upon the CATL Sales Framework Agreement and the CATL Purchase Framework Agreement becoming effective, all the transactions contemplated under the abovementioned subsisting procurement agreements, sales agreements and the Lithium-mica Concentrate Procurement Framework Agreements will be covered by the framework of the CATL Sales Framework Agreement and the CATL Purchase Framework Agreement (as the case may be), the principal terms of which shall apply. We expect to renew the CATL Sales Framework Agreement and the CATL Purchase Framework Agreement with CATL upon expiry.

CATL Sales Framework Agreement

Description of the transactions

On October 9, 2024, our Company and CATL entered into the CATL Sales Framework Agreement, the principal terms and other details of which are set out below:

Parties	:	(i) Our Company; and (ii) CATL
Term	:	From the Listing Date to December 31, 2024 (both dates inclusive)
Subject matter	:	CATL CP Group may supply products (the "**CATL Products**") to our Group, including but not limited to raw materials and/or other processed products required by our Group in our daily production operations. All purchase transactions by our Group from CATL CP Group of CATL Products, may it be raw materials such as lithium-mica concentrate or processed products such as lithium carbonate, will be covered under the same agreement, i.e. the CATL Sales Framework Agreement.
Pricing policy	:	The price of the CATL Products to be supplied by CATL CP Group to our Group shall be determined on normal commercial terms and on an arm's length basis. We shall take into account (i) the prevailing market price of the relevant materials posted on the SMM, the PRC government or other industry recognized organizations and (ii) the cost of production of the relevant CATL Products.

Conditions precedent and performance obligations	: Unless relevant waiver(s) have been granted by the Hong Kong Stock Exchange, the CATL Sales Framework Agreement and the performance of the CATL Sales Framework Agreement shall be conditional upon our Company's fulfilment of the reporting, annual review, announcement, circular and independent Shareholders' approval obligations, and compliance with other requirements relating to connected transactions under the Listing Rules. If the waiver(s) granted by the Hong Kong Stock Exchange imposes any conditions or if there are any amendments to the relevant provisions of the Listing Rules, the performance of the CATL Sales Framework Agreement shall adhere to such conditions and rule amendments. If the Hong Kong Stock Exchange has any regulatory comments on the CATL Sales Framework Agreement or there are any amendments to the relevant provisions of the Listing Rules, the performance of the CATL Sales Framework Agreement shall adhere to such regulatory comments and rule amendments. If according to the requirements of the Listing Rules or other applicable laws and regulations, any party shall obtain the approval from any relevant authority of the CATL Sales Framework Agreement, the performance of the CATL Sales Framework Agreement shall be conditional upon the obtaining of such approval.

Reasons for and benefits of the transactions

We entered into the CATL Sales Framework Agreement with CATL in order to ensure the sufficient and stable supply of raw materials and other processed products for our production needs. The transactions contemplated under the CATL Sales Framework Agreement are beneficial for the growth of our business, as we can secure supply of critical raw materials and other processed products at competitive prices to expand our production capabilities by leveraging CATL's sizable scale, reputation and purchasing power. Given the established relationship between our Company and CATL, our Directors are of the view that CATL is capable of providing raw materials and other processed products in a reliable and cost-effective manner with competitive prices as compared to the Independent Third Parties in respect of materials of similar specification, model, type and quality, and it is in the interests of our Group and Shareholders to enter into the CATL Sales Framework Agreement.

Historical transaction amounts

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of purchase price of the CATL Products payable by our Group to the CATL CP Group was approximately nil, RMB312.1 million, RMB853.4 million and RMB177.1 million, respectively.

Proposed annual cap

The proposed annual cap for the transactions contemplated under the CATL Sales Framework Agreement for the year ending December 31, 2024 is set out below:

	Proposed annual cap for the year ending December 31, 2024
	(RMB million)
Amount of purchase price for CATL Products payable by our Group to CATL CP Group under the CATL Sales Framework Agreement. . .	994

Basis of annual caps

The proposed annual cap above is determined after taking into account the following factors: (i) the expected expansion of our production capabilities, including but not limited to the production of iron phosphate and lithium carbonate; (ii) the estimated procurement quantity of the CATL Products that has been or may be purchased by our Group from CATL CP Group, including but without limitation the estimated tons of lithium-mica concentrate required by our Group from CATL CP Group under the Lithium-mica Concentrate Procurement Framework Agreements for the year ending December 31, 2024 and (iii) the historical transaction amount paid by our Group to CATL CP Group during the Track Record Period.

The Company considers that the separate annual caps for the CATL CP Group's (i) supply of raw materials and other processed products to the Group, respectively, and (ii) purchase of products manufactured and processed by the Group, respectively would not be necessary nor desirable for the proposed continuing connected transactions between the CATL CP Group and the Group. Please see "CATL Purchase Framework Agreement — Basis of annual caps" in this section for the details of bases.

Listing Rules implications

As (i) CATL is a connected person at the subsidiary level, (ii) our Board (including all the independent non-executive Directors) has approved the CATL Sales Framework Agreement and the transactions contemplated thereunder and (iii) all the independent non-executive Directors have confirmed that the terms of the CATL Sales Framework Agreement are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the CATL Sales Framework Agreement will be subject to the reporting, annual review and announcement requirements, but be exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

CATL Purchase Framework Agreement

Description of the transactions

On October 9, 2024, we entered into the CATL Purchase Framework Agreement with the CATL, the principal terms and other details of which are set out below:

Parties	:	(i) Our Company; and (ii) CATL
Term	:	From the Listing Date to December 31, 2024 (both dates inclusive)
Subject matter	:	CATL CP Group may purchase products (the "**Lopal Products**") manufactured and/or processed by our Group in accordance with the specifications provided by CATL CP Group (including the products processed by our Group using raw materials provided by CATL CP Group). All sale transactions from our Group to CATL CP Group of Lopal Products including but without limitation LFP cathode materials will be covered under the same agreement, i.e. the CATL Purchase Framework Agreement.

Pricing policy	:	The price shall be determined on normal commercial terms and on an arm's length basis. We shall take into account (i) the price of the relevant materials posted on the SMM, the PRC government or other industry recognized organizations and (ii) the production cost of the Lopal Products (whereby raw materials are supplied to our Group for processing, the processing cost of the Lopal Products). Our Group will provide to our customers material price lists (which may be adjusted and updated by us from time to time) and may from time to time offer discounts on the Lopal Products as part of their promotional efforts.
Conditions precedent and performance obligations	:	Unless relevant waiver(s) have been granted by the Hong Kong Stock Exchange, the CATL Purchase Framework Agreement and the performance of the CATL Purchase Framework Agreement shall be conditional upon our Company's fulfilment of the reporting, annual review, announcement, circular and independent Shareholders' approval obligations, and compliance with other requirements relating to connected transactions under the Listing Rules. If the waiver(s) granted by the Hong Kong Stock Exchange imposes any conditions or if there are any amendments to the relevant provisions of the Listing Rules, the performance of the CATL Purchase Framework Agreement shall adhere to such conditions and rule amendments. If the Hong Kong Stock Exchange has any regulatory comments on the CATL Purchase Framework Agreement or there are any amendments to the relevant provisions of the Listing Rules, the performance of the CATL Purchase Framework Agreement shall adhere to such regulatory comments and rule amendments. If according to the requirements of the Listing Rules or other applicable laws and regulations, any party shall obtain the approval from any relevant authority of the CATL Purchase Framework Agreement, the performance of the CATL Purchase Framework Agreement shall be conditional upon the obtaining of such approval.

Reasons for and benefits of the transactions

We entered into the CATL Purchase Framework Agreement with CATL in order to leverage on CATL's sales network and sizable base of customers. The transactions contemplated under the CATL Purchase Framework Agreement are beneficial for the growth of our business, as sales to CATL CP Group will allow us to utilize their sizable base of customers and help increase the coverage and demand of our LFP cathode material products in the market. Given the established relationship between our Group and CATL Group, our Directors are of the view that it is mutually beneficial and economical for us to sell our LFP cathode material products to CATL CP Group, and it is in the interests of our Group and Shareholders to enter into the CATL Purchase Framework Agreement.

Historical transaction amounts

For each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, the aggregate amount of purchase price of the Lopal Products payable by CATL CP Group to our Group was approximately RMB1,160.4 million, RMB7,799.0 million, RMB3,501.4 million and RMB1,277.7 million, respectively.

Proposed annual cap

The proposed annual cap for the transactions contemplated under the CATL Purchase Framework Agreement for the year ending December 31, 2024 is set out below:

	Proposed annual cap for the year ending December 31, 2024
	(RMB million)
Amount of purchase price for Lopal Products payable by CATL CP Group to our Group under the CATL Purchase Framework Agreement	3,373

Basis of annual caps

The proposed annual cap above is determined after taking into account the following factors: (i) the expected expansion of our production capabilities, including but not limited to the production of iron phosphate and lithium carbonate; (ii) the estimated purchase orders of Lopal Products from CATL CP Group for the year ending December 31, 2024 taking into account the estimated purchase quantity of the Lopal Products that has been or will be purchased by CATL CP Group as produced by our Group using the lithium-mica concentrate acquired by our Group from CATL CP Group pursuant to the Lithium-mica Concentrate Procurement Framework Agreement and (iii) the historical transaction amount paid by CATL CP Group to our Group during the Track Record Period.

The Company considers that the separate annual caps for the CATL CP Group's (i) supply of raw materials and other processed products to the Group, respectively, and (ii) purchase of products manufactured and processed by the Group, respectively would not be necessary nor desirable for the proposed continuing connected transactions between the CATL CP Group and the Group on the following bases:

1. The fundamental nature of the raw materials and products involved in these transactions is essentially homogeneous and integral to the lithium-ion battery manufacturing process. In terms of the CATL CP Group's supply of raw materials and other processed products to the Group, the same material or product may be considered as a raw material as well as a processed product depending on the stages of the lithium-ion battery manufacturing process. For instance, it is expected that lithium-mica concentrate and lithium carbonate may be sold by the CATL CP Group to the Group, and lithium carbonate and LFP cathode materials are expected to be sold by the Group to CATL CP Group. Since in the production process, lithium carbonate can be considered as a processed product from lithium-mica concentrate as well as a raw material for the production of LFP cathode materials, it is impracticable and unnecessary to set separate annual caps for these transactions. The same logic applies to the CATL CP Group's purchase of products manufactured and processed by the Group. The products manufactured and processed by the Group are not the ultimate end products, namely lithium-ion batteries but are a part of the lithium-ion battery manufacturing process. Considering the similarities in nature and purposes of the raw materials and processed products supplied by and the manufactured and processed products purchased by the CATL CP Group, further separate annual caps would not serve any meaningful purpose for potential investors to understand our business model and transactions with the CATL CP Group; and

2. Setting respective annual caps for raw materials and processed products supplied by, or manufactured and processed products purchased by the CATL CP Group may adversely affect the Group's business. The lithium-ion battery industry is characterized by rapid technological advancements and fluctuating market prices for raw materials. These factors, coupled with the international demand for electric vehicles, necessitate a flexible approach to purchasing and manufacturing strategies. The Group must be able to swiftly adapt to changes in market conditions, customer preferences, and technological developments to remain competitive. By setting narrow annual caps for specific raw materials and processed products, the Group's ability to make timely and strategic adjustment in relation to processing raw materials and manufacturing products would be severely hindered. Moreover, the Group's competitiveness in the lithium-ion battery industry heavily relies on its capacity to secure a stable supply of high-quality raw materials at competitive prices. Imposing restrictive annual caps on raw materials and processed products supplied by the CATL CP Group would limit the Group's bargaining power and its ability to negotiate favorable terms, which could result in higher production costs, reduced profit margins, and a diminished ability to compete effectively in the market. Therefore, setting respective annual caps for raw materials and processed products would not only

impede the Group's operational flexibility but also undermine its overall competitiveness in the highly dynamic and competitive lithium-ion battery industry.

Listing Rules implications

As (i) CATL is a connected person at the subsidiary level, (ii) our Board (including all the independent non-executive Directors) has approved the CATL Purchase Framework Agreement and the transactions contemplated thereunder and (iii) all the independent non-executive Directors have confirmed that the terms of the CATL Purchase Framework Agreement are fair and reasonable, on normal commercial terms or better and in the interests of our Company and our Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, such transactions will be subject to the reporting, annual review and announcement requirements, but be exempt from the circular (including independent financial advice) and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION

As the continuing connected transactions described in "— Partially Exempt Continuing Connected Transactions" above in this section have been and will continue to be carried out by our Group on a continuing and recurring basis and are expected to extend over a period of time, our Directors are of the view that compliance with the announcement requirement under Chapter 14A of the Listing Rules would impose unnecessary administrative costs and burden to our Group. Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under the Listing Rules relating to each of the aforementioned continuing connected transactions subject to the conditions that (a) the aggregate amounts of the transactions as contemplated under each of the aforementioned continuing connected transactions for each relevant financial year shall not exceed the relevant amounts set forth in the respective proposed annual caps as stated above; and (b) we will comply with the other relevant requirements under Chapter 14A of the Listing Rules applicable to the aforementioned continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those as of the date of this prospectus on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements.

DIRECTORS' VIEW

Our Directors (including the independent non-executive Directors) are of the view that (i) the continuing connected transactions described above have been entered into in the ordinary and usual course of our business and on normal commercial terms or better, (ii) the terms of the continuing connected transactions described above are fair and reasonable and in the interest of our Group and Shareholders as a whole, and (iii) the proposed annual caps for the continuing connected transactions described in "— Partially Exempt Continuing Connected Transactions" above in this section are fair and reasonable and in the interests of our Group and Shareholders as a whole.

JOINT SPONSORS' VIEW

After due and careful enquiries, taking into account the information provided by our Company and Directors, the Joint Sponsors are of the view that (i) the continuing connected transactions described in "— Partially Exempt Continuing Connected Transactions" above in this section have been entered in the ordinary and usual course of business of our Group and on normal commercial terms or better; (ii) the terms of the aforementioned continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole; and (iii) the proposed annual caps for the aforementioned continuing connected transactions are fair and reasonable and in the interests of our Group and Shareholders as a whole.

BOARD OF DIRECTORS

Our Board comprises ten Directors, including five executive Directors, one non-executive Director and four independent non-executive Directors. The following table sets forth information in relation to our Directors:

Name	Age	Position(s)	Date of Joining Our Group	Date of Appointment as Director	Roles and Responsibilities	Relationship with Other Directors, Supervisors or Senior Management Members
Mr. Shi Junfeng (石俊峰)	59	Chairman of our Board, executive Director, general manager	March 2003	March 11, 2003	Formulating the overall development strategies and overseeing the operation of the Group	Husband of Ms. Zhu Xianglan and uncle of Mr. Qin Jian
Mr. Lu Zhenya (呂振亞) (former name: Lu Zhenya (呂貞亞)).	59	Executive Director	March 2003	January 20, 2014	Overseeing the overall management and operation of the Group	None
Mr. Qin Jian (秦建). .	53	Executive Director, deputy general manager	March 2003	January 20, 2014	Overseeing the overall management and operation of the Group	Nephew of Ms. Zhu Xianglan and Mr. Shi Junfeng
Mr. Shen Zhiyong (沈志勇)	59	Executive Director, chief financial officer	March 2003	January 20, 2014	Managing the financial functions of the Group	None
Mr. Zhang Yi (張羿) .	46	Executive Director, secretary of our Board, joint company secretary	December 2004	September 13, 2022	Managing the operation of the Board	None
Ms. Zhu Xianglan (朱香蘭)	58	Non-executive Director	November 2013	November 27, 2013	Responsible for providing guidance for the overall development of our Group	Wife of Mr. Shi Junfeng and aunt of Mr. Qin Jian
Mr. Li Qingwen (李慶文)	68	Independent non-executive Director	March 2020[Note]	March 26, 2020	Providing independent advice and judgment to our Board	None
Mr. Ye Xin (葉新). . .	41	Independent non-executive Director	March 2020	March 26, 2020	Providing independent advice and judgment to our Board	None
Ms. Geng Chengxuan (耿成軒)	58	Independent non-executive Director	September 2021	September 27, 2021	Providing independent advice and judgment to our Board	None
Mr. Hong Kam Le (康錦里)	45	Independent non-executive Director	Listing Date	October 9, 2023 (effective from the Listing Date)	Providing independent advice and judgment to our Board	None

Note: Mr. Li was appointed and resigned as independent Director in January 2014 and June 2014, respectively, and was re-appointed as independent Director in March 2020.

Executive Directors

Mr. Shi Junfeng (石俊峰), aged 59, is the founder of our Company, the chairman of our Board, an executive Director, and the general manager of our Company. He is the husband of Ms. Zhu Xianglan, our non-executive Director and uncle of Mr. Qin Jian, our executive Director. In March 2003, Mr. Shi founded our Company and has been a Director and general manager since then, and was further appointed as the chairman of our Board in January 2014. He was redesignated as an executive Director in September 2023. He is primarily responsible for formulating the overall development strategies and overseeing the operation of our Group. He is currently the executive director and general manager of Lopal International, one of our Controlling Shareholders. He currently also serves as a director and/or senior management member in other subsidiaries of our Group, including but not limited to being the general manager of Jiangsu Kelas, the general manager of Lopal Lubrication, the chairman of the board of directors of Changzhou Liyuan, the general manager and executive director of Lopal Times, and the chairman of the board of directors of Zhangjiagang TEEC.

Mr. Shi has over 30 years of experience in automotive-related industries. Prior to joining our Group, from August 1986 to May 2001, Mr. Shi worked at Yuejin Motor (Group) Corporation Co., Ltd. (躍進汽車集團有限公司), a company principally engaged in the manufacturing and sales of automobiles and automotive parts, as a staff of its technology center. Since June 2021, Mr. Shi has been the chairman of the board of directors of Hunan Farnlet New Energy Technology Co., Ltd (湖南法恩萊特新能源科技有限公司), a company principally engaged in the manufacturing of lithium-ion electrolyte in the PRC, and is primarily responsible for formulating the overall investment strategies and business plans of the company.

Mr. Shi received his bachelor's degree in organic synthetic materials from Hunan University (湖南大學) in the PRC in July 1986. He obtained his qualification as senior engineer (高級工程師) issued by the Ministry of Machine-Building and Electronics Industry (機械電子工業部) in November 1998. He has also been a member of the 12th Executive Committee of the Jiangsu Federation of Industry and Commerce (江蘇省工商業聯合會執委) since July 2022. Mr. Shi has earned various awards and recognitions. Mr. Shi received a certificate of the National High Level Talent Support Scheme (國家高層次人才特殊支持計劃) issued by the Organization Department of the Central Committee of the CPC (中共中央組織部) and the Ministry of Human Resources and Social Security (人力資源和社會保障部) in 2016 and a certificate of the Nanjing Technological Top Experts Scheme (南京科技頂尖專家集聚計劃) issued by the Nanjing Talent Work Leading Group (南京市人才工作領導小組) for the period of February 2018 to February 2021. He also received the honorary credential of a Top 10 Influential Figure in Jiangsu China (感動中國江蘇十大感動人物) by Modern Express Post (現代快報) in December 2013 and a certificate of Outstanding Entrepreneur in Nanjing (南京市優秀民營企業家) issued by the CPC Nanjing Municipal Committee and Nanjing Municipal People's Government in 2014.

Mr. Shi was a director or a member of the senior management of the following dissolved companies prior to its dissolution:

Name of Enterprise	Place of Incorporation	Nature of Business	Status	Date of Dissolution	Reason of Dissolution	Mr. Shi's Position
LOPAL TECH. (HK) CO., LIMITED (龍蟠科技(香港)有限公司)	Hong Kong	General trading	Deregistration	August 6, 2021	Cessation of business	Director
Jiangsu Liyuan Battery Materials Co., Ltd. (江蘇鋰源電池材料有限公司) .	PRC	Sales of LFP	Deregistration	April 12, 2022	Cessation of business	Executive director and legal representative
Nanjing Weiyi Data Technology Co., Ltd. (南京微蟻數據科技有限公司)	PRC	E-commerce platform operation services	Deregistration	June 24, 2022	Cessation of business	General manager

Mr. Shi confirmed that, to the best of his knowledge, (i) the aforesaid companies were solvent immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution, and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Lu Zhenya (呂振亞) (with former name as Lu Zhenya (呂貞亞)), aged 59, is an executive Director. He joined our Company as the director of office and deputy general manager in March 2003 and was appointed as Director in January 2014. He was redesignated as an executive Director in September 2023. He is primarily responsible for overseeing the overall management and operation of our Group.

Prior to joining our Group, from January 1992 to August 2001, he worked as vice factory director at Jiangsu Suzhong Pesticides Chemical (江蘇蘇中農藥化工廠), a company principally engaged in the manufacturing of herbicides and pesticides.

Mr. Lu obtained his associate degree in industrial and civil construction from Shanghai Tonji University (上海同濟大學) in the PRC in July 1986. He obtained his qualification as economist (經濟師) issued by Yangzhou Science and Technology Cadres Bureau (揚州市科技幹部局) in April 1995. He was appointed as a party representative of Qixia District, Nanjing City at the Ninth Party Congress (中共南京市棲霞區第九屆黨代表) in July 2011.

Mr. Qin Jian (秦建), aged 53, is an executive Director and the deputy general manager of our Company. He was appointed as Director in January 2014 and was redesignated as an executive Director in September 2023. Mr. Qin is the nephew of Mr. Shi Junfeng and Ms. Zhu Xianglan, our executive Director and non-executive Director, respectively. Mr. Qin has over 27 years of experience in the automobile chemical products industry. Prior to joining our Group, from November 1996 to February 2003, he worked at Nanjing Fulima Lubricants Co., Ltd. (南京富利瑪潤滑油有限責任公司) as a sales manager. He joined our Group as the sales director of our Company from March 2003 to August 2009, and was successively appointed as the deputy general manager of Jiangsu Kelas in August 2009 and the deputy general manager of our Company in January 2014. He currently also serves as a director and/or senior management member in other subsidiaries of our Group, including but not limited to being an executive director of Jiangsu Kelas, the general manager of Changzhou Liyuan, and the general manager of Zhangjiagang TEEC. He is responsible for overseeing the overall management and operation of our Group.

Mr. Qin obtained his postgraduate degree in senior manager business administration at Nanjing Normal University (南京師範大學) in the PRC in May 2008.

Mr. Qin was an officer in charge or supervisor of the following dissolved companies prior to their dissolution:

Name of Enterprise	Place of Incorporation	Nature of Business	Status	Date of Dissolution	Reason of Dissolution	Mr. Qin's Position
Jiangsu Lopal Petrochemical Co Ltd Nanjing Branch (江蘇龍蟠石化有限公司南京分公司).	PRC	Sales of lubricating oil, brake fluid and antifreeze	Deregistration	October 7, 2023	Cessation of business	Officer in charge
Nanjing Fulima Lubricants Co., Ltd. (南京富利瑪潤滑油有限責任公司)	PRC	Sale of lubricating oil, grease, antifreeze, brake fluid, additive blending, automotive parts and accessories	Deregistration	October 12, 2013	Cessation of business	Supervisor

Mr. Qin confirmed that, to the best of his knowledge, (i) the aforesaid companies were solvent immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution, and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Shen Zhiyong (沈志勇), aged 59, is an executive Director and the chief financial officer of the Company. Mr. Shen joined our Group as chief financial officer in March 2003 and was appointed as Director in January 2014. He was redesignated as an executive Director in September 2023. He is responsible for managing the financial functions of our Group. He currently also serves as a director and/or senior management member in other subsidiaries of our Group, including but not limited to being an executive director of Lopal Lubrication, an executive director of Sichuan Liyuan, an executive director and general manager of Jiangsu Beiterui Nano, an executive director of Tianjin Beiterui Nano, an executive director of Hubei Liyuan, an executive director of Shandong Liyuan, and a director of Changzhou Liyuan.

Mr. Shen has over 27 years of experience in accounting and finance. Prior to joining our Group, from April 1997 to February 2003, Mr. Shen worked at Taizhou Gaogang District Huzhuang Supply and Marketing Cooperative (泰州市高港區胡莊供銷合作社) (formerly known as Taixing Huzhuang Supply and Marketing Cooperative (泰興市胡莊供銷合作社)), which was deregistered in June 2023, with his last position as an accountant. Mr. Shen completed a course in EMBA at Nanjing University Business School (南京大學商學院) in the PRC in December 2007. Mr. Shen obtained the certificate of accounting professional issued by Taixing Finance Bureau (泰興市財政局) in April 2002. He also obtained the international accountants certificate issued by the China Association of Chief Financial Officers and the certificate of membership issued by the Association of International Accountants in January 2021.

Mr. Shen was a director of the following dissolved company prior to its dissolution:

Name of Enterprise	Place of Incorporation	Nature of Business	Status	Date of Dissolution	Reason of Dissolution	Mr. Shen's Position
Nanjing Weiyi Data Technology Co., Ltd. (南京微蟻數據科技有限公司)	PRC	E-commerce platform operation services	Deregistration	June 24, 2022	Cessation of business	Executive director and legal representative

Mr. Shen confirmed that, to the best of his knowledge, (i) the aforesaid company was solvent immediately prior to its dissolution, (ii) there was no wrongful act on his part leading to the dissolution, and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

On March 28, 2023, our Company and Mr. Shen as our chief financial officer received a verbal warning from the Shanghai Stock Exchange for an error in the accounting of our financial liability which affected our consolidated financial statements for the financial year ended December 31, 2021, the three months ended March 31, 2022 and the six months ended June 30, 2022. For details, see "Business — Legal Proceedings and Compliance — Non-compliance — Verbal Warning by the Shanghai Stock Exchange."

Mr. Zhang Yi (張羿), aged 46, is an executive Director, the secretary of our Board and the joint company secretary of our Company. He joined our Group as the director of supply chain management centre and director of OEM marketing from December 2004 to December 2013, a supervisor and director of OEM marketing from January 2014 to February 2016, and has been serving as the secretary of our Board since March 2016. He was appointed as a Director in September 2022 and was redesignated as an executive Director in September 2023. He was also appointed as our joint company secretary in September 2023. He is primarily responsible for managing the operation of our Board. Mr. Zhang currently also serves as a director in other subsidiaries of our Group, including but not limited to being a director of Zhangjiagang TEEC and Changzhou Liyuan.

Mr. Zhang has over 26 years of experience in the manufacturing industry. Prior to joining our Group, from 1997 to 2004, Mr. Zhang worked as an engineer at Huafei Colour Display Systems Co., Ltd. (華飛彩色顯示系統有限公司), a company principally engaged in the manufacturing and sales of display systems which was deregistered on June 27, 2014.

Mr. Zhang completed the university level of professional studies in business administration through the completion of online courses from Southwest University of Science and Technology (西南科技大學) in the PRC in July 2022. Mr. Zhang obtained his qualification as board secretary of listed companies of the Shanghai Stock Exchange granted by the Shanghai Stock Exchange on March 3, 2016.

Non-executive Directors

Ms. Zhu Xianglan (朱香蘭), aged 58, is a non-executive Director. She joined our Group as a Director in November 2013 and was redesignated as a non-executive Director in September 2023. Ms. Zhu is the wife of Mr. Shi Junfeng, our executive Director, and aunt of Mr. Qin Jian, our executive Director. She is primarily responsible for providing guidance for the overall development of our Group.

Ms. Zhu worked at Nanjing Kangai Hospital (南京康愛醫院) as the principal nurse from August 1986 to October 2006. Ms. Zhu has over 11 years of experience in business management. Ms. Zhu was an executive director and general manager of Lopal International from October 2013 to June 2023, and she has been the representative of the managing partner of Nanjing Bailey since October 2013. Both Lopal International and Nanjing Bailey are our Controlling Shareholders.

Ms. Zhu obtained her associate degree in Chinese medicine from Nanjing University of Chinese Medicine (南京中醫藥大學) (formerly known as Nanjing University of Chinese Medicine (南京中醫學院) in the PRC in December 1994.

Independent Non-executive Directors

Mr. Li Qingwen (李慶文), aged 68, was appointed and resigned as our independent Director in January 2014 and June 2014, respectively. He was re-appointed as independent Director in March 2020 and was appointed as our independent non-executive Director in September 2023. Mr. Li is primarily responsible for providing independent advice and judgment to our Board.

Mr. Li was the president of China Automotive News (中國汽車報) from May 1998 to January 2016 and has been the vice president of Auto Talents Committee of China Talents Society (中國人才研究會汽車人才專業委員會) since January 2016. Mr. Li has been (i) an independent director of Xuchang Yuandong Drive Shaft Co Ltd (許昌遠東傳動軸股份有限公司) (stock code: 002406), a company listed on the Shenzhen Stock Exchange, since July 2020; and (ii) an independent non-executive director of New Focus Auto Tech Holdings Limited (新焦點汽車技術控股有限公司) (stock code: 360), a company listed on the Hong Kong Stock Exchange, since January 2023. He was also an independent director of Chongqing Changan Automobile Co Ltd (重慶長安汽車股份有限公司) (stock code: 000625), a company listed on the Shenzhen Stock Exchange, from March 2016 to June 2022.

Mr. Li was the chairman of the board and legal representative, or a supervisor of the following dissolved companies prior to their dissolution:

Name of Enterprise	Place of Incorporation	Nature of Business	Status	Date of Dissolution	Reason of Dissolution	Mr. Li's Position
Beijing Wenli Baiye Newspaper Distribution Co Ltd (北京文力百業報刊發行有限責任公司). .	PRC	Books wholesale	Deregistration	September 10, 2007	Cessation of business	Chairman of the board and legal representative
Shenzhen Yichuang Huifeng Economic Information Consulting Co Ltd (深圳一創慧鋒經濟信息諮詢有限公司). .	PRC	Economic information consultation	Deregistration	December 5, 2018	Cessation of business	Supervisor
Beijing Yichuang Yuanhang Investment Management Co Ltd (北京一創遠航投資管理有限公司)	PRC	Investment and asset management	Deregistration	July 8, 2024	Cessation of business	Director

Mr. Li confirmed that, to the best of his knowledge, (i) the aforesaid companies were solvent immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution, and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Li obtained his master's degree in economics from Harbin Engineering University (哈爾濱工程大學) in July 1994.

Mr. Ye Xin (葉新), aged 41, was appointed as our independent Director and independent non-executive Director in March 2020 and September 2023, respectively. Mr. Ye is primarily responsible for providing independent advice and judgment to our Board.

Since July 2016, Mr. Ye has been the partner of Beijing Jingsh Law Firm Nanjing Office (北京市京師(南京)律師事務所). Mr. Ye was appointed as a member of the Advisory Committee of the People's Government of Liuhe District, Nanjing in December 2017. He was accredited as Top Ten Lawyers in Pukou District, Nanjing (南京市浦口區十佳律師) and served as a visiting professor of Taizhou University (泰州學院) from June 2019 to June 2023.

Mr. Ye obtained his bachelor's degree in law from Jiangsu Normal University (江蘇師範大學), formerly known as Xuzhou Normal University (徐州師範大學) in the PRC in June 2007.

Ms. Geng Chengxuan (耿成軒), aged 58, was appointed as our independent Director and independent non-executive Director in September 2021 and September 2023, respectively. She has also served as the chairlady of the audit committee of our Board since September 27, 2021. Ms. Geng is primarily responsible for providing independent advice and judgment to our Board.

Ms. Geng was a lecturer and associate professor at the department of accounting of Lanzhou University of Finance and Economics (蘭州財經大學), formerly known as Lanzhou Business School (蘭州商學院), in the PRC from June 1989 to June 2003. Ms. Geng was appointed as the director of the Institute of Finance and Accounting (財務與會計研究所所長) in September 2013 and the director of the School Accounting Professional Degree Graduate Training Steering Committee (會計專業學位研究生培養指導委員主任) in April 2015. She was also appointed as a member of the independent director professional committee of the Listed Companies Association of Jiangsu Province (江蘇省上市公司協會獨立董事專業委員會) in August 2018 and April 2023, respectively. Ms. Geng worked at the College of Economics and Management of Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC as the professor and tutor of doctoral students since May 2010.

Ms. Geng has been an independent director and the chairlady of the audit committee of the board of directors of (i) XCMG Construction Machinery Co., Ltd. (徐工集團工程機械股份有限公司) (stock code: 000425), a company listed on the Shenzhen Stock Exchange, since June 2021 and (ii) Wuxi Huaguang Environmental Energy Group Co., Ltd. (無錫華光環保能源集團股份有限公司) (stock code: 600475), a company listed on the Shanghai Stock Exchange, since May 2022. Ms. Geng was also (i) an independent director and a member of the audit committee of Jiangsu Etern Co Ltd (江蘇永鼎股份有限公司) (stock code: 600105), a company listed on the Shanghai Stock Exchange, from August 2015 to August 2021, (ii) an independent director and the chairlady of the audit committee of Xuzhou Handler Special Vehicle Co Ltd (徐州海倫哲專用車輛股份有限公司) (stock code: 300201), a company listed on the Shenzhen Stock Exchange, from June 2015 to December 2020, (iii) an independent director of Nanjing Public Utilities Development Co., Ltd. (南京公用發展股份有限公司) (stock code: 000421), a company listed on the Shenzhen Stock Exchange, from May 2015 to May 2021, (iv) an independent director and the chairlady of the audit committee of Focus Technology Co., Ltd. (焦點科技股份有限公司) (stock code: 002315), a company listed on the Shenzhen Stock Exchange, from January 2017 to May 2023, (v) an independent director and the chairlady of the audit committee of the board of directors of Nanjing Port Co., Ltd. (南京港股份有限公司) (stock code: 002040), a company listed on the Shenzhen Stock Exchange, from June 2020 to October 2023 and (vi) an independent director of Canny Elevator Co., Ltd. (康力電梯股份有限公司) (stock code: 002367), a company listed on the Shenzhen Stock Exchange, from May 2023 to February 2024.

The Board has considered Ms. Geng's experience in financing and accounting and noted that Ms. Geng, being an experienced professor in accounting and financial related disciplines at universities in the PRC and a former member of the independent director professional committee of the Listed Companies Association of Jiangsu Province, also holds or held office as chairlady or member of audit committee in six other listed companies as disclosed above. As chairlady or member of audit committee of listed issuer, Ms. Geng was responsible for, among others, reviewing listed issuer's financial information and relevant disclosure, monitoring and evaluating external and internal audit works performed by the listed issuers, making recommendations on the appointment and change of external audit firms and monitoring and assessing the internal controls of the listed issuers. Thus, the Board is of the view that Ms. Geng possess in-depth practical knowledge and experience in overseeing and monitoring the financial reporting, internal control and other accounting related affairs of listed issuers and has the relevant accounting or related financial management experience for the purpose of Rule 3.10(2) of the Listing Rules.

Ms. Geng obtained her PhD degree in management science and engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in the PRC in April 2010.

Mr. Hong Kam Le (康錦里), aged 45, was appointed as our independent Director and independent non-executive Director in October 2023 (effective from the Listing Date). Mr. Hong will be primarily responsible for providing independent advice and judgment to our Board.

Mr. Hong was admitted as a solicitor in Hong Kong in September 2007 and has more than 14 years of experience in the legal industry. Mr. Hong has been a partner of DeHeng Law Offices (Hong Kong) LLP, formerly known as Chungs Lawyers, since November 2018 and previously served as a partner of Li & Partners from February 2016 to October 2018.

From December 2013 to June 2021, Mr. Hong served as the company secretary and authorized representative of Shengli Oil & Gas Pipe Holdings Limited (勝利油氣管道控股有限公司) (stock code: 1080), a company listed on the Main Board of the Hong Kong Stock Exchange. From September 2015 to July 2020, he also served as one of the joint company secretaries of Jujiang Construction Group Co., Ltd. (巨匠建設集團股份有限公司) (stock code: 1459), a company listed on the Main Board of the Hong Kong Stock Exchange. From March 2022 to February 2023, Mr. Hong served as one of the joint company secretaries and authorized representative of Dadi International Group Limited (大地國際集團有限公司) (stock code: 8130), a company listed on the GEM of the Hong Kong Stock Exchange. From July 2022 to February 2023, Mr. Hong also served as the company secretary and authorized representative of Kidztech Holdings Limited (奇士達控股有限公司) (stock code: 6918), a company listed on the Main Board of the Hong Kong Stock Exchange. Mr. Hong has served as an independent non-executive director of Hong Kong Johnson Holdings Co., Ltd. (香港莊臣控股有限公司) (stock code: 1955), a company listed on the Main Board of the Hong Kong Stock Exchange, since September 2019, and as the company secretary and authorized representative of Uju Holding Limited (優矩控股有限公司) (stock code: 1948), a company listed on the Main Board of the Hong Kong Stock Exchange, since October 2022.

Mr. Hong obtained a bachelor's degree in commerce and a bachelor's degree in laws from The University of Sydney in June 2003 and May 2004, respectively, and a postgraduate certificate in laws from The University of Hong Kong in June 2005.

SUPERVISORY COMMITTEE

Our Supervisory Committee comprises three Supervisors. The following table sets forth information in relation to our Supervisors:

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Roles and responsibilities
Mr. Xue Jie (薛傑)	58	May 2005	January 20, 2014	Supervising the finances, the Directors and senior management of our Group
Mr. Zhou Lin (周林)	45	March 2003	January 15, 2014	Supervising the finances, the Directors and senior management of our Group
Ms. Chang Huihong (常慧紅)	29	July 2020	July 15, 2024	Supervising the finances, the Directors and senior management of our Group

Mr. Xue Jie (薛傑), aged 58, was appointed as our Supervisor in January 2014. He has also been serving as the sales director of the marketing department of our Company since May 2005. He currently also serves as a supervisor in other subsidiaries of our Group, including but not limited to Sichuan Liyuan, Jiangsu Kelas and Lopal Lubrication. He is responsible for supervising the finances, the Directors and senior management of our Group.

Prior to joining our Group, Mr. Xue worked as a director of the chassis room of Nanjing Dongfeng Special Purpose Vehicle Co., Ltd. Nanjing Dongfeng Special Purpose Vehicle Manufacturing Factory (南京東風專用車製造總廠) from January 1992 to November 1999, and from May 2004 to December 2004. Mr. Xue worked as the technician manager of Nanjing Xugong Automobile Co., Ltd. (南京徐工汽車製造有限公司), formerly known as Nanjing Chunlan Automobile Manufacturing Co., Ltd. (南京春蘭汽車製造有限公司), a company principally engaged in manufacturing of vehicles, from December 1999 to April 2004, and vice general manager of Nanjing Golden Dragon Bus Co., Ltd (南京金龍客車製造有限公司), a company principally engaged in the manufacturing of vehicles, from January 2005 to April 2005.

Mr. Xue was a supervisor of the following dissolved companies prior to their dissolution:

Name of Enterprise	Place of Incorporation	Nature of Business	Status	Date of Dissolution	Reason of Dissolution	Mr. Xue's Position
Jiangsu Liyuan Battery Materials Co., Ltd. (江蘇鋰源電池材料有限公司)	PRC	Sales of LFP	Deregistration	April 12, 2022	Cessation of business	Supervisor
Nanjing Weiyi Data Technology Co., Ltd. (南京微蟻數據科技有限公司)	PRC	E-commerce platform operation services	Deregistration	June 24, 2022	Cessation of business	Supervisor

Mr. Xue confirmed that, to the best of his knowledge, (i) the aforesaid companies were solvent immediately prior to their dissolution, (ii) there was no wrongful act on his part leading to the dissolution, and (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution.

Mr. Xue obtained his bachelor's degree in automotive major in the department of mechanical engineering from South China University of Technology (華南理工大學) in the PRC in July 1988.

Mr. Zhou Lin (周林), aged 45, was appointed as our Supervisor in January 2014. He is responsible for supervising the finances, the Directors and senior management of our Group. Mr. Zhou has been serving as the financial manager of our Company since March 2003. He currently also serves as supervisor and/or senior management members in other subsidiaries of our Group. Mr. Zhou obtained his graduation certificate in internet of things application technology via the Self-taught Higher Education and Examination (高等教育自學考試) from Hunan University of Arts and Science (湖南文理學院) in the PRC in December 2022.

Ms. Chang Huihong (常慧紅), aged 29, was appointed as a Supervisor in July 2024. She is responsible for supervising the finances, the Directors and senior management of our Group. Ms. Chang has been serving as a director of the industrial investment and financing management department of the Company since January 2024. She also worked as a specialist at the industrial investment and financing management department of the Company from July 2020 to January 2024 after she joined our Company in July 2020.

Ms. Chang obtained her bachelor's degree in surveying and mapping engineering major from the Binjiang College of Nanjing University of Information Science and Technology (南京信息工程大學濱江學院) in the PRC in June 2017 and her master's degree in business administration major from Nanjing University of Information Science and Technology (南京信息工程大學) in the PRC in June 2020.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this prospectus, each of our Directors and Supervisors confirms with respect to himself or herself that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as of the Latest Practicable Date; (2) had no other relationship with any Directors, Supervisors, senior management, Controlling Shareholders or substantial shareholders of our Company as of the Latest Practicable Date; (3) did not hold any other major appointment or directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in October 2023, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of our independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

SENIOR MANAGEMENT

Our executive Directors and senior management are responsible for the day-to-day management and operation of our business. For information concerning our executive Directors, see "— Board of Directors — Executive Directors." The table below sets out certain information regarding our senior management:

Name	Age	Position(s)	Date of Joining Our Group	Date of Appointment as Senior Management Member	Roles and Responsibilities	Relationship with Other Directors or Senior Management Members
Mr. Shi Junfeng (石俊峰)	59	Chairman of our Board, executive Director, general manager	March 2003	March 11, 2003	Formulating the overall development strategies and overseeing the operation of the Group	Husband of Ms. Zhu Xianglan and uncle of Mr. Qin Jian
Mr. Qin Jian (秦建). .	53	Executive Director, deputy general manager	March 2003	January 20, 2014	Overseeing the overall management and operation of the Group	Nephew of Ms. Zhu Xianglan and Mr. Shi Junfeng
Mr. Shen Zhiyong (沈志勇)	59	Executive Director, chief financial officer	March 2003	March 11, 2003	Managing the financial functions of the Group	None
Mr. Zhang Yi (張羿).	46	Executive Director, secretary of our Board, joint company secretary	December 2004	March 9, 2016	Managing the operation of the Board	None

Mr. Shi Junfeng (石俊峰), aged 59, is our general manager. Please see "Board of Directors — Executive Directors" in this section for Mr. Shi's biography.

Mr. Qin Jian (秦建), aged 53, is our deputy general manager. Please see "Board of Directors — Executive Directors" in this section for Mr. Qin's biography.

Mr. Shen Zhiyong (沈志勇), aged 59, is our chief financial officer. Please see "Board of Directors — Executive Directors" in this section for Mr. Shen's biography.

Mr. Zhang Yi (張羿), aged 46, is the secretary of our Board. Please see "Board of Directors — Executive Directors" in this section for Mr. Zhang's biography.

JOINT COMPANY SECRETARIES

Mr. Zhang Yi (張羿), aged 46, is our joint company secretary. Please see "Board of Directors — Executive Directors" in this section for Mr. Zhang's biography.

Ms. Cheung Lai Ha (張麗霞) was appointed as our joint company secretary in September 2023. Ms. Cheung, aged 45, is an assistant vice president of Governance Services of Computershare Hong Kong Investor Services Limited, a professional services provider specializing in corporate services. She has over 14 years of experience in corporate governance field. Ms. Cheung obtained her bachelor's degree in business administration from Lingnan University in November 2002 and the degree in master of corporate governance from The Hong Kong Metropolitan University, formerly known as The Open University of Hong Kong, in June 2011. Ms. Cheung has been admitted as an associate member of The Hong Kong Chartered Governance Institute and an associate member of The Chartered Governance Institute in the United Kingdom in July 2013.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various dedicated committees. In accordance with relevant PRC laws, regulations, the Articles and the Hong Kong Listing Rules, we have formed four board committees, namely, the audit committee of the Board (the "**Audit Committee**"), the remuneration and evaluation committee of the Board (the "**Remuneration and Evaluation Committee**"), the nomination committee of the Board (the "**Nomination Committee**") and the strategy committee of the Board (the "**Strategy Committee**").

Audit Committee

Upon Listing, the Audit Committee will consist of three members, namely Ms. Geng Chengxuan, Mr. Ye Xin and Mr. Hong Kam Le, our independent non-executive Directors. Ms. Geng Chengxuan has been appointed as the chairlady of the Audit Committee, and is our independent non-executive Director possessing the relevant accounting or related financial management expertise. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration and Evaluation Committee

The Remuneration and Evaluation Committee consists of two independent non-executive Directors, being Mr. Li Qingwen and Ms. Geng Chengxuan and one executive Director, Mr. Lu Zhenya. Mr. Li Qingwen has been appointed as the chairman of the Remuneration and Evaluation Committee. The primary duties of the Remuneration and Evaluation Committee are to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Nomination Committee consists of two independent non-executive Directors, being Mr. Ye Xin and Ms. Geng Chengxuan and one executive Director, Mr. Shi. Mr. Ye Xin has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

Strategy Committee

The Strategy Committee consists of one independent non-executive Director, Mr. Li Qingwen and two executive Directors, being Mr. Shi and Mr. Zhang Yi. Mr. Shi has been appointed as the chairman of the Strategy Committee. The primary duties of the Strategy Committee are to make recommendations to our Board on our business objectives, general strategic development plan and specific strategic development plans.

BOARD DIVERSITY

We have adopted our board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board. Our Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy.

Pursuant to our Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant code governing board diversity under the CG Code. After Listing, our Nomination Committee will review our Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our Board Diversity Policy on an annual basis.

Our Board comprises ten members, including five executive Directors, one non-executive Director and four independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Directors, ranging from 41 years old to 68 years old, are able to bring a balance of diversity perspectives to our Board. We have taken steps to promote gender diversity of our Board and currently two of our Directors are female. Going forward, we will continue to apply the principle of appointments based on merits with reference to our Board Diversity Policy as a whole. In particular, taking into account the business needs of our Group and changing circumstances from time to time that may affect our Group's business plans, we will actively identify female individuals suitably qualified to become our Board members and we aim to maintain at least one female Director on our Board, subject to our Directors (i) being satisfied with the competence and experience of the relevant candidates after a comprehensive review process based on reasonable criteria; and (ii) fulfilling their fiduciary duties to act in the best interests of our Company and our Shareholders as a whole when deliberating on the appointment. To further ensure gender diversity of our Board in the long run, our Group will also identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time and maintain a list of such female individuals who possess qualities to become our Board members in order to develop a pipeline of potential successors to our Board, and our Board and our Nomination Committee will assess our Board composition annually in accordance with the CG Code. We are also committed to adopting a similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to further enhance the effectiveness of our corporate governance. Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out above, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management members who have the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to senior management or our Board so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies our Board Diversity Policy.

WAIVER GRANTED BY THE STOCK EXCHANGE

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rules 8.12 and 19A.15 of the Listing Rules in relation to the requirement of management presence in Hong Kong. Please see "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemptions from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance — Waiver in Relation to Management Presence in Hong Kong" for details of the waiver.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rules 3.28 and 8.17 of the Listing Rules in relation to the academic or professional qualifications of our Company's joint company secretaries. Please see "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemptions from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance — Waiver in Relation to Joint Company Secretaries" for details of the waiver.

CORPORATE GOVERNANCE

Our Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Group will comply with the CG Code, except for the deviation from the code provision C.2.1 of Part 2 of the CG Code. Mr. Shi is the chairman of our Board and the general manager of our Company and he has been managing our Group's business and supervising the overall operations of our Group since its foundation in 2003. Our Directors consider that vesting the roles of the chairman of our Board and the general manager of our Company in Mr. Shi is beneficial to the management and business development of our Group and will provide a strong and consistent leadership to our Group. Our Board will continue to review and consider splitting the roles of the chairman of our Board and the general manager at a time when it is appropriate and suitable by taking into account the circumstances of our Group as a whole.

Save as disclosed in this section, our Group is in compliance with all the code provisions of the CG Code.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Company in the form of fees, salaries, retirement benefits scheme contributions, other social security costs, housing benefits and other employee benefits, share-based compensation, allowances and other benefits in kind.

The aggregate amount of remuneration paid to our Directors and Supervisors (including fees, salaries, retirement benefits scheme contributions, other social security costs, housing benefits and other employee benefits, share-based compensation, allowances and other benefits in kind) for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 were approximately RMB6.3 million, RMB6.5 million, RMB5.4 million and RMB4.9 million, respectively.

The aggregate amount of wages, salaries and bonuses, retirement benefit expenses, social security costs, housing benefits and other employee benefits and share-based compensation paid to our five highest paid individuals of our Company, including nil, one, nil and three Director(s), during the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 were approximately RMB12.3 million, RMB10.7 million, RMB5.0 million and RMB4.7 million, respectively.

It is estimated that remuneration, excluding discretionary bonus, equivalent to approximately RMB7.0 million in aggregate will be paid and granted to our Directors and Supervisors by us in respect of the financial year ending December 31, 2024 under arrangements in force at the date of this prospectus.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024. Further, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the same periods. Save as disclosed above, no other payments have been paid, or are payable, by our Company or our subsidiary to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management which, following the Listing, will receive recommendation from the Remuneration and Evaluation Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management and performance of our Group.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor (the "**Compliance Advisor**") upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the H Shares, the possible development of a false market in the Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

Meanwhile, pursuant to Rule 3A.24(1) of the Listing Rules, the Compliance Advisor shall inform us on a timely basis of any amendment or supplement to the Hong Kong Listing Rules issued by the Hong Kong Stock Exchange from time to time and any new or amended law, regulation or code in Hong Kong applicable to our Company. The Compliance Advisor shall also provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment of the Compliance Advisor shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised, the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (excluding the 2,082,400 A Shares as treasury shares) carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

			As of the Latest Practicable Date and immediately prior to the Global Offering			Immediately after the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised)			
Name of shareholder	Nature of interest	Description of Shares	Number of Shares[1]	Approximate percentage of interest in our Company[2]	Approximate percentage of voting rights in our Company[4]	Number of Shares[1]	Approximate percentage of interest in our Company	Approximate percentage of interest in our A Shares[3]	Approximate percentage of voting rights in our Company[5]
Mr. Shi[6], [7] .	Beneficial owner	A Shares	212,662,195[9]	37.63%	37.77%	212,662,195	31.98%	37.63%	32.08%
	Interest held by controlled corporation	A Shares	1,901,208	0.34%	0.34%	1,901,208	0.29%	0.34%	0.29%
	Interest of spouse	A Shares	23,618,649	4.18%	4.20%	23,618,649	3.55%	4.18%	3.56%
Ms. Zhu[8] . . .	Beneficial owner	A Shares	23,618,649	4.18%	4.20%	23,618,649	3.55%	4.18%	3.56%
	Interest of spouse	A Shares	214,563,403	37.97%	38.11%	214,563,403	32.26%	37.97%	32.36%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 565,078,903 Shares in issue as of the Latest Practicable Date.

(3) The calculation is based on the total number of 665,078,903 Shares in issue immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2023 Share Option Scheme.

(4) The calculation is based on the total number of 562,996,503 Shares in issue and excluding the 2,082,400 A Shares as treasury shares as of the Latest Practicable Date.

(5) The calculation is based on the total number of 662,996,503 Shares in issue immediately following the completion of the Global Offering excluding the treasury shares and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2023 Share Option Scheme.

(6) Mr. Shi is the spouse of Ms. Zhu. By virtue of the SFO, Mr. Shi is deemed to be interested in the Shares in which Ms. Zhu is deemed to be interested upon Listing. In addition, Mr. Shi and Ms. Zhu may be taken to have an interest in those treasury shares held by the Company as shareholders controlling more than one-third or more voting power in the Company. As of the Latest Practicable Date, the Company held 2,082,400 A Shares as treasury shares.

(7) As of the Latest Practicable Date, Nanjing Bailey held 1,901,208 A Shares. Nanjing Bailey is a limited partnership established under in the PRC, which is managed by Lopal International as its general partner. Lopal International is a limited liability company established in the PRC, which is owned as to 90% by Mr. Shi and 10% by Ms. Zhu. Accordingly, Mr. Shi is deemed to be interested in the Shares held by Nanjing Bailey.

(8) Ms. Zhu is the spouse of Mr. Shi. By virtue of the SFO, Ms. Zhu is deemed to be interested in the Shares in which Mr. Shi is deemed to be interested upon Listing. In addition, Mr. Shi and Ms. Zhu may be taken to have an interest in those treasury shares held by the Company as shareholders controlling more than one-third or more voting power in the Company. As of the Latest Practicable Date, the Company held 2,082,400 A Shares as treasury shares.

(9) As of the Latest Practicable Date, out of the 212,662,195 A Shares beneficially owned by Mr. Shi, an aggregate of 56,800,000 A Shares of Mr. Shi were subject to pledges granted under certain loan and credit facilities in favor of certain PRC financial institutions regulated by the NAFR and/or the CSRC. For further details of the share pledges granted by Mr. Shi, see "— Share Pledges by Mr. Shi" below.

Save as disclosed above and in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 1. Disclosure of Interests" in Appendix IV, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group (excluding the 2,082,400 A Shares as treasury shares in case of our Company).

SHARE PLEDGES BY MR. SHI

In order to obtain financing for his personal needs, Mr. Shi has from time to time pledged the A Shares he owned to certain PRC financial institutions as collateral. As of the Latest Practicable Date, Mr. Shi has pledged 56,800,000 A Shares, representing approximately 10.05% of the total issued share capital of our Company as security in favour of certain PRC financial institutions regulated by the NAFR and/or the CSRC (collectively, the "**PRC Regulated Financial Institutions**") which will continue to subsist after Listing.

The loan and credit facilities of Mr. Shi secured by share pledges in respect of the A Shares he holds are subject to margin call, close-out or loan-to-value ratio requirements that would be triggered by a material variation in value of our A Shares. Nevertheless, Mr. Shi can opt to repay a portion of the relevant outstanding loans and/or provide additional margin funds in the event such margin call or loan-to-value ratio requirement is triggered to avoid having to pledge additional Shares in respect of such loan or credit facilities. Mr. Shi will only pledge additional Shares to the extent permissible under the Hong Kong Listing Rules and further announcement(s) will be made by the Company as and when appropriate and required under the Hong Kong Listing Rules.

To the best knowledge of our Directors having made all reasonable enquiries, there has not been any adverse credit records against Mr. Shi in respect of any breach of repayment obligations under its indebtedness.

BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered share capital of the Company was RMB565,078,903, comprising 565,078,903 A Shares (including 2,082,400 A Shares as treasury shares) with a nominal value of RMB1.00 each, all of which are listed on the Shanghai Stock Exchange.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares	565,078,903[(1)]	100%

Note: (1) These A Shares include 2,082,400 A Shares which are held by our Company as treasury shares.

UPON COMPLETION OF THE GLOBAL OFFERING

Immediately after the Global Offering (assuming that the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares	565,078,903[(1)]	84.96%
H Shares to be issued pursuant to the Global Offering	100,000,000	15.04%
Total	**665,078,903**	**100%**

Note: (1) These A Shares include 2,082,400 A Shares which are held by our Company as treasury shares.

Immediately after the Global Offering (assuming that the Over-allotment Option is fully exercised and the options granted under the 2023 Share Option Scheme are not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of issued share capital
A Shares	565,078,903[(1)]	83.09%
H Shares to be issued pursuant to the Global Offering	115,000,000	16.91%
Total	**680,078,903**	**100%**

Note: (1) These A Shares include 2,082,400 A Shares which are held by our Company as treasury shares.

OUR SHARES

Upon the completion of the Global Offering, the Shares will consist of A Shares and H Shares. The A Shares and H Shares are all ordinary Shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in mainland China, the qualified investors in mainland China under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect (if our H Shares are eligible securities for that purpose) and other persons who are entitled to hold our H Shares pursuant to relevant PRC Law or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural persons in mainland China.

Shanghai-Hong Kong Stock Connect has established a stock connect mechanism between mainland China and Hong Kong. Our A Shares can be subscribed for and traded by investors in mainland China, qualified foreign institutional investors or qualified foreign strategic investors and must be traded in Renminbi. As our A Shares are eligible securities under the Northbound Trading Link, they can also be subscribed for and traded by Hong Kong and other overseas investors pursuant to the rules and limits of Shanghai-Hong Kong Stock Connect. If our H Shares are eligible securities under the Southbound Trading Link, they can also be subscribed for and traded by investors in mainland China in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

A Shares and H Shares are regarded as one class of Shares under the Articles of Association and will rank *pari passu* with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. Dividends in respect of our Shares may be paid by us in Hong Kong dollars or Renminbi. In addition to cash, dividends may be distributed in the form of Shares.

As of the Latest Practicable Date, 2,082,400 A Shares were held by our Company as treasury shares, which shall only be used by our Company in connection with employees' share incentive scheme(s) of our Company. These A Shares were repurchased by our Company during the period from October 14, 2022 to March 24, 2023. If such 2,082,400 A Shares are not utilised within 36 months from the relevant date of repurchase, all such unutilised A Shares shall be cancelled. Upon adoption of any share scheme(s) of our Company which will be funded by such 2,082,400 A Shares after Listing, such 2,082,400 A Shares may be transferred out of treasury for the purpose of and pursuant to such share scheme(s) of our Company and our Company will comply with applicable requirements under Rule 19A.39E of the Hong Kong Listing Rules as and when appropriate and required.

APPROVAL FROM HOLDERS OF A SHARES REGARDING THE GLOBAL OFFERING

We have obtained approval from our A Shareholders to issue H Shares and seek the listing of the H Shares on the Hong Kong Stock Exchange. Such approval was obtained at the general meeting of our Company held on October 9, 2023 and is subject to the following conditions:

(i) Size of the Offer

The proposed number of H Shares to be offered initially shall not exceed 113,015,000 H Shares (that is, not exceeding 16.67% of the total issued number of shares as enlarged by the H Shares to be issued pursuant to the Global Offering). The number of H Shares to be issued pursuant to the exercise of the Over-allotment Option shall not exceed 129,967,000 H Shares (that is, not exceeding 15% of the total number of H Shares to be offered initially pursuant to the Global Offering).

(ii) Method of Offering

The method of offering shall be by way of a public offer for subscription in Hong Kong and an international offering to institutional and professional investors.

(iii) Target Investors

The H Shares shall be issued to Hong Kong public investors, other overseas investors who meet the relevant requirements, qualified domestic investors eligible to invest in overseas securities according to PRC Law and other investors who comply with the relevant regulatory requirements.

(iv) Price Determination Basis

The issue price of the H Shares will be determined after due consideration of the interests of existing Shareholders, the acceptance of investors and issuance risks and in accordance with international practices through the demands for orders and book building process, subject to the domestic and overseas capital market conditions and by reference to the valuation level of comparable companies in domestic and overseas markets.

(v) Valid Period

The issue of H Shares and listing of H Shares on the Hong Kong Stock Exchange shall be completed within 18 months from the date when the Shareholders' meeting was held on October 9, 2023.

There is no other approved offering plans for any other shares except for the Global Offering.

2023 SHARE OPTION SCHEME

We have adopted the 2023 Share Option Scheme, the principal terms of which are summarized in "Statutory and General Information — A. Further Information about Our Group — 5. 2023 Share Option Scheme" in Appendix IV.

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which our Shareholders' general meetings are required, see "Summary of the Articles of Association" in Appendix III.

You should read the following discussion and analysis on our financial condition and results of operations together with our consolidated financial statements as of and for each of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, including the notes thereto, included in the Accountants' Report set out in Appendix IA to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRSs. Potential investors should read the whole of the Accountants' Report set out in Appendix IA to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

During the Track Record Period, we principally engaged in the production and sales of LFP cathode materials and automotive specialty chemicals.

We achieved strong growth from 2021 to 2022. Our revenue increased by 247.1% from RMB4,053.5 million for the year ended December 31, 2021 to RMB14,071.6 million for the year ended December 31, 2022. In addition, our net profit increased by 137.6% from RMB433.4 million for the year ended December 31, 2021 to RMB1,029.9 million for the year ended December 31, 2022. This was primarily attributable to the strong growth of our LFP cathode material business since we expanded our presence in the LFP cathode material industry through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, which are engaged in businesses in the field of LFP cathode materials, in June 2021, in terms of both sales volume and average selling prices, driven by the rapid development and growth in demand of downstream NEV and energy storage industries and the significant increase in the price of principal raw materials, such as lithium carbonate, attributable to tightness in upstream supply.

However, we recorded a net loss of RMB1,514.2 million for the year ended December 31, 2023 as compared to a net profit of RMB1,029.9 million for year ended December 31, 2022. This was primarily driven by the unprecedented volatility in lithium carbonate market prices. Specifically, we recorded a gross loss of RMB57.5 million for the year ended December 31, 2023 compared to a gross profit of RMB2,433.3 million for the year ended December 31, 2022 as lithium carbonate market prices undergoing an unprecedented sharp decline in 2023 after an extended high price environment created a temporary mismatch between cost of sales of LFP cathode materials and its revenue contribution for the year ended December 31, 2023. We recorded a 44.8% year-on-year decrease in revenue from sales of LFP cathode materials in 2023, mainly attributable to a significant decrease in average selling price of LFP cathode materials which closely follows the prevailing lithium carbonate market price which experienced sharp decreases during the year. Due to the continuous decline of lithium carbonate market prices through 2023, our cost of sales for LFP cathode materials stayed elevated relative to the selling prices which had to be lowered to reflect the sharp decline in lithium carbonate prices during the year. In addition, we recognized provision for impairment loss of inventories of RMB554.5 million in 2023 as a result of the decrease in recoverable amounts of inventories attributable to the declining raw material prices.

The market challenges we faced in 2023 continued into the first half of 2024, although we saw some signs of improvement. For the six months ended June 30, 2024, we recorded a total revenue of RMB3,568.6 million, representing a decrease from RMB3,814.2 million for the same period in 2023. Revenue generated from sales of LFP cathode material decreased from RMB2,851.5 million in the first half of 2023 to RMB2,475.6 million in the first half of 2024. This decrease was mainly attributable to two factors affecting average selling price of our LFP cathode materials, including (i) the decline in lithium carbonate market prices, and (ii) an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers which result in lower revenue recognized and lower average selling price. Despite these challenges, we saw an improvement in our gross profit, recording RMB344.0 million in the first half of 2024 compared to a gross loss of RMB241.4 million in the first half of 2023. Our net loss also decreased from RMB811.5 million in the first half of 2023 to RMB260.2 million in the first half of 2024. These improvements were primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations were mainly affected and are expected to continue to be affected by the following factors:

Customer Demand in Different End Markets that We Serve

Our main products include LFP cathode materials used for production of lithium-ion batteries and automotive specialty chemicals used for automotive repair and maintenance. Accordingly, our results of operation have been and are expected to continue to be affected by the demand in downstream lithium-ion battery market and the automotive market. During the two years ended December 31, 2022, the strong growths in our downstream markets have been the main drivers of our business growth, and the upward tendencies in our downstream markets are expected to further boost the demand for our products in the future. However, softening near-term demand sentiments along with the broader global economic slowdown in 2023 and the continuation of these market challenges in the first half of 2024 have adversely impacted the demand in downstream lithium-ion battery market and NEV industries.

LFP cathode material is currently the most extensively used cathode material for the production of lithium-ion batteries used in a wide variety of end markets including NEV and energy storage industries. With the initiatives to achieve "carbon peak" and "carbon neutrality", governments continue to implement favorable policies to accelerate the growth of NEVs and energy storage facilities both domestically and globally, which in turn drives the growing demand on LFP cathode materials. According to Frost & Sullivan, the market size of the LFP cathode material industry in mainland China by sales volume is expected to grow from 2,056.0 thousand tons in 2024 to 3,884.0 thousand tons in 2028, representing a CAGR of 17.2%.

The rising demand for automotive specialty chemicals largely depends on the expansion of automotive industry and the increasing demand for sustainable solutions. Currently, substantially all of the sales of our automotive specialty chemical products are conducted in mainland China, where automotive ownership continues to be on the rise and government policies attach great importance to energy conservation and emission reduction. According to Frost & Sullivan, automobile ownership in mainland China is estimated to reach 430.5 million units by 2028, growing at a CAGR of 5.0% between 2024 and 2028. In recent years, the Chinese government has continued to issue environmental protection related rules and regulations which exert great influence on the automobile manufacturing industry as well as the downstream and upstream industries thereof. Tighter regulations will reinforce the entry barrier in terms of regulatory compliance for the automotive specialty chemical industry and boost demand for sustainable products that are able to keep abreast with the latest regulatory adjustments. According to Frost & Sullivan, the market size of each of diesel exhaust fluid, automotive lubricant, coolant and car maintenance product industries in mainland China by sales volume is expected to grow at a CAGR of 9.4%, 1.8%, 8.5% and 4.0%, respectively, during the period from 2024 to 2028.

Cost of Raw Materials

The primary raw materials for the production of LFP cathode materials are lithium carbonate and iron phosphate. We have experienced fluctuations in the market prices of lithium carbonate and iron phosphate to different extents since 2021 due to changes in supply and demand. The price of lithium carbonate experienced a significant increase from 2021 to 2022, escalating from RMB119.8 thousand per ton in 2021 to RMB482.4 thousand per ton in 2022, and then dropped to RMB272.3 thousand per ton in 2023 and RMB103.5 thousand per ton in the first half of 2024. The price of iron phosphate increased from RMB14.3 thousand per ton in 2021 to RMB20.8 thousand per ton in 2022, and then decreased to RMB14.0 thousand per ton in 2023 and RMB10.4 thousand per ton in the first half of 2024. For the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, costs of lithium carbonate and iron phosphate amounted to RMB1,156.4 million, RMB8,902.6 million, RMB6,009.4 million, RMB2,940.1 million and RMB1,597.6 million, respectively, representing 38.9%, 76.5%, 68.4%, 72.5% and 49.5% of our cost of sales for the same periods.

The prices of such raw materials are largely affected by upstream availability and the supply and demand conditions in downstream industries. Any significant fluctuation in the prices of such raw materials could affect our cost of sales and have a significant impact on our profitability in view of the inherent production and delivery cycle. Our LFP cathode material products are priced primarily based on a number of factors, such as costs of raw materials and production costs. Generally, LFP cathode material prices closely follow the prevailing lithium carbonate prices listed on the SMM. Therefore, any fluctuation in principal raw material prices will affect the gross profit of our LFP cathode material business. According to Frost & Sullivan, the average price of lithium carbonate and iron phosphate dropped from RMB482.4 thousand per ton and RMB20.8 thousand per ton in 2022 to RMB272.3 thousand per ton and RMB14.0 thousand per ton in 2023, and further dropped to RMB103.5 thousand per ton and RMB10.4 thousand per ton in the first half of 2024 respectively. Following such sharp decrease, the average selling price of our LFP cathode material products decreased by approximately 51.5% from RMB128,699 per ton in 2022 to RMB62,464 per ton in 2023, and decreased by approximately 56.4% from RMB76,189 per ton in the first half of 2023 to RMB33,228 per ton in the first half of 2024, while cost of sales of LFP cathode materials only dropped by approximately 28.8% and 28.0%, respectively, during the same periods. As a result, we recorded gross loss of RMB57.5 million as well as provision for impairment loss of inventories of RMB554.5 million in 2023, which largely contributed to our net loss of RMB1,514.2 million in the year. The market challenges we faced in 2023 continued into the first half of 2024, although we saw some signs of improvement. For the six months ended June 30, 2024, we recorded a total revenue of RMB3,568.6 million, representing a decrease from RMB3,814.2 million in the same period of 2023. Our LFP cathode material segment revenue decreased from RMB2,851.5 million in the first half of 2023 to RMB2,475.6 million in the first half of 2024. This decrease was mainly attributable to two factors affecting average selling price of our LFP cathode materials, including (i) the decline in lithium carbonate market prices, and (ii) an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers which result in lower revenue recognized and lower average selling price. Despite these challenges, we saw an improvement in our gross profit, recording RMB344.0 million in the first half of 2024 compared to a gross loss of RMB241.4 million in the first half of 2023. Our net loss also decreased from RMB811.5 million in the first half of 2023 to RMB260.2 million in the first half of 2024. These improvements were primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations. If we are unable to manage our business in line with such price decline, whether through timely price adjustment to our LFP cathode materials or improving inventory management level, our profitability and financial condition could be further affected.

The principal raw materials of automotive specialty chemicals include base oil, urea and ethylene glycol. Due to the inflation in the countries of origin of raw materials and the gradually lifted COVID-19 pandemic restriction measures, raw material prices for automotive specialty chemical products experienced significant variations. The global average crude oil price per barrel rose from RMB443.5 in 2021 to RMB646.6 in 2022, and then decreased to RMB567.3 in 2023. The average price of urea granule in mainland China increased from RMB2,510.5 per ton in 2021 to RMB2,820.2 per ton in 2022, and then decreased to RMB2,460.9 per ton in 2023. The average price of ethylene glycol in mainland China continuously decreased from RMB5,239.2 per ton in 2021 to RMB4,116.7 per ton in 2023. For the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, the total costs of base oil, urea and ethylene glycol amounted to RMB718.0 million, RMB691.8 million, RMB691.4 million, RMB355.9 million and RMB338.1 million, respectively, representing 47.8%, 51.3%, 48.7%, 50.5% and 48.4% of the cost of sales of automotive specialty chemicals for the same periods.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of cost of principal raw materials, namely lithium carbonate and iron phosphate, on our gross profit during the Track Record Period, assuming all other variables remained constant. The cost of lithium carbonate accounted for 25.3%, 64.3%, 55.2%, 60.7% and 29.3% of our cost of sales in 2021, 2022, 2023 and the six months ended June 30, 2023 and 2024, respectively; and the cost of iron phosphate accounted for 13.6%, 12.2%, 13.2%, 11.8% and 20.2% of our cost of sales for the same periods, respectively. The hypothetical fluctuation rates are set by reference to the general range of changes in the prices of different raw materials that our Group experienced during the Track Record Period.

	Effect on gross profit				
	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	Gross profit/ (loss)	Gross profit/ (loss)	Gross profit/ (loss)	Gross profit/ (loss)	Gross profit/ (loss)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Change in cost of lithium carbonate					
+/–50%	–/+375,817	–/+3,738,474	–/+2,423,268	–/+1,230,833	–/+472,602
+/–75%	–/+563,725	–/+5,607,710	–/+3,634,902	–/+1,846,249	–/+708,902
+/–100%	–/+751,633	–/+7,476,947	–/+4,846,536	–/+2,461,665	–/+945,203
Change in cost of iron phosphate					
+/–10%	–/+40,473	–/+142,569	–/+116,291	–/+47,844	–/+65,236
+/–20%	–/+80,945	–/+285,137	–/+232,583	–/+95,687	–/+130,473
+/–50%	–/+202,363	–/+712,843	–/+581,456	–/+239,219	–/+326,182

The Management and Expansion of Our Production Capacity

The growth in our revenue and market share depends to a large extent on our ability to manage and expand our production capacity effectively. In order to meet growing customer demand for our products, we have in the past few years increased our production capacity and output. As of the Latest Practicable Date, we operated five and seven production facilities in mainland China for manufacturing LFP cathode materials and automotive specialty chemicals, respectively. Our capital expenditures, which were primarily used for the construction of our production facilities, amounted to RMB666.1 million, RMB2,233.7 million, RMB3,209.9 million, RMB1,405.9 million and RMB562.5 million for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively.

Despite the softening near-term demand sentiments and inventory destocking measures of downstream lithium-ion battery and NEV manufacturers in view of the unprecedented volatility in lithium carbonate market prices in 2023 and the continuation of these market challenges in the first half of 2024, downstream demand for LFP cathode materials is still considerable. Going forward, we plan to further expand our production capacity to cope with the expected increase in demand for LFP cathode materials. We decided to expand the geographical coverage of our production network by establishing an overseas production plant in Indonesia following the globalization trend of the industry. We also plan to construct additional LMFP production lines at our Xiangyang Plant. LMFP, such as our M series product, is currently considered a promising cathode material as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. For details on our production expansion plan, see "Business — Our Businesses — LFP Cathode Materials — Production expansion plans."

We believe that as our sales volume grows and our operational efficiency increases, our production costs as a percentage of revenue will tend to decrease due to economies of scale. However, if we are unable to generate sufficient revenue and profit to cover our substantial production costs, we will be faced with excess production capacities and our financial condition and results of operations could be adversely affected.

Diversified Business Lines and Product Mix

During the Track Record Period, we have been dedicated to promoting sustainable development of new energy resources through advancing our different business lines. For the automotive industry, we continued to provide high quality automotive specialty chemicals aiming to enhancing automotive and industrial functions efficiently while producing minimum harm to the environment; for new energy application and conservation, we continued to expand our LFP cathode materials market share. We are also in the progress of increasing our presence in other green energy industries such as hydrogen energy segment. Our profitability has been and will continue to be affected by the effectiveness of the combination of our different business lines and their respective dominance.

Benefited from our brand reputation established by our traditional automotive specialty chemical business line and leveraging our strong research and development capabilities and extensive customer base, we were able to tap into the LFP cathode material industry effectively and efficiently. We expanded our presence in the LFP cathode materials industry through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021 and our revenue derived from LFP cathode materials increased significantly by 552.3% from RMB1,876.8 million for the year ended December 31, 2021 to RMB12,241.9 million for the year ended December 31, 2022.

In terms of LFP cathode materials, we offer diversified products with different characteristics, including S series products with high compaction and high capacity, T series products engineered for improved charging efficiency and capacitance at low-temperatures, Z series products produced from recycled raw materials and M series LMFP cathode material products. Factors such as production process, compaction, capacity and magnification of different product types affect our manufacturing and direct labor costs, while price fluctuation of our main raw materials, market acceptance and supply-demand dynamics affect directly the selling prices of our products. As for automotive specialty chemicals, we mainly offer diesel exhaust fluid, automobile and industrial lubricant, coolants and car maintenance products. The diverse automotive specialty chemical product portfolio we provide cultivate customer loyalty effectively. As such, our profitability has been and will continue to be affected by the mix of our products.

Research and Development

Our results of operations partially depend on our ability to maintain our technical edge, keep abreast with the technological upgrade and timely adapt to evolving industry trends. Therefore, we have continuously invested in research and development to maintain and promote our technological capabilities. Our research and development expenses amounted to RMB208.0 million, RMB615.5 million, RMB485.7 million, RMB265.6 million and RMB203.6 million for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively, representing 5.1%, 4.4%, 5.6%, 7.0% and 5.7% of our total revenue for the same periods.

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from January 1, 2024, together with the relevant transitional provisions and the related interpretations issued by the IASB, have been consistently applied by the Group in the preparation of the consolidated financial statements throughout the Track Record Period.

The historical financial information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

Acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano

In June 2021, we, through Changzhou Liyuan, acquired the entire equity interest in Tianjin Beiterui Nano and Jiangsu Beiterui Nano at considerations of RMB328.6 million and RMB515.8 million, respectively. For details, see "History and Development — Major Acquisitions and Disposals — Acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano" and the Accountants' Reports of Tianjin Beiterui Nano and Jiangsu Beiterui Nano as set out in Appendix IB and Appendix IC respectively to this prospectus.

We have consolidated the results of operations of Tianjin Beiterui Nano and Jiangsu Beiterui Nano since June 1, 2021 in accordance with the relevant equity transfer agreements, which stipulated that in case of the date of completion of equity transfers falling on or before 15th of the month, the results of operations of the subject matter companies shall be so consolidated. The equity transfers were both completed on June 11, 2021, the date on which the equity transfers were registered at the relevant authorities. The pre-acquisition financial information of Tianjin Beiterui Nano for the five months ended May 31, 2021 are set forth in Appendix IB to this prospectus. The pre-acquisition financial information of Jiangsu Beiterui Nano for the period from January 28, 2021 (date of incorporation) to May 31, 2021 are set forth in Appendix IC to this prospectus.

MATERIAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

We have identified certain accounting policies that are significant to the preparation of our financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgment and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. For details on our material accounting policies, judgments and estimates, see Note 4 and Note 5 to Part II of the Accountants' Report in Appendix IA to this prospectus.

SUMMARY OF RESULTS OF OPERATIONS DURING THE TRACK RECORD PERIOD

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The results of operations in any particular period are not necessarily indicative of our future trends.

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	**4,053,505**	**14,071,643**	**8,729,479**	**3,814,204**	**3,568,612**
Cost of sales	(2,973,747)	(11,638,338)	(8,786,960)	(4,055,637)	(3,224,638)
Gross profit/(loss)	**1,079,758**	**2,433,305**	**(57,481)**	**(241,433)**	**343,974**
Other income, gains and losses	37,316	95,335	92,288	72,711	134,067
(Impairment losses)/reversal of impairment losses on financial assets	(23,134)	(70,362)	(18,966)	36,334	30,458
Selling and distribution expenses	(172,759)	(176,859)	(196,537)	(105,676)	(80,664)
Administrative expenses	(156,470)	(319,796)	(868,973)	(350,699)	(262,110)
Research and development expenses	(207,953)	(615,549)	(485,724)	(265,631)	(203,587)
Share of results of associates	(279)	16,956	(23,583)	(2,657)	(11,877)
Finance costs	(49,757)	(202,143)	(261,377)	(108,457)	(130,395)
Listing expenses	—	—	(10,216)	(7,030)	(13,395)
Profit/(loss) before taxation	**506,722**	**1,160,887**	**(1,830,569)**	**(972,538)**	**(193,529)**
Income tax (expense)/credit	(73,304)	(130,941)	316,368	161,051	(66,691)
Profit/(loss) for the year/period	**433,418**	**1,029,946**	**(1,514,201)**	**(811,487)**	**(260,220)**
Profit/(loss) for the year/period attributable to:					
Owners of the Company	351,103	752,897	(1,233,291)	(654,008)	(217,820)
Non-controlling interests	82,315	277,049	(280,910)	(157,479)	(42,400)
	433,418	**1,029,946**	**(1,514,201)**	**(811,487)**	**(260,220)**

DESCRIPTION OF KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We currently conduct our business mainly in mainland China and substantially all of our revenue derives from domestic customers.

Our revenue increased by 247.1% from RMB4,053.5 million in 2021 to RMB14,071.6 million in 2022. Our revenue decreased by 38.0% from RMB14,071.6 million in 2022 to RMB8,729.5 million in 2023. Our revenue decreased by 6.4% from RMB3,814.2 million for the six months ended June 30, 2023 to RMB3,568.6 million for the six months ended June 30, 2024.

Revenue by types of products and services

During the Track Record Period, our revenue primarily derived from sales of LFP cathode materials and automotive specialty chemicals. Our automotive specialty chemicals primarily include diesel exhaust fluid, automobile and industrial lubricant, coolants and car maintenance products. The following table sets forth a breakdown of our revenue by types of products and services for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
LFP cathode materials	1,876,842	46.3	12,241,873	87.0	6,753,628	77.4	2,851,523	74.8	2,475,580	69.4
— Without procurement of lithium carbonate and raw materials from customers	1,876,842	46.3	12,084,887	85.9	6,186,681	70.9	2,673,665	70.1	1,696,977	47.6
— With procurement of lithium carbonate and raw materials from customers[(1)]	—	—	156,986	1.1	566,947	6.5	177,858	4.7	778,603	21.8
Automotive specialty chemicals	2,118,725	52.3	1,762,814	12.5	1,903,212	21.8	938,057	24.6	970,147	27.2
— Diesel exhaust fluid	790,630	19.5	688,861	4.9	625,738	7.1	323,102	8.5	306,607	8.6
— Automobile and industrial lubricant	844,402	20.8	623,553	4.4	706,616	8.1	362,948	9.5	367,623	10.3
— Coolant	403,708	10.0	382,661	2.7	484,701	5.6	203,246	5.3	248,948	7.0
— Car maintenance products	61,955	1.5	58,330	0.4	70,240	0.8	35,978	0.9	36,988	1.0
— Other products[(2)]	18,030	0.5	9,409	0.1	15,917	0.2	12,783	0.4	9,981	0.3
Processing income from lithium carbonate	—	—	—	—	—	—	—	—	42,685	1.2
Others[(3)]	57,938[(4)]	1.4	66,956	0.5	72,639	0.8	24,624	0.6	80,200	2.2
Total	**4,053,505**	**100.0**	**14,071,643**	**100.0**	**8,729,479**	**100.0**	**3,814,204**	**100.0**	**3,568,612**	**100**

Notes:

(1) Revenue from sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers is recognized on a net basis, excluding cost of lithium carbonate and raw materials procured from customers.

(2) Mainly comprising revenue from sales of filling equipment and packaging containers for automotive specialty chemical products.

(3) Mainly comprising revenue from sales of daily chemical products and unfinished products as well as revenue from our emerging hydrogen energy business.

(4) Including revenue from selling of small amounts of LFP cathode materials produced by third party contract manufacturers we engaged. During the Track Record Period and prior to the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano, revenue generated from selling of such LFP cathode materials amounted to RMB4.2 million in 2021.

We engaged third party contract manufacturers to produce small amounts of LFP cathode materials in 2020 and the first half of 2021 to start building knowledge and relationships in the emerging NEV supply chain. Revenue from trading of such LFP cathode materials was classified as revenue from other businesses. We then expanded our presence in the LFP cathode material industry by acquiring Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021. Since then, we had experienced the strong growth of our LFP cathode material business driven by the rapid development and growth in demand of downstream NEV and energy storage industries as well as the significant increase in the price of principal raw materials, such as lithium carbonate.

We recorded revenue from sales of automotive specialty chemicals of RMB2,118.7 million, RMB1,762.8 million, RMB1,903.2 million, RMB938.1 million and RMB970.1 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The decrease in revenue from sales of automotive specialty chemicals in 2022 and 2023 was primarily due to (i) the declined demand for our products as transportation and logistics in mainland China were affected during the COVID-19 pandemic, and (ii) the more intense market competition, such as bundle sales by our competitors as sales and marketing strategies.

We engaged in the processing services of lithium carbonate and recognized processing income from lithium carbonate of RMB42.7 million for the six months ended June 30, 2024.

For detailed analysis on revenue by types of products and services, see "— Period to Period Comparison of Results of Operations."

Revenue by sales channels

The following table sets forth a breakdown of our revenue by sales channels for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distributors	1,065,852	26.3	894,740	6.4	841,082	9.6	466,589	12.2	451,997	12.7
Corporate clients	2,756,892	68.0	13,044,441	92.7	7,659,571	87.8	3,266,595	85.7	3,045,348	85.3
OEM customers	196,539	4.9	105,740	0.8	195,391	2.2	66,337	1.7	53,874	1.5
Online channels	34,222	0.8	26,722	0.1	33,435	0.4	14,683	0.4	17,393	0.5
Total	**4,053,505**	**100.0**	**14,071,643**	**100.0**	**8,729,479**	**100.0**	**3,814,204**	**100.0**	**3,568,612**	**100.0**

The products we sold to distributors were substantially automotive specialty chemicals. The products we sold to corporate clients were primarily LFP cathode materials. Therefore, the fluctuations of revenue contribution from distributors and corporate clients were generally in line with the fluctuations of revenue from sales of automotive specialty chemicals and LFP cathode materials, respectively.

We sell certain automotive specialty chemicals to OEM customers who generally order mass quantities of products produced according to their requirements and specifications for distribution under their own brands. To the best knowledge of our Directors, some of these customers have subsequently established or expanded their own production facilities, leading to the decrease in our revenue from OEM customers from 2021 to 2022. The increase in revenue from OEM customers in 2023 was primarily due to an increase in demand for our products from some other remaining OEM customers. Revenue from OEM customers then decreased in the first half of 2024. This change primarily reflects normal fluctuations in order patterns and demand cycles of OEM customers which may vary from time to time.

We also sell automotive specialty chemicals to retail consumers through our self-operated online stores on various popular e-commerce platforms in China. The decreases in revenue from online channels in 2022 were primarily due to lower demand for online purchases of automotive specialty chemicals and the delayed delivery of our products sold through online channels during the COVID-19 pandemic. The increase in revenue from online channels in 2023 was primarily driven by an increase in the demand for automotive specialty chemicals following the recovery of transportation and logistics in mainland China. The increase in revenue from online channels for the six months ended June 30, 2024 as compared to that in the corresponding period in 2023 was primarily due to the increase in online sales volume of our diesel exhaust fluid.

Sales volume and average selling prices

Our sales volume is mainly driven by the market demand of our products, which is in turn primarily affected by the development of downstream industries, industry policies and the quality of our products. The selling price of our products is largely affected by cost of raw materials and the supply and demand of our products. The following table sets forth the sales volume and average selling prices per ton of LFP cathode materials and automotive specialty chemicals for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton	Sales volume	Average selling price per ton
	ton	RMB	ton	RMB	ton	RMB	ton	RMB	ton	RMB
LFP cathode materials	30,505	61,526	95,120	128,699	108,120	62,464	37,427	76,189	74,503	33,228
Automotive specialty chemicals										
— Diesel exhaust fluid	449,808	1,758	373,821	1,843	331,370	1,888	172,281	1,875	171,095	1,792
— Automobile and industrial lubricant	56,087	15,055	37,262	16,734	39,577	17,854	21,023	17,264	20,428	17,996
— Coolant	80,102	5,040	73,874	5,180	99,372	4,878	41,267	4,925	53,642	4,641
— Car maintenance products	13,126	4,720	11,758	4,961	15,144	4,638	6,904	5,211	7,977	4,637

Notes:

(1) The sales volume and average selling prices of other products are not meaningful and therefore are not illustrated due to a number of different types of products combined in this category.

(2) Sales volume includes products produced under subcontracting arrangements. See "Business — Our Businesses — Automotive Specialty Chemicals — Subcontracting."

According to Frost & Sullivan, the average industry prices of LFP cathode materials were approximately RMB55,000 per ton, RMB125,000 per ton, RMB72,200 per ton and RMB37,400 per ton in 2021, 2022, and 2023 and the six months ended June 30, 2024, respectively. For details, see "Industry Overview — Average Price Analysis of LFP Cathode Material."

For 2021, our average selling price of RMB61,526 per ton was mainly based on our sales after the expansion of our LFP cathode material business through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021, when market prices were elevated in the second half of the year due to a substantial increase in lithium carbonate prices, and therefore was higher than the full-year industry average in 2021.

For 2022, our average selling price of RMB128,699 per ton was largely aligned with the industry average of RMB125,000 per ton, following the significant growth in the LFP cathode material industry in the year.

For 2023 and the six months ended June 30, 2024, our relatively lower average selling price compared to average industry prices was attributable to an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers. In these cases, costs of such customer-supplied raw materials were deducted upon revenue recognized, resulting in a lower average selling price.

For further detailed analysis, see "— Period to Period Comparison of Results of Operations."

Cost of Sales

Our cost of sales primarily consists of cost of raw materials, manufacturing overheads, depreciation of production facilities and machinery, employee benefit expenses and other costs such as transportation costs, tax charges and subcontracting service fees.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Cost of raw materials. . .	2,391,727	80.4	10,519,529	90.4	7,465,178	85.0	3,545,899	87.4	2,327,372	72.1
— Lithium carbonate . . .	751,633	25.3	7,476,947	64.3	4,846,536	55.2	2,461,665	60.7	945,203	29.3
— Iron phosphate	404,725	13.6	1,425,686	12.2	1,162,913	13.2	478,437	11.8	652,364	20.2
— Base oil	294,509	9.9	247,489	2.1	269,654	3.1	147,431	3.6	131,732	4.1
— Ethylene glycol	139,254	4.7	145,084	1.2	170,832	1.9	76,259	1.9	96,179	3.0
— Urea	284,196	9.6	299,246	2.6	250,872	2.9	132,228	3.3	110,217	3.4
— Other raw materials[1]	517,410	17.3	925,077	8.0	764,371	8.7	249,879	6.1	391,677	12.1
Manufacturing overheads	216,820	7.3	486,801	4.2	643,297	7.3	208,681	5.1	459,766	14.3
Depreciation	58,639	2.0	142,802	1.2	273,534	3.1	110,736	2.7	205,290	6.4
Employee benefit expenses	54,362	1.8	88,032	0.8	125,966	1.4	48,977	1.2	83,880	2.6
Others[2]	252,199	8.5	401,174	3.4	278,985	3.2	141,344	3.6	148,330	4.6
Total	**2,973,747**	**100.0**	**11,638,338**	**100.0**	**8,786,960**	**100.0**	**4,055,637**	**100.0**	**3,224,638**	**100.0**

Notes:

(1) Including other raw materials used in our production and raw materials procured from third-party manufacturers for subcontracting purposes.

(2) Including without limitation transportation costs, tax charges and subcontracting service fees.

Our cost of sales increased significantly by 291.4% from RMB2,973.7 million in 2021 to RMB11,638.3 million in 2022, primarily due to our sales growth and the significant increase in raw material prices. Our cost of sales decreased by 24.5% from RMB11,638.3 million in 2022 to RMB8,787.0 million in 2023, primarily due to (i) the decrease in cost of raw materials as a result of the reduced sales of LFP cathode materials in 2023 and (ii) the increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers from RMB157.0 million in 2022 to RMB566.9 million in 2023, cost of which was deducted directly upon the recognition of such revenue. Our cost of sales decreased by 20.5% from RMB4,055.6 million for the six months ended June 30, 2023 to RMB3,224.6 million for the six months ended June 30, 2024, primarily due to the decrease in cost of lithium carbonate along with the decline in its market price.

During the Track Record Period, cost of raw materials constituted the largest portion of our cost of sales. For the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, cost of raw materials amounted to RMB2,391.7 million, RMB10,519.5 million, RMB7,465.2 million, RMB3,545.9 million and RMB2,327.4 million, respectively, accounting for approximately 80.4%, 90.4%, 85.0%, 87.4%, and 72.1% of our total cost of sales for the same periods. During the Track Record Period, our cost of raw materials were mainly affected by (i) change in our product mix, especially the significant increase in sales of our LFP cathode materials in 2022, as a result of our acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021 and (ii) fluctuations in the market prices of our principal raw materials, such as lithium carbonate and iron phosphate for LFP cathode materials and base oil, ethylene glycol, urea for automotive specialty chemicals.

Manufacturing overheads primarily consist of utilities expenses, cost of spare parts and maintenance expenses. Depreciation represents the depreciation of our production facilities, such as plants and machineries. Employee benefit expenses consist of wages, salaries and bonuses paid to manufacturing personnel. Other cost of sales includes without limitation transportation costs, tax charges and subcontracting service fees.

The following table sets forth a breakdown of our cost of sales by types of products and services for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
LFP cathode materials	1,423,164	47.9	10,245,027	88.0	7,297,947	83.1	3,329,185	82.1	2,398,341	74.4
Automotive specialty chemicals	1,502,570	50.5	1,347,572	11.6	1,418,986	16.1	705,383	17.4	698,223	21.7
— Diesel exhaust fluid	602,167	20.2	533,990	4.6	488,342	5.5	235,968	5.8	221,158	6.9
— Automobile and industrial lubricant	536,221	18.0	474,759	4.1	514,624	5.9	282,048	7.0	258,251	8.0
— Coolant	303,598	10.2	292,935	2.5	356,869	4.1	149,814	3.7	185,281	5.7
— Car maintenance products	44,863	1.5	38,424	0.3	49,151	0.5	26,916	0.7	24,806	0.8
— Other products(1)	15,721	0.6	7,464	0.1	10,000	0.1	10,637	0.2	8,727	0.3
Processing income from lithium carbonate	—	—	—	—	—	—	—	—	43,289	1.3
Others(2)	48,013	1.6	45,739	0.4	70,027	0.8	21,069	0.5	84,785	2.6
Total	**2,973,747**	**100.0**	**11,638,338**	**100.0**	**8,786,960**	**100.0**	**4,055,637**	**100.0**	**3,224,638**	**100.0**

Notes:

(1) Mainly comprising cost of sales of filling equipment and packaging containers for automotive specialty chemical products.

(2) Mainly comprising cost of sales of daily chemical products and unfinished products as well as cost of sales of our emerging hydrogen energy business.

Gross Profit/(Loss) and Gross Profit/(Loss) Margin

Our gross profit/loss represents the difference between total revenue and total cost of sales. Gross profit/loss margin represents gross profit/loss as a percentage of total revenue. For the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our overall gross profit/(loss) amounted to RMB1,079.8 million, RMB2,433.3 million, RMB(57.5) million, RMB(241.4) million and RMB344.0 million, respectively. Our overall gross profit/(loss) margins was 26.6%, 17.3%, (0.7)%, (6.3)% and 9.6%,respectively, for the same periods. The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margins by types of major products and services for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
LFP cathode materials	453,678	24.2	1,996,846	16.3	(544,319)	(8.1)	(477,662)	(16.8)	77,239	3.1
— Without procurement of lithium carbonate and raw materials from customers	453,678	24.2	1,960,487	16.2	(624,744)	(10.1)	(480,670)	(18.0)	(6,728)	(0.4)
— With procurement of lithium carbonate and raw materials from customers	—	—	36,359	23.2	80,425	14.2	3,008	1.7	83,967	10.8
Automotive specialty chemicals	616,155	29.1	415,242	23.6	484,226	25.4	232,674	24.8	271,924	28.0
— Diesel exhaust fluid	188,463	23.8	154,871	22.5	137,396	22.0	87,134	27.0	85,449	27.9
— Automobile and industrial lubricant	308,181	36.5	148,794	23.9	191,992	27.2	80,900	22.3	109,372	29.8
— Coolant	100,110	24.8	89,726	23.4	127,832	26.4	53,432	26.3	63,668	25.6
— Car maintenance products	17,092	27.6	19,906	34.1	21,089	30.0	9,062	25.2	12,182	32.9
Lithium carbonate processing services	—	—	—	—	—	—	—	—	(604)	(1.4)

Our LFP cathode material products are priced primarily based on a number of factors, such as raw materials and production costs. Generally, LFP cathode material prices closely follow the prevailing lithium carbonate prices listed on the SMM, rendering the initial procurement cost of consumed raw materials higher than the selling price of our LFP cathode materials when the price of lithium carbonate is in a decline cycle. Therefore, any fluctuation in principal raw material prices will affect the gross profit of our LFP cathode material business. The gross profit margin of LFP cathode materials decreased from 24.2% in 2021 to 16.3% in 2022, primarily because the growth of our cost of sales in the year outpaced that of our revenue due to our purchases of lithium carbonate in the fourth quarter of 2022 when its price was high. Despite we recorded gross profit of RMB80.4 million for sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, the sharp decline in raw material prices, especially lithium carbonate, in 2023 resulted in overall gross loss of LFP cathode material products in the year. We recorded gross profit of LFP cathode materials of RMB77.2 million for the six months ended June 30, 2024, primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

The relatively low profit margin of our sales of automotive specialty chemicals business for the years ended December 31, 2022 and 2023 and the six months ended June 30, 2024 was mainly due to (i) the declined demand for the products as transportation and logistics in the PRC were affected by the COVID-19 pandemic, and (ii) the more intense market competition, such as bundle sales by the competitors as sales and marketing strategies.

The slight decrease in the gross profit margin of diesel exhaust fluid from 23.8% in 2021 to 22.5% in 2022 was primarily due to (i) the intense market competition and (ii) the increase in prices of raw materials. The gross profit margin of diesel exhaust fluid then remained relatively stable at 22.0% in 2023. The gross profit margin of diesel exhaust fluid remained relatively stable at 27.0% and 27.9% for the six months ended June 30, 2023 and 2024, respectively.

The gross profit margin of automobile and industrial lubricant decreased from 36.5% in 2021 to 23.9% in 2022, primarily due to an increase in raw material prices, especially base oil. The gross profit margin of automobile and industrial lubricant then increased to 27.2% in 2023, primarily due to the decrease in raw material prices in 2023. The gross profit margin of automobile and industrial lubricant increased from 22.3% for the six months ended June 30, 2023 to 29.8% for the same period in 2024, primarily due to the decline in raw material prices.

The gross profit margin of coolants remained relatively stable at 24.8% and 23.4% in 2021 and 2022, respectively. The gross profit margin of coolants then increased to 26.4% in 2023, primarily due to the decrease in the market prices of raw materials. The gross profit margin of coolants remained relatively stable at 26.3% and 25.6% for the six months ended June 30, 2023 and 2024, respectively.

The relatively low gross profit margin of car maintenance products in 2021 was primarily due to the change in product mix as we promoted and sold more windshield washer fluid in the year which had a relatively low gross profit margin compared to other car maintenance products. The increase in the proportion of sales of windshield washer fluid also contributed to further decrease in the gross profit margin of car maintenance products from 34.1% in 2022 to 30.0% in 2023. The gross profit margin of car maintenance products increased from 25.2% for the six months ended June 30, 2023 to 32.9% for the same period in 2024, primarily due to change in product mix.

We recorded negative gross margin of 1.4% for lithium carbonate processing services in the first half of 2024, primarily due to lack of economies of scale at the early production phase of the facility for the relevant batches.

The following table sets forth a breakdown of our gross profit/(loss) and gross profit/(loss) margins by sales channels for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin	Gross profit/ (loss)	Gross profit/ (loss) margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Distributors	365,630	34.3	252,965	28.3	236,662	28.1	106,128	22.7	144,673	32.0
Corporate clients	649,997	23.6	2,156,843	16.5	(344,057)	(4.5)	(360,380)	(11.0)	181,462	6.0
OEM customers	48,231	24.5	10,441	9.9	32,389	16.6	5,799	8.7	9,115	16.9
Online channels	15,900	46.5	13,056	48.9	17,525	52.4	7,020	47.8	8,724	50.2
Total	**1,079,758**	**26.6**	**2,433,305**	**17.3**	**(57,481)**	**(0.7)**	**(241,433)**	**(6.3)**	**343,974**	**9.6**

During the Track Record Period, the fluctuations in gross profit of sales to distributors and corporate clients were generally in line with that in gross profit of automotive specialty chemicals and LFP cathode materials, respectively.

The decrease in gross profit of sales to distributors in 2022 was primarily due to more intense competition in the automotive specialty chemical market and the increase in raw material market prices in the year. The gross profit of sales to distributors then remained relatively stable in 2023. The gross profit of sales to distributors increased compared with that for the six months ended June 30, 2023, primarily due to change in product mix as we sold more coolants to distributors that had relatively higher gross profit margin compared with other types of products sold to distributors.

The gross profit of sales to corporate clients was largely affected by the changes in raw material prices of LFP cathode materials, especially lithium carbonate, as LFP cathode material prices closely followed the prevailing lithium carbonate prices listed on the SMM.

The gross profit of sales to OEM customers decreased in 2022, primarily due to an increase in the proportion of sales to OEM customers who provided us with raw materials for production. The gross profit of sales to OEM customers then increased in 2023 primarily due to a decrease in raw material market prices in the year. The decrease in raw material prices further contributed to the increase in gross profit margin of sales to OEM customers in the first half of 2024.

The gross profit of sales through online channels remained relatively stable during the Track Record Period. The increase in gross profit margin of online sales from 2021 to 2023 was primarily due to change in product mix, such as the increased online sales of gasoline vehicle lubricant which was generally sold at higher prices. The increase in gross profit margin of online sales in the first half of 2024 compared with that in the same period in 2023 was primarily due to the increased online sales of diesel exhaust fluid that had relatively higher gross profit margin compared with other types of products sold online.

Other Income, Gains and Losses

Our other income, gains and losses primarily consist of (i) interest income on bank deposit, (ii) government grants, (iii) loss on disposal of property, plant and equipment, (iv) gain on early termination of leases, (v) gain on disposal of interests in an associate, (vi) gain or loss from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**"), (vii) loss from changes in fair value of other borrowings at FVTPL and (viii) loss or gain from changes in fair value of derivatives.

The following table sets forth a breakdown of our other income, gains and losses for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest income on bank deposit	3,897	14,956	31,335	12,286	12,273
Government grants	22,687	47,145	86,517	52,688	106,093
Loss on disposal of property, plant and equipment	(2,096)	(273)	(948)	(1,172)	(388)
Gain on early termination of leases	—	14,078	—	—	1,823
Gain on disposal of interests in an associate	—	—	16,583	16,583	—
Gain/(loss) from changes in fair value of financial assets at FVTPL	8,389	16,288	46,900	15,357	(5,539)
Loss from changes in fair value of other borrowings at FVTPL	—	—	(106,250)	(24,884)	(16,355)
(Loss)/gain from changes in fair value of derivatives	—	—	(876)	—	30,319
Others	4,439	3,141	19,027	1,853	5,841
Total	**37,316**	**95,335**	**92,288**	**72,711**	**134,067**

Interest income on bank deposit is affected by the balance of our cash at banks. The significant increase in interest income on bank deposit from 2021 to 2023 was primarily attributable to (i) the proceeds from our non-public offering in 2022, (ii) our cash generated from operating activities and the addition of bank borrowings in 2023. For details of our non-public offering in 2022, see "History and Development — Establishment and Major Shareholding Changes of Our Company — Share Capital Changes in 2022." Our interest income on bank deposit remained relatively stable at RMB12.3 million for the six months ended June 30, 2023 and 2024, respectively.

Government grants primarily consist of tax refunds, operating subsidies and various industry-specific subsidies granted by the government authorities to reward the Group's effort for technological innovation. The government grants we received were generally non-recurring in nature. To the best knowledge of our Directors, there are no unfulfilled conditions relating to these government grants. The increase in government grants during the Track Record Period was primarily attributable to equipment and rent subsidies for our Pengxi Plant.

Loss or gains on disposal of property, plant and equipment mainly comprise loss or gains on disposal of machinery and equipment.

Gain on early termination of leases derives from the return of a parcel of leasehold land to the lessor, the local government.

Gain on disposal of interests in an associate in 2023 represented our gain on disposal of our interest in Sichuan Yingda Lithium New Material Co., Ltd. (四川省盈達鋰電新材料有限公司, "**Sichuan Yingda**").

Gain from changes in fair value of financial assets at FVTPL represents gain or loss from our listed and unlisted equity investments in PRC companies, our unlisted fund investment and the wealth management products we purchased. The wealth management products were issued by regulated commercial banks in the PRC and were low-risk in nature. The wealth management products were structured deposits with financial institutions with maturities within one year. The returns of the structured deposits were typically made up of both guaranteed minimum returns and variable returns tied to the performance of certain underlying financial assets, such as gold spot price and currency exchange rates. The returns of these investments were determined by reference to the performance of the expected return rates stated in the contracts. We believe the wealth management products we purchased are of low risks considering their guaranteed minimum returns and short terms.

We incurred loss from changes in fair value of other borrowings at FVTPL amounting to RMB106.3 million, RMB24.9 million and RMB16.4 million in 2023 and the six months ended June 30, 2023 and 2024, respectively. Other borrowings derived from the repurchase right granted to certain new investors of Changzhou Liyuan in connection with its capital increases in 2021 and the first half of 2024. For details of the capital increase and the repurchase right, see "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021 and Subsequent Capital Increases." Under the repurchase right, the new investors shall have the right, in the event of certain circumstances, to demand our Company or its designated party to repurchase the equity interest in Changzhou Liyuan held by them. Such capital contribution by the investors was accounted for as a liability of the Group in substance.

Loss or gain from changes in fair value of derivatives represents the loss or gain from lithium carbonate futures we invested in to hedge against price fluctuations of lithium carbonate. We recorded loss from changes in fair value of derivatives of approximately RMB876,000 in 2023 and gain from changes in fair value of derivatives of RMB30.3 million as affected by the fluctuations in lithium carbonate prices and the timing of our investment in and disposal of lithium carbonate futures.

(Impairment Losses)/Reversal of Impairment Losses on Financial Assets

Impairment losses on financial assets primarily represent the impairment losses on our trade and other receivables calculated based on the expected credit loss rates of our trade and other receivables at the end of the reporting period. We recorded impairment losses on financial assets of RMB23.1 million, RMB70.4 million and RMB19.0 million in 2021, 2022 and 2023, respectively, whereas we recorded reversal of impairment losses on financial assets of RMB36.3 million and RMB30.5 million for the six months ended June 30, 2023 and 2024, respectively.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consist of (i) advertising expenses, (ii) employee benefit expenses, (iii) travel expenses, (iv) consulting service fees, such as service fees paid to external parties for introducing sales opportunities to us, (v) business entertainment expenses and (vi) depreciation and amortization.

The following table sets forth a breakdown of our selling and distribution expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Advertising expenses	60,681	35.1	67,558	38.2	73,968	37.6	38,696	36.6	14,483	18.0
Employee benefit expenses	59,763	34.6	60,230	34.0	57,247	29.1	32,068	30.3	31,998	39.7
Travel expenses	18,611	10.8	16,972	9.6	21,651	11.0	10,079	9.5	9,748	12.1
Consulting service fees	14,449	8.4	13,087	7.4	17,627	9.0	13,142	12.4	12,442	15.4
Business entertainment expenses	5,202	3.0	6,576	3.7	14,227	7.2	5,214	4.9	6,070	7.5
Depreciation and amortization	3,071	1.8	5,576	3.2	5,311	2.7	2,718	2.6	1,538	1.9
Others[Note]	10,982	6.3	6,860	3.9	6,506	3.4	3,759	3.7	4,385	5.4
Total	**172,759**	**100.0**	**176,859**	**100.0**	**196,537**	**100.0**	**105,676**	**100.0**	**80,664**	**100.0**

Note: Others mainly include office expenses, warehouse rents, maintenance expenses, training expenses, etc.

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our selling and distribution expenses amounted to RMB172.8 million, RMB176.9 million, RMB196.5 million, RMB105.7 million and RMB80.7 million, respectively, representing 4.3%, 1.3%, 2.3%, 2.8% and 2.3% of our total revenue for the same periods. The decrease in our selling and distribution expenses as a percentage of revenue in 2022 was primarily because selling and distribution expenses as a percentage of revenue from sales of LFP cathode materials was relatively lower than that of our traditional automotive specialty chemicals. LFP cathode materials are mainly sold to corporate clients whilst sales to distributors are mainly sales of automotive specialty chemicals, thus a much smaller sales team is required by our LFP cathode material business as compared to that of our automotive specialty chemical business. The increase in our selling and distribution expenses as a percentage of revenue in 2023 was primarily due to (i) further increase in selling and distribution expenses mainly attributable to (a) the increase in advertising expenses due to more billboard and elevator advertising and (b) the increase in travel expenses and business entertainment expenses as a result of our efforts in expanding customer base and maintaining relationship with existing customers and (ii) the decrease in revenue from sales of LFP cathode materials in the period. Our selling and distribution expenses as a percentage of revenue remained relatively stable for the six months ended June 30, 2023 and 2024, respectively.

Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses, (ii) provision for impairment loss of inventories, (iii) depreciation and amortization, (iv) share-based payment expenses in connection with our share option scheme adopted on November 20, 2020, (v) consulting service fees, (vi) security expenses, (vii) business entertainment expenses, (viii) office expenses and (ix) provision for impairment loss of goodwill.

The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Employee benefit expenses	61,888	39.6	118,111	36.9	121,089	13.9	66,126	18.9	89,743	34.2
Provision for impairment loss of inventories . . .	2,226	1.4	72,567	22.7	554,547	63.8	222,327	63.4	69,494	26.5
Depreciation and amortization	21,231	13.6	35,847	11.2	44,188	5.1	20,369	5.8	32,039	12.2
Share-based payment expenses	—	—	4,432	1.4	2,682	0.3	12,907	3.7	4,664	1.8
Consulting service fees . .	24,046	15.4	13,971	4.4	14,534	1.7	7,746	2.2	10,702	4.2
Security expenses.	6,425	4.1	8,071	2.5	9,832	1.1	4,473	1.3	5,024	1.9
Business entertainment expenses	5,580	3.6	7,375	2.3	10,229	1.2	4,208	1.2	4,985	1.9
Office expenses	15,544	9.9	6,391	2.0	9,242	1.1	4,121	1.2	643	0.2
Provision for impairment loss of goodwill	—	—	28,881	9.0	72,773	8.4	1,406	0.3	25,249	9.6
Others[Note]	19,530	12.4	24,150	7.6	29,857	3.4	7,016	2.0	19,567	7.5
Total	**156,470**	**100.0**	**319,796**	**100.0**	**868,973**	**100.0**	**350,699**	**100.0**	**262,110**	**100.0**

Note: Others mainly include service charges, depreciation of right-of-use assets, travel expenses, etc.

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our administrative expenses amounted to RMB156.5 million, RMB319.8 million, RMB869.0 million, RMB350.7 million and RMB262.1 million, respectively, representing 3.9%, 2.3%, 10.0%, 9.2% and 7.3% of our total revenue for the same periods. The decrease in our administrative expenses as a percentage of revenue in 2022 was primarily due to the significant revenue growth of 247.1% in 2022, partially attributable to revenue growth of our LFP cathode material business in the year, which outpaced the growth of our administrative expenses of 104.3% in the same year. The increase in our administrative expenses as a percentage of revenue in 2023 as compared to that in 2022 was primarily due to (i) further increase in administrative expenses mainly attributable to the increase in the provision for impairment loss of inventories due to continuous decrease in raw material prices, especially lithium carbonate, and (ii) the decrease in revenue from sales of LFP cathode materials in 2023. The decrease in our administrative expenses as a percentage of revenue for the six months ended June 30, 2024 as compared to that in the corresponding period in 2023 was primarily due to a decrease in provision for impairment loss of inventories as the market price of lithium carbonate was less volatile in the first half of 2024 in comparison to the first half of 2023.

We recognized provision for impairment loss of inventories of RMB2.2 million, RMB72.6 million, RMB554.5 million, RMB222.3 million and RMB69.5 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The large amounts of provision for impairment loss of inventories recorded since 2022 were primarily due to the continuous decrease in raw material prices, especially lithium carbonate, since late 2022.

We recognized provision for impairment loss of goodwill of RMB28.9 million, RMB72.8 million, RMB1.4 million and RMB25.2 million in 2022 and 2023 and the six months ended June 30, 2023 and 2024 as the respective recoverable amounts of certain subsidiaries acquired during the Track Record Period were estimated to be lower than their respective carrying amounts. For details, see Note 17 to Part II of the Accountants' Report in Appendix IA to this prospectus.

Research and Development Expenses

Our research and development expenses primarily consist of (i) direct materials used for research and development activities, (ii) employee benefit expenses, (iii) depreciation, (iv) processing and testing fees and (v) technical service fees paid to patent agents.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
							(unaudited)			
Direct materials	159,662	76.8	523,066	85.0	365,324	75.2	206,438	77.7	124,664	61.2
Employee benefit expenses	31,850	15.3	67,773	11.0	87,119	17.9	43,981	16.6	55,245	27.1
Depreciation	8,019	3.9	14,435	2.3	19,636	4.0	7,961	3.0	13,055	6.4
Processing and testing fees	2,510	1.2	3,053	0.5	4,158	0.9	1,275	0.5	480	0.2
Technical service fees	2,846	1.4	2,194	0.4	1,623	0.3	997	0.4	3,369	1.7
Others[Note]	3,066	1.4	5,028	0.8	7,864	1.7	4,979	1.8	6,774	3.3
Total	**207,953**	**100.0**	**615,549**	**100.0**	**485,724**	**100.0**	**265,631**	**100.0**	**203,587**	**100.0**

Note: Others include travel expenses, waste disposal fees, etc.

In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our research and development expenses amounted to RMB208.0 million, RMB615.5 million, RMB485.7 million, RMB265.6 million and RMB203.6 million, respectively, representing 5.1%, 4.4%, 5.6%, 7.0% and 5.7% of our total revenue for the same periods.

Share of Results of Associates

Our share of results of associates represents profit or loss attributable to us from our investments in associates, including Sichuan Yingda and Hubei Fengli New Energy Technology Co., Ltd. (湖北豐鋰新能源科技有限公司, "**Hubei Fengli**"). We disposed our interest in Sichuan Yingda in the first half of 2023. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our share of results of associates amounted to RMB(279,000), RMB17.0 million, RMB(23.6) million, RMB(2.7) million and RMB(11.9) million, respectively.

Finance Costs

Our finance costs mainly comprise interest expenses on bank borrowings, lease liabilities, discounted bills and convertible bonds. In 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, our finance costs amounted to RMB49.8 million, RMB202.1 million, RMB261.4 million, RMB108.5 million and RMB130.4 million, respectively.

The following table sets forth a breakdown of our finance costs for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Interest expenses on:					
— Bank borrowings	42,592	118,406	191,345	90,122	97,044
— Lease liabilities	3,644	21,316	50,761	12,102	23,549
— Discounted bills	3,521	62,421	19,271	6,233	9,802
Total	**49,757**	**202,143**	**261,377**	**108,457**	**130,395**

Listing Expenses

Our listing expenses represent expenses related to the Global Offering. Our listing expenses recorded in the consolidated statements of profit or loss and other comprehensive income amounted to nil, nil, RMB10.2 million, RMB7.0 million and RMB13.4 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. For details, see "— Listing Expenses" in this section.

Income Tax (Expense)/Credit

The enacted income tax rates applicable to our PRC entities may fluctuate because of the preferential tax treatments, changes in income before taxes, and the recognition of deferred tax assets and liabilities for losses and gains to be carried forward.

In 2021 and 2022 and the six months ended June 30, 2024, we incurred income tax expenses of RMB73.3 million, RMB130.9 million and RMB66.7 million, respectively, with effective income tax rates of 14.5%, 11.3% and 34.5%. In 2023 and the six months ended June 30, 2023, we recorded income tax credit of RMB316.4 million and RMB161.1 million, respectively.

Under the EIT Law and the Implementation Regulation of the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》, the "**Implementation Regulation of the EIT Law**"), the tax rate of the PRC subsidiaries is 25% unless subject to taxed at preferential rates set out in Note 10 to Part II of the Accountants' Report in Appendix IA to this prospectus.

According to applicable laws and regulations, taxable income of the subsidiary in Singapore is subject to corporate income tax at the rate of 17% for the year ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024.

Profit/(Loss) for the Year/Period

In 2021 and 2022, we recorded profit for year of RMB433.4 million and RMB1,029.9 million, respectively. For the same years, our net profit margin was 10.7% and 7.3%, respectively. In 2023 and the six months ended June 30, 2023 and 2024, we recorded loss for the year/period of RMB1,514.2 million, RMB811.5 million and RMB260.2 million, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Revenue

Our total revenue decreased slightly by 6.4% from RMB3,814.2 million for the six months ended June 30, 2023 to RMB3,568.6 million for the six months ended June 30, 2024, primarily due to a decrease in revenue from sales of LFP cathode materials of RMB375.9 million, partially offset by an increase in revenue from sales of automotive specialty chemicals of RMB32.1 million.

Sales of LFP cathode materials

Revenue from sales of LFP cathode materials decreased by 13.2% from RMB2,851.5 million for the six months ended June 30, 2023 to RMB2,475.6 million for the six months ended June 30, 2024, primarily due to a decrease in the average selling price of our LFP cathode materials from RMB76,189 per ton in the first half of 2023 to RMB33,228 per ton in the first half of 2024 mainly attributable to (i) the decline in lithium carbonate market prices, and (ii) an increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers which result in lower revenue recognized and lower average selling price. Despite the decrease in average selling price, sales volume of our LFP cathode materials increased significantly from 37,427 tons in the first half of 2023 to 74,503 tons in the first half of 2024.

Sales of automotive specialty chemicals

Revenue from sales of automotive specialty chemicals increased slightly by 3.4% from RMB938.1 million for the six months ended June 30, 2023 to RMB970.1 million for the six months ended June 30, 2024, primarily due to the increase in revenue from sales of coolants, partially offset by the decrease in revenue from sales of diesel exhaust fluid.

Our revenue from sales of diesel exhaust fluid decreased slightly by 5.1% from RMB323.1 million for the six months ended June 30, 2023 to RMB306.6 million for the six months ended June 30, 2024, primarily due to a 4.4% decrease in average selling price of diesel exhaust fluid mainly attributable to the decrease in the market price of urea, the major raw material of diesel exhaust fluid, in the period.

Our revenue from sales of automobile and industrial lubricant remained relatively stable at RMB362.9 million and RMB367.6 million for the six months ended June 30, 2023 and 2024, respectively.

Our revenue from sales of coolants increased by 22.5% from RMB203.2 million for the six months ended June 30, 2023 to RMB248.9 million for the six months ended June 30, 2024, primarily due to a 30.0% increase in sales volume of coolants mainly attributable to increased sales of coolants for NEVs and overseas sales, partially offset by a 5.8% decrease in average selling price of coolants as a result of the increased sales of coolants to corporate clients.

Our revenue from sales of car maintenance products remained relatively stable at RMB36.0 million and RMB37.0 million for the six months ended June 30, 2023 and 2024, respectively.

Processing income from lithium carbonate

We engaged in the processing services of lithium carbonate and recognized processing income from lithium carbonate of RMB42.7 million for the six months ended June 30, 2024.

Sales of others

Our revenue from sales of others increased significantly by 225.7% from RMB24.6 million for the six months ended June 30, 2023 to RMB80.2 million for the six months ended June 30, 2024, primarily due to an increase in sales of unfinished products.

Cost of sales

Our cost of sales decreased by 20.5% from RMB4,055.6 million for the six months ended June 30, 2023 to RMB3,224.6 million for the six months ended June 30, 2024, primarily due to (i) the decrease in cost of raw materials, especially cost of lithium carbonate, as a result of the decline in the principal raw material prices in the first half of 2024, and (ii) the increase in the proportion of sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers from 4.7% of our total revenue in the first half of 2023 to 21.8% of our total revenue in the first half of 2024, cost of which was deducted directly upon recognition of such revenue.

Gross profit/(loss)

We recorded gross loss of RMB241.4 million for the six months ended June 30, 2023, while we recorded gross profit of RMB344.0 million for the six months ended June 30, 2024. This was primarily due to the increased sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers, partially reducing the Group's exposure to raw material price fluctuations.

Other income, gains and losses

Our other income, gains and losses increased by 84.5% from RMB72.7 million for the six months ended June 30, 2023 to RMB134.1 million for the six months ended June 30, 2024, primarily due to (i) an increase in government grants of RMB53.4 million attributable to the increase in equipment and rent subsidies for our Pengxi Plant, and (ii) gain from changes in fair value of derivatives of RMB30.3 million representing gain from lithium carbonate futures we invested in to hedge against price fluctuations of lithium carbonate, partially offset by (iii) a decrease in gain from changes in fair value of financial assets at FVTPL of RMB20.9 million mainly derived from the loss on our unlisted fund investment, and (iv) a decrease in gain on disposal of interests in an associate as the relevant transaction was made in the first half of 2023.

(Impairment losses)/reversal of impairment losses on financial assets

The reversal of impairment losses on financial assets decreased by 16.0% from RMB36.3 million for the six months ended June 30, 2023 to RMB30.5 million for the six months ended June 30, 2024, primarily due to the collection of our receivables.

Selling and distribution expenses

Our selling and distribution expenses decreased by 23.7% from RMB105.7 million for the six months ended June 30, 2023 to RMB80.7 million for the six months ended June 30, 2024, primarily due to a decrease in advertising expenses of RMB24.2 million as a result of the reduction in billboard advertising for cost saving purposes.

Administrative expenses

Our administrative expenses decreased by 25.3% from RMB350.7 million for the six months ended June 30, 2023 to RMB262.1 million for the six months ended June 30, 2024, primarily due to (i) a decrease in provision for impairment loss of inventories of RMB152.8 million as the market price of major raw materials, especially lithium carbonate, was less volatile in the first half of 2024 in comparison to the first half of 2023, partially offset by (ii) an increase in employee benefit expenses of RMB23.6 million as a result of increased headcount and, (iii) an increase in provision for impairment loss of goodwill as the respective recoverable amounts of certain subsidiaries acquired were estimated to be lower than their respective carrying amounts.

Research and development expenses

Our research and development expenses decreased by 23.3% from RMB265.6 million for the six months ended June 30, 2023 to RMB203.6 million for the six months ended June 30, 2024, primarily due to (i) a decrease in direct materials of RMB81.8 million as a result of the decrease in the market price of major raw materials in the period, partially offset by (ii) an increase in employee benefit expenses of RMB11.3 million mainly attributable to increased headcount.

Share of results of associates

We recorded loss on share of results of associates of RMB2.7 million and RMB11.9 million for the six months ended June 30, 2023 and 2024, respectively, as the associates we invested incurred losses during both periods.

Finance costs

Our finance costs increased by 20.2% from RMB108.5 million for the six months ended June 30, 2023 to RMB130.4 million for the six months ended June 30, 2024, primarily due to (i) an increase in interest expenses on lease liabilities of RMB11.4 million as a result of the increased leases for the expansion of our production capabilities as well as our increased finance leases, (ii) an increase in interest expenses on bank borrowings of RMB6.9 million along with our increased bank loans, and (iii) an increase in interest expense in discounted bills of RMB3.6 million as a result of the increased use of discounted bills by Changzhou Liyuan to meet its working capital needs.

Listing expense

Our listing expense increased by 91.4% from RMB7.0 million for the six months ended June 30, 2023 to RMB13.4 million for the six months ended June 30, 2024 attributable to the preparation for the Global Offering.

Income tax (expense)/credit

We recorded income tax credit of RMB161.1 million for the six months ended June 30, 2023, while we recorded income tax expense of RMB66.7 million for the six months ended June 30, 2024, primarily (i) the significant decrease in loss before taxation by RMB779.0 million, (ii) tax effect of expenses that were not deductible for tax purposes of RMB25.9 million and (iii) tax effect of temporary difference not recognised of RMB98.0 million.

Profit/(loss) for the period

As a result of the foregoing, our loss for the period decreased by 67.9% from RMB811.5 million for the six months ended June 30, 2023 to RMB260.2 million for the six months ended June 30, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue decreased by 38.0% from RMB14,071.6 million in 2022 to RMB8,729.5 million in 2023, primarily due to a decrease in revenue from sales of LFP cathode materials of RMB5,488.3 million, partially offset by an increase in revenue from sales of automotive specialty chemicals of RMB140.4 million.

Sales of LFP cathode materials

Revenue from sales of LFP cathode materials decreased by 44.8% from RMB12,241.9 million in 2022 to RMB6,753.6 million in 2023, which was primarily due to a decrease in the average selling price of our LFP cathode materials from RMB128,699 per ton in 2022 to RMB62,464 per ton in 2023 attributable to (a) the decline in market prices of principal raw materials of LFP cathode materials in 2023 and (b) the increase in sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers from RMB157.0 million in 2022 to RMB566.9 million in 2023, cost of which was deducted directly upon the recognition of such revenue, partially offset by an increase in the sales volume of our LFP cathode materials from 95,120 tons in 2022 to 108,120 tons in 2023. Our revenue from relevant customers who provided us with raw materials in 2023 increased as compared to that in 2022. The increase in the sales volume of our LFP cathode materials in 2023 was primarily attributable to the rebalancing between supply and demand dynamics of the LFP cathode material market and our increased production capacity in the year.

Our sales volume growth rate was lower compared to the overall mainland China LFP cathode materials market, which experienced an approximately 50.2% increase from 1.1 million tons in 2022 to 1.6 million tons in 2023. This discrepancy can be attributed to several factors within the context of a complex and rapidly evolving market landscape. The unprecedented industry volatility in early 2023 and the fierce competition of a buyer's market affected the our ability to secure additional purchase orders. However, such industry growth of around 50% was not even across all industry players. According to Frost & Sullivan, among the top five companies in the LFP cathode material industry in Mainland China, only two companies have recorded growth rates higher than the market average. This was primarily due their strong market position, relationship with major downstream customers and relatively more comprehensive customer base. Additionally, our production capacity increased by approximately 120% increase from 2022 to 2023, which was notably higher than the capacity increases of most other major industry players, according to Frost & Sullivan. The corresponding ramp-up and production line verification procedures by customers also affected our production and sales in 2023.

Sales of automotive specialty chemicals

Revenue from sales of automotive specialty chemicals increased by 8.0% from RMB1,762.8 million in 2022 to RMB1,903.2 million in 2023, primarily due to the increases in revenue from sales of automobile and industrial lubricant, coolants and car maintenance products as a result of resumed demand for such products following the recovery of transportation and logistics in mainland China, partially offset by a decrease in revenue from diesel exhaust fluid.

Our revenue from sales of diesel exhaust fluid decreased by 9.2% from RMB688.9 million in 2022 to RMB625.7 million in 2023, primarily due to an 11.4% decrease in the sales volume of diesel exhaust fluid. Such decrease and deviation from overall market increasing trend of 11.9% was mainly caused by increased competition from lower-tier brands leveraging their cost advantages to offer products at prices lower than ours and other major industry players'. Certain competitors also employed aggressive sales and marketing strategies such as bundle sales, further impacting our sale volume. The average selling price of diesel exhaust fluid remained relatively stable at RMB1,843 per ton and RMB1,888 per ton in 2022 and 2023, respectively. Our positioning as higher-tier brand is also evidenced in our average selling price, which is slightly higher than the average selling price in the market of RMB1,740.1 per ton and RMB1,736.1 per ton in 2022 and 2023, respectively.

Our revenue from sales of automobile and industrial lubricant increased by 13.3% from RMB623.6 million in 2022 to RMB706.6 million in 2023, primarily due to (i) a 6.7% increase in the average selling price of automobile and industrial lubricant, which was mainly attributable to an increase in sales of gasoline vehicle lubricant which was generally sold at higher prices, and (ii) a 6.2% increase in sales volume of automobile and industrial lubricant in 2023, which is largely consistent with the overall market growth of 2.0%, and was mainly attributable to increased sales to a major corporate client's international business.

Our revenue from sales of coolants increased by 26.7% from RMB382.7 million in 2022 to RMB484.7 million in 2023, primarily due to a 34.5% increase in sales volume of coolants as a result of the increased demand following the recovery of transportation and logistics in mainland China. This growth outpaced the market growth in mainland China of 6.1% and was largely attributable to increases in orders from our major corporate clients, including a major NEV manufacturer and one of China's largest heavy-duty truck manufacturers as a result of our customer development efforts. The average selling price of coolants decreased from RMB5,180 per ton in 2022 to RMB4,878 per ton in 2023, primarily due to the decrease in raw material market prices.

Our revenue from sales of car maintenance products increased by 20.4% from RMB58.3 million in 2022 to RMB70.2 million in 2023, primarily due to a 28.8% increase in sales volume of coolants as a result of the increased demand following the recovery of transportation and logistics in mainland China. This growth outpaced the market growth in mainland China of 3.8% and was mainly a result of our customer development efforts, including establishing business relationship with a major automobile manufacturer as well as extending our cooperation with a major gas station operator by supplying a broader range of our car maintenance products. The average selling price of car maintenance products decreased from RMB4,961 per ton in 2022 to RMB4,638 per ton in 2023, primarily due to the decrease in raw material market prices.

Sales of others

Our revenue from sales of others increased by 8.4% from RMB67.0 million in 2022 to RMB72.6 million in 2023, primarily due to an increase in sales of by-products of LFP cathode materials, such as ammonium sulfate.

Cost of sales

Our cost of sales decreased by 24.5% from RMB11,638.3 million in 2022 to RMB8,787.0 million in 2023, primarily due to (i) the decrease in cost of raw materials as a result of the reduced sales of LFP cathode materials and the declined principal raw material prices in 2023, and (ii) the increase in the proportion of sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers from 1.1% of our total revenue in 2022 to 6.5% of our total revenue in 2023, cost of which was deducted directly upon recognition of such revenue.

Gross profit/(loss)

We recorded gross profit of RMB2,433.3 million in 2022. Despite we recorded gross profit of RMB80.4 million for sales of LFP cathode materials with procurement of lithium carbonate and raw materials from customers in 2023, we recorded overall gross loss of RMB57.5 million in the year. This was primarily due to the significant decrease in raw material prices, especially lithium carbonate, in 2023. Generally, LFP cathode material prices closely follow the prevailing lithium carbonate prices listed on the SMM. When the prices of lithium carbonate are in a decline cycle, as was the case in 2023, we might record declining gross profit margin or even loss as the initial procurement cost of consumed raw materials is high whilst the selling price of finished products is low.

Other income, gains and losses

Our other income, gains and losses decreased by 3.2% from RMB95.3 million in 2022 to RMB92.3 million in 2023, primarily due to (i) an increase in loss from changes in fair value of other borrowings at FVTPL of RMB106.3 million with reference to valuation carried out by an independent professional valuer, partially offset by (ii) an increase in government grants of RMB39.4 million attributable to the increase in equipment and rent subsidies for our Pengxi Plant, (iii) an increase in gain from changes in fair value of financial assets at FVTPL of RMB30.6 million mainly attributable to gain on investments in wealth management products, (iv) an increase in gain on disposal of interests in an associate of RMB16.6 million as we disposed our interest in Sichuan Yingda in the first half of 2023, and (v) an increase in interest income of RMB16.4 million.

Impairment losses on financial assets

Impairment losses on financial assets decreased by 73.0% from RMB70.4 million in 2022 to RMB19.0 million in 2023, primarily due to a decrease in the balances of our trade and other receivables.

Selling and distribution expenses

Our selling and distribution expenses increased by 11.1% from RMB176.9 million in 2022 to RMB196.5 million in 2023, primarily due to (i) an increase in business entertainment expenses of RMB7.7 million as a result of our efforts in expanding customer base and maintaining relationship with existing customers, (ii) an increase in advertising expenses of RMB6.4 million as a result of more billboard and elevator advertising, (iii) an increase in travel expenses of RMB4.7 million and (iv) an increase in consulting service fees of RMB4.6 million primarily consist of fees paid to external parties for introducing sales opportunities to us. To the best knowledge of our Directors, these external parties are Independent Third Parties. Our Directors believe such cooperation could bring us additional opportunities to reach new customers for sales of our products.

Administrative expenses

Our administrative expenses increased by 171.7% from RMB319.8 million in 2022 to RMB869.0 million in 2023, primarily due to an increase in provision for impairment loss of inventories of RMB482.0 million as a result of the decrease in market prices of our principal raw materials, especially lithium carbonate, in 2023.

Research and development expenses

Our research and development expenses decreased by 21.1% from RMB615.5 million in 2022 to RMB485.7 million in 2023, primarily due to (i) a decrease in direct materials of RMB157.7 million as a result of the decreased raw material prices, partially offset by (ii) an increase in employee benefit expenses of RMB19.3 million as a result of increased headcount and pay rises.

Share of results of associates

We recorded profit on share of results of associates of RMB17.0 million in 2022, while we incurred loss on share of results of associates of RMB23.6 million in 2023, as the associates we invested incurred losses in 2023.

Finance costs

Our finance costs increased by 29.3% from RMB202.1 million in 2022 to RMB261.4 million in 2023, primarily due to (i) an increase in interest expenses on bank borrowings of RMB72.9 million as a result of the addition of bank borrowings in the year and (ii) an increase in lease liabilities of RMB29.4 million, partially offset by (iii) a decrease in interest expenses on discounted bills of RMB43.2 million.

Listing expense

We did not incur any listing expense in 2022, while we incurred listing expense of RMB10.2 million in 2023 in relation to the Global Offering.

Income tax (expense)/credit

We incurred income tax expense of RMB130.9 million in 2022 while we recorded income tax credit of RMB316.4 million in 2023, primarily because we recorded loss before taxation in 2023.

Profit/(loss) for the year

As a result of the foregoing, we recorded profit for year of RMB1,029.9 million in 2022 while we incurred loss for the year of RMB1,514.2 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue increased significantly by 247.1% from RMB4,053.5 million in 2021 to RMB14,071.6 million in 2022, primarily due to (i) an increase in revenue from sales of LFP cathode materials of RMB10,365.1 million, partially offset by (ii) a decrease in revenue from sales of automotive specialty chemicals of RMB355.9 million.

Sales of LFP cathode materials

Our revenue from sales of LFP cathode materials increased significantly by 552.3% from RMB1,876.8 million in 2021 to RMB12,241.9 million in 2022, primarily due to (i) the full year effect of the consolidation of results of operations of Tianjin Beiterui Nano and Jiangsu Beiterui Nano which we acquired in June 2021, (ii) an increase in the sales volume of LFP cathode materials from 30,505 tons in 2021 to 95,120 tons in 2022 driven by the rapid development and growth in demand of downstream NEV and energy storage industries, and (iii) an increase in the average selling price of our LFP cathode materials from RMB61,526 per ton in 2021 to RMB128,699 per ton in 2022 as a result of the increased prices of our principal raw materials, lithium carbonate and iron phosphate, in 2022.

Sales of automotive specialty chemicals

Our revenue from sales of automotive specialty chemicals decreased by 16.8% from RMB2,118.7 million in 2021 to RMB1,762.8 million in 2022, primarily due to a decrease in sales volume of our products. Sales volume of our diesel exhaust fluid, automobile and industrial lubricant, coolants and car maintenance products decreased by 16.9%, 33.6%, 7.8% and 10.4%, respectively, in 2022 as compared to that in 2021, primarily due to (i) the declined demand for our products as transportation and logistics in mainland China were affected during the COVID-19 pandemic, and (ii) the more intense market competition, such as bundle sales by our competitors as sales and marketing strategies. The decrease in revenue from sales of automotive specialty chemicals was partially offset by an increase in the average selling prices of our products resulted from the increased raw material prices.

Our sales of automotive specialty chemical products in Eastern China accounted for a significant portion of our total revenue generated from automotive specialty chemical products. In 2022, prolonged COVID-19 containment measures significantly disrupted business operations at major areas across Eastern China, especially in Shanghai which experienced an extended lockdown for almost two months. As a result, the sales volume of our automotive specialty chemical products in Eastern China decreased notably. Such decrease had accounted for over 50% of the overall decrease in the sales volume of our automotive specialty chemicals in 2022. Furthermore, sales of our automotive specialty chemical products in 2022 were also challenged by increased competition from lower-tier brands, which gained additional market share during supply chain disruptions caused by COVID-19 as consumers tended to opt for more affordable alternatives in view of economic uncertainties. This trend has contributed to a decrease in sales volumes for some major industry players including us.

Sales of others

Our revenue from sales of others increased by 15.7% from RMB57.9 million in 2021 to RMB67.0 million in 2022, primarily due to an increase in revenue from sales of ethylene glycol.

Cost of sales

Our cost of sales increased significantly by 291.4% from RMB2,973.7 million in 2021 to RMB11,638.3 million in 2022, primarily attributable to an increase in cost of raw materials of RMB8,127.8 million as a result of our sales growth of LFP cathode materials and the increase in prices of our principal raw materials in 2022.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased significantly by 125.3% from RMB1,079.8 million in 2021 to RMB2,433.3 million in 2022. However, our overall gross profit margin decreased from 26.6% in 2021 to 17.3% in 2022, primarily because (i) the growth of our cost of sales in the year outpaced that of our revenue due to our purchases of lithium carbonate in the fourth quarter of 2022 when its price was high and (ii) we were gradually ramping up mass production of LFP cathode materials following the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021, and economies of scale have yet to be fully realized for this business.

Other income, gains and losses

Our other income, gains and losses increased significantly by 155.5% from RMB37.3 million in 2021 to RMB95.3 million in 2022, primarily due to (i) an increase in government grants of RMB24.5 million mainly attributable to equipment and rent subsidies for our Pengxi Plant, (ii) gain on early termination of leases of RMB14.1 million mainly attributable to the disposal of land use rights and (iii) an increase in interest income on bank deposit of RMB11.1 million mainly attributable to proceeds from our non-public offering in 2022. For details on our non-public offering in 2022, see "History and Development — Establishment and Major Shareholding Changes of Our Company — Share Capital Changes in 2022."

Impairment losses on financial assets

Our impairment losses on financial assets increased significantly by 204.8% from RMB23.1 million in 2021 to RMB70.4 million in 2022, primarily due to the increase in the balances of our trade and other receivables as a result of business expansion.

Selling and distribution expenses

Our selling and distribution expenses increased slightly by 2.4% from RMB172.8 million in 2021 to RMB176.9 million in 2022, primarily due to an increase in advertising expenses of RMB6.9 million mainly to promote sales of our automotive specialty chemicals through more offline advertising and live steaming marketing.

Administrative expenses

Our administrative expenses increased significantly by 104.3% from RMB156.5 million in 2021 to RMB319.8 million in 2022, primarily due to (i) an increase in employee benefit expenses of RMB56.2 million primarily attributable to the full year effect of the consolidation of results of operations of Tianjin Beiterui Nano and Jiangsu Beiterui Nano which we acquired in June 2021 and (ii) an increase in provision for impairment loss of inventories of RMB70.3 million in view of the declining principal raw material prices.

Research and development expenses

Our research and development expenses increased significantly by 195.9% from RMB208.0 million in 2021 to RMB615.5 million in 2022, primarily due to (i) an increase in direct materials used of RMB363.4 million primarily attributable to the increase in the number of research and development projects and (ii) an increase in employee benefit expenses of RMB35.9 million primarily attributable to the full year effect of the consolidation of results of operations of Tianjin Beiterui Nano and Jiangsu Beiterui Nano which we acquired in June 2021.

Share of results of associates

We incurred loss on share of results of associates of RMB279,000 in 2021, while we recorded profit on share of results of associates of RMB17.0 million in 2022, primarily due to the increase in net profit of Hubei Fengli.

Finance costs

Our finance costs increased significantly by 305.8% from RMB49.8 million in 2021 to RMB202.1 million in 2022, primarily due to (i) an increase in interest expenses on bank borrowings of RMB75.8 million as a result of the increased balance of our bank loans, (ii) an increase in interest expenses on lease liabilities of RMB17.7 million as a result of our increased number of leases and (iii) an increase in interest expenses on discounted bills of RMB58.9 million. Our Directors believe that the use of discounted bills could improve our working capital.

Income tax expense

Our income tax expense increased by 78.6% from RMB73.3 million in 2021 to RMB130.9 million in 2022, primarily due to the increased taxable income.

Profit for the year

As a result of the foregoing, our profit for the year increased significantly by 137.6% from RMB433.4 million in 2021 to RMB1,029.9 million in 2022.

LIQUIDITY AND CAPITAL RESOURCES

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

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Net cash from/(used in) operating activities	(823,847)	(1,863,457)	1,408,230	(439,687)	71,400
Net cash used in investing activities	(828,430)	(2,596,083)	(2,641,508)	(3,019,795)	(1,073,174)
Net cash from financing activities	1,592,020	5,154,730	2,649,637	3,720,217	330,193
Net (decrease)/increase in cash and cash equivalents	**(60,257)**	**695,190**	**1,416,359**	**260,735**	**(671,581)**
Cash and cash equivalents at beginning of the year/period	893,531	833,133	1,529,373	1,529,373	2,958,603
Effect of foreign exchange rate changes, net	(141)	1,050	12,871	2,570	(1,083)
Cash and cash equivalents at end of year/period, representing bank balances and cash	**833,133**	**1,529,373**	**2,958,603**	**1,792,678**	**2,285,939**

Net Cash from/(Used in) Operating Activities

For the six months ended June 30, 2024, our net cash from operating activities of RMB71.4 million was primarily attributable to loss before taxation of RMB193.5 million, as adjusted by non-cash and non-operational items totaling RMB524.2 million, changes in working capital and income tax paid of RMB16.1 million. Changes in working capital mainly consisted of (i) an increase in inventories of RMB107.3 million, (ii) a decrease in trade and other receivables of RMB240.4 million and (iii) a decrease in trade and other payables of RMB423.2 million.

For the six months ended June 30, 2023, our net cash used in operating activities of RMB439.7 million was primarily attributable to loss before taxation of RMB972.5 million, as adjusted by non-cash and non-operational items totaling RMB499.6 million, changes in working capital and income tax paid of RMB80.8 million. Changes in working capital mainly consisted of (i) an increase in inventories of RMB167.1 million, (ii) a decrease in trade and other receivables of RMB408.8 million and (iii) a decrease in contract liabilities of RMB165.2 million.

For the year ended December 31, 2023, our net cash from operating activities of RMB1,408.2 million was primarily attributable to loss before taxation of RMB1,830.6 million, as adjusted by non-cash and non-operational items totaling RMB1,399.3 million, changes in working capital and income tax paid of RMB98.2 million. Changes in working capital mainly consisted of (i) a decrease in inventories of RMB843.1 million, (ii) a decrease in trade and other receivables of RMB787.8 million, (iii) an increase in trade and other payables of RMB656.0 million and (iv) a decrease in contract liabilities of RMB403.8 million.

For the year ended December 31, 2022, our net cash used in operating activities of RMB1,863.5 million was primarily attributable to profit before taxation of RMB1,160.9 million, as adjusted by non-cash and non-operational items totaling RMB606.8 million, changes in working capital and income tax paid of RMB149.7 million. Changes in working capital mainly consisted of (i) an increase in inventories of RMB1,979.3 million, (ii) an increase in trade and other receivables of RMB2,468.2 million, (iii) an increase in trade and other payables of RMB604.8 million and (iv) an increase in contract liabilities of RMB365.6 million.

For the year ended December 31, 2021, our net cash used in operating activities of RMB823.8 million was primarily attributable to profit before taxation of RMB506.7 million, as adjusted by non-cash and non-operational items totaling RMB178.8 million, changes in working capital and income tax paid of RMB47.9 million. Changes in working capital mainly consisted of (i) an increase in inventories of RMB592.4 million, (ii) an increase in trade and other receivables of RMB141.1 million and (iii) a decrease in trade and other payables of RMB752.3 million.

Net Cash Used in Investing Activities

For the six months ended June 30, 2024, our net cash used in investing activities amounted to RMB1,073.2 million, which was primarily attributable to (i) net cash used in the purchase of financial assets at FVTPL, mainly representing our investments in wealth management products, of RMB787.1 million, and (ii) purchase of property, plant and equipment of RMB558.6 million, partially offset by (iii) withdrawal of pledged bank deposits of RMB263.1 million.

For the six months ended June 30, 2023, our net cash used in investing activities amounted to RMB3,019.8 million, which was primarily attributable to (i) net cash used in the purchase of financial assets at FVTPL of RMB1,517.6 million and (ii) purchase of property, plant and equipment of RMB1,367.8 million.

For the year ended December 31, 2023, our net cash used in investing activities amounted to RMB2,641.5 million, which was primarily attributable to (i) purchase of financial assets at FVTPL of RMB11,703.1 million and (ii) purchase of property, plant and equipment of RMB3,166.8 million, partially offset by (iii) proceeds from disposal of financial assets at FVTPL of RMB11,721.2 million.

For the year ended December 31, 2022, our net cash used in investing activities amounted to RMB2,596.1 million, which was primarily attributable to purchase of property, plant and equipment of RMB2,222.5 million.

For the year ended December 31, 2021, our net cash used in investing activities amounted to RMB828.4 million, which was primarily attributable to (i) purchase of property, plant and equipment of RMB657.8 million, and (ii) net cash outflow from acquisition of subsidiaries of RMB206.5 million partially offset by (iii) net proceeds from disposal of financial assets at FVTPL of RMB100.4 million.

Net Cash from Financing Activities

For the six months ended June 30, 2024, our net cash from financing activities amounted to RMB330.2 million, which was primarily attributable to (i) addition of bank borrowings of RMB3,624.2 million and (ii) deemed disposal of subsidiaries without loss of control of RMB385.4 million, representing proceeds from the capital increases of Changzhou Liyuan in the first half of 2024, partially offset by (iii) repayment of bank borrowings of RMB3,474.5 million.

For the six months ended June 30, 2023, our net cash from financing activities amounted to RMB3,720.2 million, which was primarily attributable to (i) addition of bank borrowings of RMB7,222.2 million, partially offset by (ii) repayment of bank borrowings of RMB3,278.5 million.

For the year ended December 31, 2023, our net cash from financing activities amounted to RMB2,649.6 million, which was primarily attributable to (i) addition of bank borrowings of RMB9,892.7 million, partially offset by (ii) repayment of bank borrowings of RMB6,701.3 million.

For the year ended December 31, 2022, our net cash from financing activities amounted to RMB5,154.7 million, which was primarily attributable to (i) addition of bank borrowings of RMB5,463.4 million and (ii) proceeds from issuance of shares of RMB2,175.5 million attributable to a non-public offering of the Company in May 2022, partially offset by (iii) repayment of bank borrowings of RMB1,988.5 million.

For the year ended December 31, 2021, our net cash from financing activities amounted to RMB1,592.0 million, which was primarily attributable to (i) addition of bank borrowings of RMB1,960.2 million and (ii) deemed disposal of subsidiaries without loss of control of RMB345.0 million, partially offset by (iii) repayment of bank borrowings of RMB585.6 million.

WORKING CAPITAL

The following table sets forth the details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets					
Inventories	1,100,586	3,007,275	1,610,238	1,647,787	1,702,005
Trade and other receivables	1,556,172	4,195,192	3,395,047	3,337,159	3,610,166
Tax recoverable	8,279	6,818	14,214	15,653	6,586
Financial assets at FVTPL	431	30,738	59,527	841,126	730,869
Derivative financial instruments	—	—	950	56	—
Pledged bank deposits	19,499	500,308	350,726	87,612	255,308
Cash and cash equivalents	833,133	1,529,373	2,958,603	2,285,939	1,902,249
Total current assets	**3,518,100**	**9,269,704**	**8,389,305**	**8,215,332**	**8,207,183**
Current liabilities					
Trade and other payables	927,502	2,246,764	2,902,805	2,431,671	3,034,700
Tax payable	59,117	82,509	4,934	18,436	14,469
Bank and other borrowings	1,075,631	4,039,370	6,405,976	6,071,229	5,023,196
Lease liabilities	157,431	297,391	294,752	220,759	188,225
Derivative financial instruments	—	—	4,062	3,434	55
Contract liabilities	60,186	425,740	21,940	30,127	30,424
Deferred income	5,291	9,337	10,298	14,346	13,400
Total current liabilities	**2,285,158**	**7,101,111**	**9,644,767**	**8,790,002**	**8,304,469**
Net current assets/(liabilities)	**1,232,942**	**2,168,593**	**(1,255,462)**	**(574,670)**	**(97,286)**

We recorded net current assets of RMB1,232.9 million and RMB2,168.6 million as of December 31, 2021 and 2022, respectively. We recorded net current liabilities of RMB1,255.5 million as of December 31, 2023, RMB574.7 million as of June 30, 2024 and RMB97.3 million as of August 31, 2024, respectively. We relied on short-term bank borrowings to finance our working capital needs.

Our net current liabilities decreased by 83.1% from RMB574.7 million as of June 30, 2024 to RMB97.3 million as of August 31, 2024, primarily due to (i) a decrease in bank and other borrowings of RMB1,048.0 million as a result of the repayment of our short-term bank loans, partially offset by (ii) an increase in trade and other payables of RMB603.0 million.

Our net current liabilities decreased by 54.2% from RMB1,255.5 million as of December 31, 2023 to RMB574.7 million as of June 30, 2024, primarily due to (i) a decrease in trade and other payables of RMB471.1 million, mainly attributable to the settlement of part of our bills payable and (ii) a decrease in bank and other borrowings of RMB334.7 million as we repaid some of our short-term bank loans.

We recorded net current liabilities of RMB1,255.5 million as of December 31, 2023 as compared with net current assets of RMB2,168.6 million as of December 31, 2022, primarily due to (i) a decrease in inventories of RMB1,397.0 million attributable to impairment losses on inventories in view of the sharp decline of lithium carbonate prices in 2023, (ii) a decrease in trade and other receivables of RMB800.1 million as a result of the decreased sales in 2023 and (iii) an increase in bank and other borrowings of RMB2,366.6 million, partially offset by (iv) an increase in cash and cash equivalent of RMB1,429.2 million.

Our net current assets increased by 75.9% from RMB1,232.9 million as of December 31, 2021 to RMB2,168.6 million as of December 31, 2022, primarily due to (i) an increase in inventories of RMB1,906.7 million and (ii) an increase in trade and other receivables of RMB2,639.0 million, partially offset by (iii) an increase in trade and other payables of RMB1,319.3 million and (iv) an increase in bank and other borrowings of RMB2,963.7 million.

Working Capital Statement

Taking into account the estimated net proceeds from the Global Offering and the financial resources available to us, including our cash generated from operating activities, our cash and cash equivalents and our available bank loans and banking facilities, our Directors are of the opinion, and the Joint Sponsors concur, that we have sufficient funds to meet our working capital requirements for at least the next twelve months from the date of this prospectus.

Our Directors confirm that there were no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the date of this prospectus.

SELECTED KEY ITEMS OF STATEMENT OF FINANCIAL POSITION

Inventories

Our inventories primarily consist of raw materials, such as lithium carbonate, iron phosphate, base oil, ethylene glycol, urea and lubricant additives, work in progress and finished goods. The following table sets forth a breakdown of our inventories as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	724,821	1,512,299	350,738	466,575
Work in progress	50,457	37,385	82,010	88,425
Finished goods	325,308	1,457,591	1,177,490	1,092,787
Total	**1,100,586**	**3,007,275**	**1,610,238**	**1,647,787**

Our inventories increased significantly by 173.2% from RMB1,100.6 million as of December 31, 2021 to RMB3,007.3 million as of December 31, 2022. Such increase was primarily due to (i) our expansion in the LFP cathode material business through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021, (ii) the expansion of our production capabilities to satisfy the growing customer demand following the construction of our Pengxi Plant and expansion of our Jintan Plant and (iii) the significant increase in the prices of our principal raw material prices. The price of lithium carbonate experienced a significant increase from 2021 to 2022, escalating from RMB119.8 thousand per ton to RMB482.4 thousand per ton. The price of iron phosphate increased from RMB14.3 thousand per ton in 2021 to RMB20.8 thousand per ton in 2022. In view of the sharp increase in the market prices of principal raw materials and due to the shortage of supply of raw materials, we strategically procured raw materials in advance to secure sufficient raw material supplies for our production, which partially contributed to the increase in our inventory balance. Our inventories then decreased by 46.5% from RMB3,007.3 million as of December 31, 2022 to RMB1,610.2 million as of December 31, 2023, primarily due to an unprecedented sharp decline in the lithium carbonate market prices in 2023. Our inventories remained relatively stable at RMB1,610.2 million as of December 31, 2023 and RMB1,647.8 million as of June 30, 2024, respectively.

The provision for impairment loss recognized of inventories amounted to RMB2.2 million, RMB72.6 million, RMB554.5 million, RMB222.3 million and RMB69.5 million in 2021, 2022 and 2023 and the six months ended June 30, 2023 and 2024, respectively. The significant increases in provision for impairment loss of our inventories in 2022 and 2023 were primarily due to the significant decrease in the market price of lithium carbonate, one of our principal raw materials, from RMB482.4 thousand per ton in 2022 to RMB272.3 thousand per ton in 2023. The market price of lithium carbonate was less volatile in the first half of 2024 in comparison to the first half of 2023, leading to a decrease in provision for impairment loss in the period compared with that in the same period in 2023. For details of our measures to mitigate against fluctuation on raw material costs, see "Business — Our

Businesses — LFP Cathode Materials — Raw materials and suppliers — Raw materials" and "Business — Our Businesses — Automotive Specialty Chemicals — Raw materials and suppliers — Raw materials."

The following table sets forth an aging analysis of our inventories:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	1,084,383	2,961,805	1,587,758	1,610,051
1 to 2 years	15,719	45,470	22,464	37,736
2 to 3 years	484	—	16	—
Over 3 years	—	—	—	—
Total	**1,100,586**	**3,007,275**	**1,610,238**	**1,647,787**

The following table sets forth our inventories turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Inventory turnover days	87.3	64.4	95.9	90.9
— LFP cathode materials	103.9	58.9	97.8	99.1
— Automotive specialty chemicals	88.4	107.9	90.3	80.6

Note: Inventory turnover days are calculated by the average of the beginning and ending balance of inventory for the year/period divided by cost of sales for the year and multiplied by 365/180 days (as the case may be) or 214 days for the calculation of turnover days for LFP cathode materials in 2021.

We generally maintain a sufficient inventory of our principal raw materials based on market conditions and our order quantity, while we also review our inventory level on a regular basis to maintain a reasonable level of inventory. Our inventory turnover days decreased from 87.3 days in 2021 to 64.4 days in 2022, primarily due to the expansion of our LFP cathode material business which had faster inventory turnover for the year ended December 31, 2022. Our inventory turnover days then increased to 95.9 days in 2023, primarily due to the increase in inventory turnover days of LFP cathode materials. Despite decreases in both revenue and cost of sales of LFP cathode materials in 2023, the inventory level of LFP cathode materials increased, primary due to (i) production volume outpacing actual orders received as our production plans factored in indicative orders that were higher than the binding actual orders received; (ii) major customers' increased use of transit warehouses before they formally conduct acceptance inspection and utilize our products; and (iii) necessary production of our new production plants, Heze Plant and Xiangyang Plant, to pass customers' verification procedures. Our inventory turnover days then decreased to 90.9 days in the first half of 2024, primarily due to the decrease in the average balance of inventories in the period mainly attributable to the decreased market price of major raw materials, such as lithium carbonate.

As of August 31, 2024, RMB942.2 million, or 54.5% of our inventories as of June 30, 2024 (without taking into account impairment losses on inventories) had been used, consumed or sold subsequently.

Trade and Other Receivables

Our trade receivables primarily arise from sales to customers on credit. The credit period is generally from one month to three months. Our other receivables mainly comprise value added tax recoverable, prepayments for purchases of non-current assets, prepayments to suppliers and prepayments for advertising and marketing expenses. The following table sets forth the breakdown of our trade and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	857,997	2,121,005	2,174,914	1,549,571
Bills receivable	347,197	1,038,690	479,122	1,036,244
Other receivables				
— Value added tax recoverable	63,199	264,861	483,859	452,064
— Prepayments for purchases of non-current assets	105,500	599,684	222,434	63,736
— Prepayments to suppliers	247,239	669,793	152,727	171,577
— Prepayments for advertising and marketing expenses	1,140	30,326	4,968	1,190
— Others[Note]	40,540	100,843	103,756	127,704
	457,618	1,665,507	967,744	816,271
Total	**1,662,812**	**4,825,202**	**3,621,780**	**3,402,086**

Note: The remaining other receivables were mainly deposits paid in the ordinary course of our business.

Our trade and other receivables increased significantly by 190.2% from RMB1,662.8 million as of December 31, 2021 to RMB4,825.2 million as of December 31, 2022, primarily due to our expansion in the LFP cathode material business through the acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano in June 2021. Our trade and other receivables then decreased by 24.9% to RMB3,621.8 million as of December 31, 2023, primarily due to a decrease in sales of LFP cathode materials in 2023. Our trade and other receivables remained relatively stable at RMB3,621.8 million as of June 30, 2023 and RMB3,402.1 million as of June 30, 2024, respectively.

We strive to maintain strict control over our outstanding receivables and minimize the credit risk. For trade receivables, the management of the Group assesses the collectability of the trade receivables regularly and on a case-by-case basis for the determination of any loss allowance for the trade receivables by taking into account the customers' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions. Certain customers which have significant outstanding trade receivables and balances due to the Group were assessed for allowance for credit losses individually. For the remaining debtors, we have applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime expected credit loss, as our historical credit loss experience does not indicate significant different loss patterns for different customer segments and the allowance for credit losses based on the past due status is not further distinguished between our customer bases. As of December 31, 2021, 2022 and 2023 and June 30, 2024, loss allowance for trade receivables amounted to RMB53.1 million, RMB121.6 million, RMB124.0 million and RMB92.2 million, respectively. Our Directors are of the view that the provision for impairment losses of our trade receivables is sufficient and not excessive.

The following table sets forth an aging analysis of our trade receivables, net of allowance for expected credit losses presented based on revenue recognition date:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	852,309	2,113,004	2,161,710	1,528,935
1 to 2 years	1,920	7,627	12,244	19,734
2 to 3 years	2,608	308	720	680
3 to 4 years	1,159	62	182	159
4 years to 5 years	1	4	58	63
Total	**857,997**	**2,121,005**	**2,174,914**	**1,549,571**

The following table sets forth our trade receivable turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Trade receivable turnover days	49.4	38.6	89.8	93.9
— LFP cathode materials	71.3	37.2	101.0	113.5
— Automotive specialty chemicals	40.4	50.4	53.5	55.5

Note: Trade receivable turnover days are calculated based on the average of the beginning and ending balance of trade receivables for the year/period divided by total revenue for the year and multiplied by 365/180 days (as the case may be) or 214 days for the calculation of turnover days for LFP cathode materials in 2021.

Our trade receivable turnover days decreased from 49.4 days in 2021 to 38.6 days in 2022, primarily due to the rapid revenue growth of LFP cathode material business. Our trade receivable turnover days then increased to 89.8 days in 2023, primarily due to the increase in trade receivable turnover days of LFP cathode materials as a result of reduced revenue contribution from LFP cathode materials and the delay of payment from certain customer in consideration of the slowdown of the overall market condition in 2023. Our trade receivable turnover days remained relatively stable at 89.8 days and 93.9 days in the first half of 2023 and 2024, respectively.

As of August 31, 2024, RMB2,355.8 million, or 69.2% of our trade and other receivables as of June 30, 2024 had been settled subsequently.

Property, Plant and Equipment

Our property, plant and equipment consist of construction in progress, buildings, plant and machinery, motor vehicles, other equipment and leasehold improvement. The following table sets forth a breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Construction in progress	533,581	1,364,909	2,575,729	2,040,704
Buildings	339,175	360,390	566,626	968,306
Plant and machinery	639,109	1,591,076	2,930,620	3,506,486
Motor vehicles	7,952	9,286	15,404	16,631
Other equipment	51,036	93,547	119,317	129,494
Leasehold improvement	35,198	115,806	152,233	144,745
Total	**1,606,051**	**3,535,014**	**6,359,929**	**6,806,366**

Our property, plant and equipment increased significantly by 120.1% from RMB1,606.1 million as of December 31, 2021 to RMB3,535.0 million as of December 31, 2022, primarily due to the expansion and/or construction of our production facilities in Sichuan, Hubei, Shandong, Tianjin and Jiangsu. Our property, plant and equipment further increased by 79.9% to RMB6,359.9 million as of December 31, 2023, primarily due to (i) the construction of our production facilities in Hubei, Shandong and Jiangxi, and (ii) construction of the new office building and factory in Zhangjiagang, Jiangsu. Our property, plant and equipment remained relatively stable at RMB6,359.9 million and RMB6,806.4 million as of June 30, 2023 and 2024, respectively.

Right-of-use Assets

During the Track Record Period, we lease various offices, warehouses and factories for our operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Other Intangible Assets

Our other intangible assets primarily consist of computer software and patent. We test other intangible assets annually for impairment, or more frequently, if there are indications that other intangible assets might be impaired. Our intangible assets have finite useful lives. Our computer software and patent are amortized on a straight-line basis over 5 years and 30 years, respectively.

Estimated impairment of property, plant and equipment, right-of-use assets and other intangible assets

Property, plant and equipment, right-of-use assets and other intangible assets are stated at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, We have to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicator that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. We are also required to test for impairment of capitalised development costs assets not available for use on an annual basis. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), we estimate the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts. Despite we noted certain impairment indicators, based on the abovementioned assessment carried out by our Group periodically, no impairment loss on property, plant and equipment, right-of-use assets or other intangible assets was recognized during the Track Record Period.

For detail of the carrying amounts of property, plant and equipment, right-of-use assets and other intangible assets subject to impairment assessments and impairment losses that have been recognised, see Notes 15, 16 and 18 to Part II of the Accountants' Report in Appendix IA to this prospectus.

Goodwill

We had goodwill of RMB390.1 million, RMB362.6 million, RMB289.8 million and RMB264.6 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. For the years ended December 31, 2022 and 2023 and for the six months ended June 30, 2024, we recognized provision for impairment loss of goodwill of RMB28.9 million, RMB72.8 million and RMB25.2 million, respectively, as the respective recoverable amounts of certain subsidiaries acquired during the Track Record Period were estimated to be lower than their respective carrying amounts.

Goodwill is allocated to our cash-generating units ("**CGUs**") as follows:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Jiangsu Ruilifeng and its subsidiaries ("**Jiangsu Ruilifeng CGU**")	206,727	177,846	177,846	177,846
Changzhou Liyuan and its subsidiaries ("**Changzhou Liyuan CGU**")	183,347	183,347	111,980	86,731
Lopal Times	—	1,406	—	—
	390,074	362,599	289,826	264,577

The recoverable amounts of the CGUs are determined based on value-in-use calculations based on cash flow forecasts derived from the most recent financial budgets and estimated future cash flows covering a 5-year period and with the beyond budgeted period using zero growth rate approved by our Directors.

The key assumptions used in the estimation of value in use are as below:

	As of December 31,			As of June 30,
	2021	**2022**	**2023**	**2024**
Jiangsu Ruilifeng CGU				
Revenue (average growth rate)	8.4%	8.7%	11.4%	10.52%
Pre-tax discount rate	12.6%	11.3%	10.5%	9.59%
Changzhou Liyuan CGU				
Revenue (average growth rate)	27.5%	(9.5)%	(5.4)%	(8.2)%
Pre-tax discount rate	11.5%	12.2%	12.0%	12.2%

Our Directors have determined the values assigned to each of the key assumptions as follows:

- Average revenue growth rate over the five-year forecast period is based on past performance and management's expectation of market development; and
- Pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the CGUs.

Impact of possible changes in key assumptions

The recoverable amount of Jiangsu Ruilifeng CGU was estimated to exceed its carrying amount as of December 31, 2021 and 2023 and June 30, 2024 by approximately RMB22,174,000, RMB21,667,000 and RMB17,401,000 respectively. The recoverable amount of Jiangsu Ruilifeng CGU was estimated to be lower than its carrying amount as of December 31, 2022 and impairment of RMB28,881,000 for Jiangsu Ruilifeng CGU was recognised for the year ended December 31, 2022.

The recoverable amount of Changzhou Liyuan CGU is estimated to exceed its carrying amount as of December 31, 2021 and 2022 by approximately RMB2,100,438,000 and RMB433,859,000 respectively. The recoverable amount of Changzhou Liyuan CGU was estimated to be lower than its carrying amount as of December 31, 2023 and June 30, 2024 and impairment of RMB71,367,000 and RMB25,249,000 for Changzhou Liyuan CGU was recognised for the year ended December 31, 2023 and the six months ended June 30, 2024, respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The recoverable amount of each CGU would equal its carrying amount (net of impairment loss) if each key assumption was to change as follows with all other variables held constant:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
Jiangsu Ruilifeng CGU				
Revenue (average growth rate)	7.8%	8.7%	11.1%	9.8%
Pre-tax discount rate	13.0%	11.3%	10.7%	9.8%
Changzhou Liyuan CGU				
Revenue (average growth rate)	14.8%	(11.2)%	(5.4)%	(8.2)%
Pre-tax discount rate	22%	16.8%	12.0%	12.2%

Our Directors believe that any reasonably possible changes in the key assumptions on which recoverable amount is based would not caused the carrying amount of CGU to exceed its recoverable amount.

Trade and Other Payables

Our trade and other payables primarily comprise payables to our suppliers for raw materials. Our trade payables are non-interest-bearing and are normally settled on terms range from 30 to 60 days. Our bills payables are guaranteed by banks in the PRC and have maturities of six months to one year. The following table sets forth the breakdown of our trade and other payables as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	491,824	1,195,941	1,191,017	1,218,738
Bills payable	129,554	302,164	590,635	152,445
Other payables[Note]	306,124	748,659	1,121,153	1,060,488
Total	**927,502**	**2,246,764**	**2,902,805**	**2,431,671**

Notes: Other payables consist of accrued payroll, other tax payables, payables for equipment and constructions, etc.

The following table sets forth an aging analysis of our trade payables as of the dates indicated, presented based on the invoice date:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	484,778	1,164,976	1,178,237	1,130,945
1 to 2 years	6,021	27,392	6,113	81,602
2 to 3 years	312	1,870	3,648	3,013
Over 3 years	713	1,703	3,019	3,178
Total	**491,824**	**1,195,941**	**1,191,017**	**1,218,738**

Our trade and other payables increased significantly by 142.2% from RMB927.5 million as of December 31, 2021 to RMB2,246.8 million as of December 31, 2022, primarily due to the increase in our purchases of raw materials along with our rapid business growth and the increase in market prices of raw materials. Our trade and other payables further increased by 29.2% to RMB2,902.8 million as of December 31, 2023, primarily due to the increase in other payables, especially payables for equipment and constructions. Our trade and other payables then decreased by 16.2% to RMB2,431.7 million as of June 30, 2024, primarily due to the settlement of part of our bills payable.

The Group's trade payables due within 1 to 2 years increased from RMB6.1 million as of December 31, 2023 to RMB81.6 million as of June 30, 2024, primarily due to (i) purchases of raw materials and spare parts in advance upon the commencement of operation of our new production plants in line with our rapid expansion of designed production capacity in 2022 and 2023, when these trade payables due within 1 to 2 years were incurred, and (ii) the payment schedule adjustment for payables for the purpose of the Group's entire control of working capital. As of August 31, 2024, RMB29.7 million, or 36.4% of our trade payables due within 1 to 2 years as of June 30, 2024 had been subsequently settled. Our Directors confirm that we had no material dispute with suppliers over payment of these trade payables as of the Latest Practicable Date.

The following table sets forth our trade payable turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,
	2021	2022	2023	2024
Trade payable turnover days	39.5	26.5	49.6	67.3
— LFP cathode materials	57.2	25.7	52.8	77.9
— Automotive specialty chemicals	31.9	32.8	34.9	42.7

Note: Trade payable turnover days are calculated based on the average of the beginning and ending balances of trade payables for the year/period divided by cost of sales for the year and multiplied by 365/180 days (as the case may be) or 214 days for the calculation of turnover days for our LFP cathode material business in 2021.

Our trade payable turnover days decreased from 39.5 days in 2021 to 26.5 days in 2022, primarily because principal raw materials of our LFP cathode materials, such as lithium carbonate and iron phosphate, were in short supply in the year and suppliers generally requested payment before delivery for the procurement of raw materials. Our trade payable turnover days then increased to 49.6 days in 2023, primarily because certain suppliers accepted longer credit term for the procurement of raw materials of our LFP cathode materials due to the rebalance of the supply and demand of raw materials. Our trade payable turnover days then increased to 67.3 days in the first half of 2024, primarily due to the extension of credit periods negotiated with our suppliers.

As of August 31, 2024, RMB704.9 million, or 57.8% of our trade payables as of June 30, 2024 had been subsequently settled.

Financial Assets at Fair Value through Other Comprehensive Income/Profit or Loss ("FVTOCI/FVTPL")

Our financial assets at FVTOCI/FVTPL consist of our investments in listed and unlisted equity, unlisted funds and wealth management products. As of December 31, 2021, 2022 and 2023, our financial assets at FVTOCI/FVTPL amounted to RMB92.9 million, RMB123.2 million and RMB201.0 million, respectively. The following table sets forth a breakdown of our financial assets at FVTOCI/FVTPL as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Financial assets at FVTOCI				
Unlisted equity investments, at fair value	92,450	92,450	141,450	141,450
Current assets				
Financial assets at FVTPL				
Listed equity investments, at fair value	431	738	522	247
Wealth management products	—	30,000	—	800,750
Unlisted funds investment	—	—	59,005	40,129
Total	**92,881**	**123,188**	**200,977**	**982,576**

Our unlisted equity investments mainly include investments in Anhui Mingtian New Energy Technology Co., Ltd. (安徽明天新能源科技有限公司) ("**Anhui Mingtian**"). As of June 30, 2024, we hold 9.57% equity interest in Anhui Mingtian. The fair values of our investments in Anhui Mingtian during the Track Record Period have been arrived at on the basis of a valuation carried out by an independent qualified professional valuer using market approach and adjusted recent transaction.

Our listed equity investments comprised shares of a Shenzhen stock exchange listed company. The fair values of the listed shares in the PRC were determined based on the quoted bid price available on the Shenzhen Stock Exchange.

Our unlisted fund investment represented the investments in a Hong Kong-listed company through a private equity fund.

The wealth management products we purchased were issued by regulated commercial banks in the PRC which were independent from us and were low-risk in nature. The wealth management products were structured deposits with financial institutions with maturities within one year. The returns of the structured deposits were typically made up of both guaranteed minimum returns and variable returns tied to the performance of certain underlying financial assets, such as gold spot price and currency exchange rates. The returns of these investments were determined with reference to the performance of the expected return rates stated in the contracts. The fair values of the wealth management products we purchased were determined by the spot rate quoted by the issuer of the financial products. We typically disposed our investments in wealth management products near year end.

We have implemented a series of internal control policies setting forth overall principles, assignment of responsibilities and approval procedures regarding investment in wealth management products to ensure corporate fund safety. Pursuant to our internal policies, we will only use idle cash to invest in wealth management products which will not interfere with our normal operations and business prospects. In general, we only permit investments in low-risk and short-term wealth management products issued by qualified financial institutions. Our fund management department manages our investments in wealth management products. It is responsible for proposing, analyzing and evaluating potential investment in wealth management products. Investment proposals are subject to approvals by our chief financial officer and the chairman of the Board, who have expertise in business and financial management. Upon approvals, our fund management department is responsible for purchasing the relevant wealth management products and reviewing the performance of relevant wealth management products on a regular basis. We also actively follow up with banks to ensure we receive our returns on a timely basis. The fund management department is required to work closely with other departments of the Group, such as office of the secretary to the Board and our finance department, to ensure the compliance with disclosure requirements and the accuracy of bookkeeping regarding our investments in wealth management products.

In the future, we may continue to purchase wealth management products or invest in other types of financial assets in accordance with our internal policies to maximize our capital utilization efficiency. Our investments after the Listing will be subject to relevant laws, regulations and rules, including Chapter 14 and other applicable rules under the Listing Rules.

Contract Liabilities

Our contract liabilities primarily comprise receipts in advance from customers. The following table sets forth the breakdown of our contract liabilities as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of automotive specialty chemicals	32,602	23,041	12,439	24,606
Sales of LFP cathode materials	27,533	401,305	8,758	4,256
Others	51	1,394	743	1,265
Total	**60,186**	**425,740**	**21,940**	**30,127**

As of December 31, 2021, 2022 and 2023 and June 30, 2024, our contract liabilities were RMB60.2 million, RMB425.7 million, RMB21.9 million and RMB30.1 million. The significant increase in our contract liabilities as of December 31, 2022 as compared to that as of December 31, 2021 was primarily attributable to advance receipts from a major customer to order our products. Our contract liabilities decreased from RMB425.7 million as of December 31, 2022 to RMB21.9 million as of December 31, 2023, primarily because contract liabilities as of December 31, 2022 were subsequently recognized as revenue in 2023. Our contract liabilities then increased to RMB30.1 million as of June 30, 2024, primarily due to the increase in advance from customers for purchases of our automotive specialty chemicals.

As of August 31, 2024, RMB22.8 million, or 75.6%, of our contract liabilities as of June 30, 2024 had been settled as revenue subsequently.

INDEBTEDNESS

The following table sets forth a breakdown of our indebtedness as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Bank and other borrowings	2,148,604	5,625,846	8,926,695	9,477,553	8,910,101
Lease liabilities	346,182	657,993	1,090,170	1,114,394	1,075,622
Total	**2,494,786**	**6,283,839**	**10,016,865**	**10,591,947**	**9,985,723**

As of December 31, 2021, 2022 and 2023, June 30, 2024 and August 31, 2024, we did not have any significant contingent liabilities. Our Directors confirmed that there had not been any material change in our contingent liabilities since August 31, 2024 and up to the Latest Practicable Date.

Save as disclosed above, we did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, or debt securities issued or outstanding, or authorized or otherwise created but unissued, or other similar indebtedness, finance leases or hire purchase commitments, guarantees or other contingent liabilities or any covenant in connection therewith as of August 31, 2024, being our indebtedness statement date. Our Directors confirm that, as of the Latest Practicable Date, there was no material change in the Company's indebtedness since August 31, 2024.

Bank and Other Borrowings

The following table sets forth the details of our borrowings as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Fixed-rate bank borrowings					
— Secured	1,214,947	3,143,918	5,551,470	6,059,692	6,033,405
— Unsecured	548,657	624,642	2,353,975	1,749,232	1,529,363
	1,763,604	3,768,560	7,905,445	7,808,924	7,562,768
Endorsed bills	40,000	1,512,286	570,000	815,597	494,301
Other borrowings	345,000[Note]	345,000[Note]	451,250	853,032	853,032
Total	**2,148,604**	**5,625,846**	**8,926,695**	**9,477,553**	**8,910,101**

Note: The other borrowings are financial liabilities designated as FVTPL and in the subsequent periods, the repurchase price is based on higher of capital contribution plus 10% internal rate of return per annum or the fair value of the equity interest of Changzhou Liyuan upon redemption. Any changes in fair value of the financial liabilities at FVTPL are recognized as fair value gain or loss under "other income, gains and losses" (as a line item in the profit or loss). Fair value assessment has been carried out by an independent professional valuer appointed by our Company with fair value changes determined to be immaterial for the years ended December 31, 2021 and 2022. As our management considered the fair value changes of other borrowings were immaterial to our Group, such changes were therefore not recognized in the respective consolidated financial statements for the years ended December 31, 2021 and 2022. As a result, there was no change in the carrying value of other borrowings as of December 31, 2021 and 2022.

As of December 31, 2021, 2022 and 2023, June 30, 2024 and August 31, 2024, we had bank and other borrowings of RMB2,148.6 million, RMB5,625.8 million, RMB8,926.7 million, RMB9,477.6 million and RMB8,910.1 million, respectively. Our bank borrowing had effective interest rates ranging from 2.85% to 4.60% per annum, 2.95% to 4.41% per annum, 2.71% to 4.06% per annum and 2.65% to 4.06% per annum as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our bank borrowings were mainly denominated in RMB and primarily used to finance our increased capital expenditures and working capital requirements driven by our business expansion during the Track Record

Period. The continuous increase in our bank borrowing during the Track Record Period was primarily due to the increased capital needs of our LFP cathode materials business for the construction of production facilities. For details on the construction of production facilities of LFP cathode materials and further expansion plans, see "Business — Our Businesses — LFP Cathode Materials — Production expansion plans." We also used our bank borrowings for operational purposes, such as purchases of raw materials. As of June 30, 2024, our bank borrowings of RMB5,255.6 million were repayable within one year. We believe our Group has sufficient financial resources to fulfil our short-term financial obligations given that our current assets as of June 30, 2024 represented 47.7% of our total assets as of the same date. In particular, our cash and cash equivalents, financial assets at FVTPL and trade and other receivables, which were relatively high liquid, amounted to RMB2,285.9 million, RMB841.1 million and RMB3,337.2 million, respectively, as of June 30, 2024.

Our bank borrowings had been secured by certain assets of the Group and the carrying amounts of the respective assets amounted to RMB437.7 million, RMB2,305.0 million, RMB1,132.6 million and RMB1,687.6 million as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our bank borrowings were also pledged by 100% equity interest of subsidiaries with a carrying amount of investments in subsidiaries of RMB844.4 million as of December 31, 2021, 2022 and 2023 and June 30, 2024. See Note 42 to Part II of the Accountants' Report in Appendix IA to this prospectus for details.

As of December 31, 2021, 2022 and 2023, June 30, 2024 and August 31, 2024, bank borrowings of RMB823.4 million, RMB1,294.5 million, RMB1,713.6 million, RMB1,796.2 million and RMB2,075.8 million were guaranteed by Mr. Shi and/or Ms. Zhu Xianglan, our executive Director and non-executive Director respectively and our Controlling Shareholders (the "**Controlling Shareholders' Guarantees**"). Our Directors are of the view that premature discharge of all outstanding Controlling Shareholders' Guarantees before the Listing would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant banks, and the renegotiation would be time-consuming and may affect our normal operation. Therefore, the Controlling Shareholders' Guarantees will not be released before Listing. For detailed analysis on the financial independence of our Group from our Controlling Shareholders, see "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence."

As of December 31, 2021, 2022 and 2023, June 30, 2024 and August 31, 2024, our endorsed bills amounted to RMB40.0 million, RMB1,512.3 million, RMB570.0 million, RMB815.6 million and RMB494.3 million, respectively.

As of December 31, 2021, 2022 and 2023, June 30, 2024 and August 31, 2024, our other borrowings amounted to RMB345.0 million, RMB345.0 million, RMB451.3 million, RMB853.0 million and RMB853.0 million, respectively. Other borrowings derived from the repurchase rights granted to certain new investors of Changzhou Liyuan in connection with its capital increases in October 2021, February 2024 and May 2024. For details of the capital increases and the repurchase rights, see "History and Development — Our Strategic Cooperation — Establishment of Changzhou Liyuan in 2021 and Subsequent Capital Increases."

We consider our bank borrowing agreements to contain standard terms, conditions and covenants that are customary for commercial bank loans. A few of our bank borrowing agreements consist of specific restrictions on financial ratios or dividend distribution of our Company and certain subsidiaries. Typically, as of August 31, 2024, pursuant to the relevant bank borrowing agreements, the liability-to-asset ratios of a relevant borrower should not exceed an agreed level (usually ranging from 65% to 100%) for outstanding bank borrowings of nine members of the Group. As of August 31, 2024, eight members of the Group undertook to remain profitable for some of their respective outstanding bank borrowings. Certain bank borrowing agreements also had restrictions over the borrowers, including 13 members of the Group as of August 31, 2024, on dividend distribution. As of August 31, 2024, the aggregate outstanding balance of these bank borrowings amounted to RMB4,935.8 million. Despite these restrictive financial covenants and the loss-making and financial position of the Company and/or relevant subsidiaries, we have been advised by our PRC Legal Advisor, who has performed due diligence work (including but not limited to reviewing the relevant agreements, documents, information and confirmations provided by our Company and/or relevant subsidiaries of our Company and/or parties to the relevant agreements, and obtaining necessary written representations from our Company and/or relevant subsidiaries), that, based on such due diligence work and analysis, the Company and/or those aforementioned relevant subsidiaries were waived from fulfilling the above financial covenants of relevant agreements during the Track Record Period and up to the Latest Practicable Date.

Based on the aforementioned view of our PRC Legal Adviser, our Directors are of the view that, we had not been in violation of any of the material covenants pursuant to the respective loan agreements we entered into with the relevant banks during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, the Group (i) had not received any notices of default from any of the relevant banks regarding the material covenants (including the abovementioned covenants) pursuant to the respective loan agreements entered into with the relevant banks; (ii) had not incurred any damages or penalties, nor had it experienced any disputes with the relevant banks regarding these covenants or any other aspects of the loan agreements; or (iii) had not experienced any difficulty in obtaining or default in payment of bank loans and other borrowings.

The following table sets forth the maturity structure of our bank and other borrowings as of August 31, 2024:

	As of August 31, 2024		
	Fix-rate bank borrowings	Endorse bills	Other borrowings
	(RMB in thousands, unaudited)		
Within 6 months	2,218,520	325,101	—
6 to 12 months	2,310,374	169,200	—
1 to 2 years	1,154,279	—	—
2 to 3 years	493,737	—	853,032
Over 3 years	1,385,858	—	—
Total	**7,562,768**	**494,301**	**853,032**

As of August 31, 2024, our Group had banking facilities of RMB8,602.0 million, of which RMB1,063.4 million was unutilized. Our Directors confirm that they are not aware of any material restrictive covenant that will limit our ability to draw down on our unutilized facilities during the Track Record Period and up to the Latest Practicable Date.

Lease Liabilities

During the Track Record Period, we leased various offices, warehouses and factories for our operations. The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of June 30,	As of August 31,
	2021	2022	2023	2024	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current	157,431	297,391	294,752	220,759	188,225
Non-current	188,751	360,602	795,418	893,635	887,397
Total	**346,182**	**657,993**	**1,090,170**	**1,114,394**	**1,075,622**

Our lease liabilities amounted to RMB346.2 million, RMB658.0 million, RMB1,090.2 million, RMB1,114.4 million and RMB1,075.6 million as of December 31, 2021, 2022 and 2023, June 30, 2024 and August 31, 2024, respectively. The increase in our lease liabilities in 2022 and 2023 was primarily due to an increase in new leases entered into for our production facilities. Our lease liabilities remained relatively stable as of December 31, 2023, June 30, 2024 and August 31, 2024.

RELATED PARTY TRANSACTION

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. During the Track Record Period, our transactions with related parties consisted of sales of products and provision of services to related parties, purchases from related parties and payment of other service fees and expenses to related parties. For details of our related party transactions, see Note 39 to Part II of the Accountants' Report in Appendix IA to this prospectus. The following table sets forth our balance with related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties				
— Trade and other receivables	150	320	45	1,076
Amounts due to related parties				
— Trade and other payable	35	54,258	28,730	45,045
— Contract liabilities	741	939	411	398

The balances with related parties and an associate are trade in nature, unsecured, interest-free and repayable on demand. Our Directors believe that these transactions were conducted in the ordinary and usual course of business, and did not distort our results of operations or make our historical results unreflective of our future performance.

CAPITAL EXPENDITURES

Our capital expenditures are primarily related to purchases of property, plant and equipment and other intangible assets. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Purchase of property, plant and equipment	657,791	2,222,509	3,166,764	1,367,802	558,590
Purchase of other intangible assets	8,315	11,238	43,171	38,139	3,889
Total	**666,106**	**2,233,747**	**3,209,935**	**1,405,941**	**562,479**

Our capital expenditures amounted to RMB666.1 million, RMB2,233.7 million, RMB3,209.9 million, RMB1,405.9 million and RMB562.5 million in 2021, 2022 and 2023 and for the six months ended June 30, 2023 and 2024, respectively. The significant increase in our capital expenditures in 2022 and 2023 was primarily due to the construction/expansion of production facilities. We commenced preparation for the Indonesia Plant in February 2023. By June 30, 2024, we had incurred capital expenditures of approximately RMB602.6 million for the construction of the Indonesia Plant. For details, see "Future Plans and Use of Proceeds — Use of Proceeds."

For the year ending December 31, 2024, our capital expenditures are estimated to be RMB939.1 million. We plan to finance such capital expenditures through bank loans and the net proceeds from the Global Offering. Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition.

CAPITAL COMMITMENTS

Our capital commitments are related to capital expenditures in respect of acquisition of property and equipment and other intangible assets which had been contracted for but not yet provided. As of December 31, 2021, 2022 and 2023 and June 30, 2024, our capital commitments were RMB473.8 million, RMB2,749.5 million, RMB1,997.9 million and RMB1,059.9 million, respectively.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates indicated:

	For the year ended/As of December 31,			For the six months ended/ As of June 30,
	2021	2022	2023	2024
Return on equity[1] (%)	17.2	18.4	(36.2)	(6.5)
Return on assets[2] (%)	7.1	7.0	(8.8)	(1.5)
Current ratio[3] (times)	1.5	1.3	0.9	0.9
Quick ratio[4] (times)	1.1	0.9	0.7	0.7
Gearing ratio[5] (%)	99.2	112.0	239.6	264.0

Notes:

(1) Return on equity is calculated based on profit/(loss) for the year/period divided by the ending balance of total equity of the year/period and multiplied by 100%.

(2) Return on assets is calculated based on profit/(loss) for the year/period divided by the ending balance of total assets of the year/period and multiplied by 100%.

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

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

(5) Gearing ratio is calculated based on total debt, including total bank and other borrowings and lease liabilities, divided by total equity as of the date indicated and multiplied by 100%.

Return on Equity

Our return on equity increased from 17.2% in 2021 to 18.4% in 2022, primarily due to the growth of both total equity and profit for the year after our acquisitions of Tianjin Beiterui Nano and Jiangsu Beiterui Nano. We recorded negative return on equity in 2023 and the first half of 2024 as we incurred losses for the respective periods.

Return on Assets

Our return on assets remained relatively stable at 7.1% and 7.0% in 2021 and 2022, respectively. We recorded negative return on assets in 2023 and the first half of 2024 as we incurred losses for the respective periods.

Current Ratio and Quick Ratio

Our current ratio amounted to 1.5 times, 1.3 times, 0.9 times and 0.9 times as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. Our quick ratio amounted to 1.1 times, 0.9 times, 0.7 times and 0.7 times as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The decreases in our current ratio and quick ratio were primarily due to the increase in short-term bank borrowings recorded as current liabilities.

Gearing Ratio

Our gearing ratio amounted to 99.2%, 112.0%, 239.6% and 264.0% as of December 31, 2021, 2022 and 2023 and June 30, 2024, respectively. The increase in our gearing ratio was primarily due to (i) the increase in our bank borrowing from 2021 to 2023 attributable to working capital needs of our LFP cathode materials business and capital needs for the construction/expansion of production facilities and (ii) the increase in other borrowings at FVTPL with reference to valuation carried out by an independent professional valuer.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

We are exposed to financial risks including market risk (currency risk and interest rate risk), credit risk and liquidity risk in the normal course of our business. For details of the risks we are exposed to, see Note 37(b) to Part II of the Accountants' Report in Appendix IA to this prospectus.

DIVIDEND POLICY

On May 10, 2021, we paid a final dividend of RMB61.0 million in respect of the year ended December 31, 2020. On September 30, 2022, we paid an interim dividend of RMB105.1 million in respect of the six months ended June 30, 2022. We did not declare any dividend for the year ended December 31, 2023 and the six months ended June 30, 2024.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the relevant PRC laws. We currently do not have any fixed dividend pay-out ratio. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. According to relevant PRC laws, any future net profit that we make will have to be first applied to make up for our historically accumulated losses, after which we will be obliged to allocate 10% of our net profit to our statutory common reserve fund until such fund has reached more than 50% of our registered capital. We will, therefore, only be able to declare dividends after: (i) all our historically accumulated losses have been made up for; and (ii) we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future.

LISTING EXPENSES

Listing expenses to be borne by us are estimated to be approximately HK$55.0 million or 9.6% of the gross proceeds of the Global Offering (including underwriting commission of approximately HK$15.8 million, and non-underwriting related expenses of approximately HK$39.2 million which consist of fees and expenses of legal advisors and the Reporting Accountants of approximately HK$21.0 million and other fees and expenses of approximately HK$18.2 million, assuming an Offer Price of HK$5.75 per H Share, being the mid-point of the indicative Offer Price range), assuming the Over-allotment Option is not exercised. We incurred listing expenses of RMB23.6 million (equivalent to approximately HK$25.9 million) by June 30, 2024 and had prepaid listing expenses of RMB2.9 million (equivalent to approximately HK$3.1 million) as of June 30, 2024 recognized in the consolidated statements of our Group. Subsequent to the Track Record Period, we expect to further incur listing expenses of RMB23.6 million (equivalent to approximately HK$26.0 million) prior to and upon completion of the Global Offering, of which (i) RMB7.9 million (equivalent to approximately HK$8.7 million) is expected to be recognized as expenses in our consolidated statements of profit or loss and other comprehensive income, and (ii) RMB15.7 million (equivalent to approximately HK$17.3 million) is expected to be accounted for as a deduction from equity upon Listing under the relevant accounting standard.

DISTRIBUTABLE RESERVES

As of June 30, 2024, the Company had retained profits of RMB412.6 million, which could be distributed subject to current articles of association of the Company and the PRC Company Law. However, such retained profits were restricted from distribution pursuant to certain covenants under bank borrowing agreements between the Company and relevant banks that requested no dividend distribution when the Company recorded net losses.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period, we did not have any material off-balance sheet arrangements or any variable interest in any unconsolidated entity that provides financing, liquidity, financial risk or credit support for us. In addition, we have not entered into any derivative contracts that are indexed to our equity interests and classified as owners' equity. As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

For details of our unaudited pro forma adjusted consolidated net tangible assets, please refer to the section headed "Unaudited Pro Forma Financial Information" as set out in Appendix II to this prospectus.

MATERIAL ADVERSE CHANGE

After due and careful consideration, our Directors confirm that, as of the date of this prospectus and other than disclosed in "Summary — Recent Developments and Adverse Material Change", there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since June 30, 2024, being the end of the Track Record Period, and there is no event since June 30, 2024 which would materially affect the information shown in the Accountants' Report, the contents of which are set out in Appendix IA to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FINANCIAL INFORMATION OF TIANJIN BEITERUI NANO AND JIANGSU BEITERUI NANO

Set out below is certain pre-acquisition financial information of Tianjin Beiterui Nano from January 1, 2021 to May 31, 2021 and Jiangsu Beiterui Nano from January 28, 2021 (date of incorporation) to May 31, 2021.

Description of Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth the statements of profit or loss and other comprehensive income of Tianjin Beiterui Nano and Jiangsu Beiterui Nano for the periods indicated, which is derived from the statements of profit or loss and other comprehensive income of Tianjin Beiterui Nano and Jiangsu Beiterui Nano set out in Appendix IB and Appendix IC to this prospectus, respectively:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Revenue	222,507	268,848
Cost of sales	(165,824)	(236,541)
Gross profit	56,683	32,307
Other income, gains and losses	1,164	495
Impairment losses on financial assets	(2,612)	(2,902)
Selling and distribution expenses	(56)	(20)
Administrative expenses	(2,393)	(2,696)
Research and development expenses	(16,604)	(4,907)
Finance costs	(616)	(1,265)
Profit before taxation	35,566	21,012
Income tax credit/(expenses)	(2,478)	(4,290)
Profit and total comprehensive income for the period	**33,088**	**16,722**

Revenue

Revenue of Tianjin Beiterui Nano and Jiangsu Beiterui Nano was primarily generated from sales of LFP cathode materials, which represents over 95% of their respective total revenue for the corresponding period, with the rest mainly includes sales of packaging materials and accessories. For the five months ended May 31, 2021, the revenue of Tianjin Beiterui Nano amounted to RMB222.5 million. From January 28, 2021 to May 31, 2021, the revenue of Jiangsu Beiterui Nano amounted to RMB268.8 million.

Cost of sales

Cost of sales of Tianjin Beiterui Nano and Jiangsu Beiterui Nano incurred primarily from sales of LFP cathode materials. For the five months ended May 31, 2021, the cost of sales of Tianjin Beiterui Nano amounted to RMB165.8 million, representing 74.5% of its revenue for the same period. From January 28, 2021 to May 31, 2021, the cost of sales of Jiangsu Beiterui Nano amounted to RMB236.5 million, representing 88.0% of its revenue for the same period.

Other income, gains and losses

The following table sets forth a breakdown of other income, gains and losses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano for the periods indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Government grants	907	—
Interest income on bank deposits	6	2
Gain on disposal of property, plant and equipment	—	—
Others	251	493
Total	**1,164**	**495**

Other income, gains and losses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano consist of government grants, interest income on bank deposits, gain on disposal of property, plant and equipment and others. For the five months ended May 31, 2021, other income, gains and losses of Tianjin Beiterui Nano amounted to RMB1.2 million. From January 28, 2021 to May 31, 2021, other income, gains and losses of Jiangsu Beiterui Nano amounted to RMB495,000.

Government grants represent operating subsidies and various industry-specific subsidies granted by the government authorities to reward Tianjin Beiterui Nano's effort for technological innovation. There are no unfulfilled conditions relating to such government subsidies recognized. The government grants are primarily non-recurring in nature.

Impairment losses on financial assets

Impairment losses on financial assets of Tianjin Beiterui Nano and Jiangsu Beiterui Nano mainly represent the impairment losses on their trade and other receivables calculated based on the expected credit loss rates. For the five months ended May 31, 2021, impairment losses on financial assets of Tianjin Beiterui Nano amounted to RMB2.6 million. From January 28, 2021 to May 31, 2021, impairment losses on financial assets of Jiangsu Beiterui Nano amounted to RMB2.9 million.

Selling and distribution expenses

Selling and distribution expenses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano mainly consist of staff cost and benefit attributable to sales personnel of Tianjin Beiterui Nano and Jiangsu Beiterui Nano. For the five months ended May 31, 2021, selling and distribution expenses of Tianjin Beiterui Nano amounted to RMB56,000, representing 0.03% of its revenue for the same period. From January 28, 2021 to May 31, 2021, selling and distribution expenses of Jiangsu Beiterui Nano amounted to RMB20,000, representing 0.01% of its revenue for the same period.

Administrative expenses

Administrative expenses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano mainly consist of staff cost and benefit, utility, consulting service fees and rent, rates and building management fees. For the five months ended May 31, 2021, administrative expenses of Tianjin Beiterui Nano amounted to RMB2.4 million, representing 1.1% of its revenue for the same period. From January 28, 2021 to May 31, 2021, administrative expenses of Jiangsu Beiterui Nano amounted to RMB2.7 million, representing 1.0% of its revenue for the same period. The following table sets forth a breakdown of the administrative expenses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano for the periods indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Staff cost and benefit	2,048	1,295
Utility	72	716
Consulting service fees	99	360
Rent, rates and building management fees	2	206
Others	172	119
Total	**2,393**	**2,696**

Research and development expenses

Research and development expenses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano mainly consist of direct materials and testing fees, staff cost and depreciation and amortization. For the five months ended May 31, 2021, research and development expenses of Tianjin Beiterui Nano amounted to RMB16.6 million, representing 7.5% of its revenue for the same period. From January 28, 2021 to May 31, 2021, research and development expenses of Jiangsu Beiterui Nano amounted to RMB4.9 million, representing 1.8% of its revenue for the same period. The following table sets forth a breakdown of the research and development expenses of Tianjin Beiterui Nano and Jiangsu Beiterui Nano for the periods indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Direct materials and testing fees	15,181	137
Staff cost	1,112	1,968
Depreciation and amortization	201	942
Others	110	1,860
Total	**16,604**	**4,907**

Finance costs

Finance costs of Tianjin Beiterui Nano and Jiangsu Beiterui Nano mainly consist of interest expenses on bank borrowings, other payables and lease liabilities. For the five months ended May 31, 2021, finance costs of Tianjin Beiterui Nano amounted to RMB616,000. From January 28, 2021 to May 31, 2021, finance costs of Jiangsu Beiterui Nano amounted to RMB1.3 million. The following table sets forth a breakdown of finance costs of Tianjin Beiterui Nano and Jiangsu Beiterui Nano for the periods indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Interest expenses on:		
— Bank borrowings	195	—
— Other payables	—	836
— Lease liabilities	421	429
Total	**616**	**1,265**

Income tax credit/(expenses)

Under the EIT Law and the Implementation Regulation of the EIT Law, the tax rate is 25% unless subject to taxed at preferential rates.

Tianjin Beiterui Nano was accredited as a "High and New Technology Enterprise" in 2020, and therefore Tianjin Beiterui Nano was entitled to a preferential income tax rate of 15% for the five months ended May 31, 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Description of Statements of Cash Flows

The following table sets forth selected cash flow statement information of Tianjin Beiterui Nano and Jiangsu Beiterui Nano for the periods indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	For the five months ended May 31, 2021	Period from January 28, 2021 to May 31, 2021
	RMB'000	RMB'000
Net cash from/(used in) operating activities	86,327	(63,437)
Net cash from/(used in) investing activities	(12,853)	(321,407)
Net cash from/(used in) financing activities	(64,617)	390,319
Net (decrease)/increase in cash and cash equivalents	8,857	5,475
Cash and cash equivalents at beginning of period	10,191	—
Cash and cash equivalents at end of period	**19,048**	**5,475**

Net cash from operating activities of Tianjin Beiterui Nano amounted to RMB86.3 million for the five months ended May 31, 2021. Jiangsu Beiterui Nano recorded net cash used in operating activities of RMB63.4 million from January 28, 2021 to May 31, 2021, because it was then a newly established company and used more cash for production.

Net cash used in investing activities of Tianjin Beiterui Nano amounted to RMB12.9 million for the five months ended May 31, 2021. Net cash used in investing activities of Jiangsu Beiterui Nano amounted to RMB321.4 million from January 28, 2021 to May 31, 2021.

Net cash used in financing activities of Tianjin Beiterui Nano amounted to RMB64.6 million for the five months ended May 31, 2021. Net cash from financing activities of Jiangsu Beiterui Nano amounted to RMB390.3 million from January 28, 2021 to May 31, 2021.

Working Capital

The following table sets forth the details of the current assets and current liabilities of Tianjin Beiterui Nano and Jiangsu Beiterui Nano as of the dates indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	As of May 31, 2021
	RMB'000	RMB'000
Current assets		
Inventories	85,930	103,256
Trade and other receivables	398,784	260,388
Cash and cash equivalents	19,048	5,475
Total current assets	**503,762**	**369,119**
Current liabilities		
Trade and other payables	285,537	360,896
Tax payable	3,011	3,543
Lease liabilities	20,105	19,563
Contract liabilities	515	1,347
Deferred income	556	—
Total current liabilities	309,724	385,349
Net current assets/(liabilities)	**194,038**	**(16,230)**

As of May 31, 2021, Tianjin Beiterui Nano recorded net current assets of RMB194.0 million. Jiangsu Beiterui Nano recorded net current liabilities of RMB16.2 million as of May 31, 2021 as it was then a newly established company.

Selected Key Items of Statement of Financial Positions

Inventories

Inventories of Tianjin Beiterui Nano and Jiangsu Beiterui Nano consist of raw materials such as lithium carbonate and iron phosphate, work in progress and finished goods. The following table sets forth a breakdown of the inventories as of the dates indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	As of May 31, 2021
	RMB'000	RMB'000
Raw materials	56,828	55,434
Work in progress	1,233	12,168
Finished goods	27,869	35,654
Total	**85,930**	**103,256**

Tianjin Beiterui Nano recorded inventories of RMB85.9 million as of May 31, 2021. Jiangsu Beiterui Nano recorded inventories of RMB103.3 million as of May 31, 2021.

Trade and other receivables

The trading terms of Tianjin Beiterui Nano and Jiangsu Beiterui Nano with their customers are mainly on credit. The following table sets forth the breakdown of trade and other receivables of Tianjin Beiterui Nano and Jiangsu Beiterui Nano as of the dates indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	As of May 31, 2021
	RMB'000	RMB'000
Trade receivables	293,000	203,787
Bills receivables	97,208	20,858
Other receivables	8,654	38,909
Total	**398,862**	**263,554**

Trade and other receivables of Tianjin Beiterui Nano as of May 31, 2021 amounted to RMB398.9 million. Trade and other receivables of Jiangsu Beiterui Nano as of May 31, 2021 amounted to RMB263.6 million.

The following sets forth an aging analysis of trade receivables net of allowance for expected credit losses presented based on revenue recognition date:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	As of May 31, 2021
	RMB'000	RMB'000
Within 1 year	293,000	203,787
1–2 years	—	—
2–3 years	—	—
3–4 years	—	—
Total	**293,000**	**203,787**

Property, plant and equipment

Property, plant and equipment of Tianjin Beiterui Nano and Jiangsu Beiterui Nano consist of construction in progress, plant and machinery, motor vehicles, other equipment and lease improvement. The following table sets forth a breakdown of the property, plant and equipment as of the dates indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	As of May 31, 2021
	RMB'000	RMB'000
Construction in progress	661	34,982
Plant and machinery	62,291	270,425
Motor vehicles	687	736
Other equipment	1,407	4,943
Lease improvement	7,847	3,579
Total	**72,893**	**314,665**

Property, plant and equipment of Tianjin Beiterui Nano as of May 31, 2021 amounted to RMB72.9 million. Property, plant and equipment of Jiangsu Beiterui Nano as of May 31, 2021 amounted to RMB314.7 million.

Trade and other payables

The following table sets forth the breakdown of the trade and other payables as of the dates indicated:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	**As of May 31, 2021**
	RMB'000	**RMB'000**
Trade payables	224,453	267,537
Bills payables	48,005	—
Other payables	13,079	93,359
Total	**285,537**	**360,896**

Trade and other payables of Tianjin Beiterui Nano as of May 31, 2021 amounted to RMB285.5 million. Trade and other payables of Jiangsu Beiterui Nano as of May 31, 2021 amounted to RMB360.9 million.

The following table sets forth an aging analysis of trade payables as of the dates indicated, presented based on the invoice date:

	Tianjin Beiterui Nano	Jiangsu Beiterui Nano
	As of May 31, 2021	**As of May 31, 2021**
	RMB'000	**RMB'000**
Within 1 year	224,453	267,537

FUTURE PLANS

See the section headed "Business — Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$520.0 million, after deducting underwriting fees and commissions and other estimated expenses paid and payable by us in relation to the Global Offering, assuming an Offer Price of HK$5.75 per H Share, being the mid-point of the Offer Price range from HK$4.50 to HK$7.00 per H Share, and that the Over-allotment Option is not exercised.

We currently intend to use these net proceeds for the purposes and in the amounts set forth below:

- approximately 40.0%, or HK$208.0 million, is expected to be used to pay partial expenses for the phase II of the Indonesia Plant. The main expenses include funds required for the construction of the plant and purchase and installation of major production machineries and equipment.

  In 2025, (a) approximately 20.0%, or HK$104.0 million (equivalent to approximately RMB94.6 million) will be used for the construction of phase II of the Indonesia Plant, and (b) approximately 20.0%, or HK$104.0 million (equivalent to approximately RMB94.6 million) will be used for purchasing and installation of production equipment including sand mills, spray dryers and stoves. The table below sets forth a breakdown and implementation plan of the estimated amount of net proceeds for equipment procurement and installation based on type and number of equipment required based on our estimation and the estimated procurement cost:

	Number of units	For the year ending December 31
		2025
		RMB million
Sand mills	24	60.7
Spray dryers	1	15.3
Others	12	18.6
Total		**94.6**

  The Indonesia Plant, including phase I and phase II, will cost an estimated total of approximately RMB2,072.1 million (equivalent to approximately HK$2,277.2 million). Among such total investment amount, HK$208.0 million will be the net proceeds from the Global Offering for phase II, and the remaining spendings for both phase I and phase II will be funded by other sources, including our internal resources, bank borrowings, as well as other potential external financing options. For instance, please refer to "History and Development — Development after the

Track Record Period." As of June 30, 2024, the actual investment made for our Indonesia Plant amounted to RMB602.6 million, including (a) approximately RMB82.2 million for land-related expenses including obtaining a rights on land certificate, (b) approximately RMB517.9 million for construction, procurement and installation of the plant and equipment, and (c) approximately RMB2.5 million of other pre-operating expenses.

We commenced preparation for the Indonesia Plant in February 2022 by setting up PT LBM Energi Baru Indonesia through Changzhou Liyuan. Construction of phase I has commenced and the major structure of stove plant, raw material warehouses, hydrogen production station and sewage treatment facility have been completed. The phase I of the Indonesia Plant is expected to commence operation around the fourth quarter of 2024 with a designed production capacity of 30.0 thousand tons of LFP cathode materials per year. The Latest Practicable Date, the phase I of the Indonesia Plant had completed construction. Phase II is expected to commence construction in 2025 with a designed production capacity of 90.0 thousand tons of LFP cathode materials per year. We have obtained a right on land certificate regarding the Indonesia Plant, covering both phase I and phase II, and relevant land costs have been settled through our internal financial resources (other than from the proceeds from this Global Offering). We do not expect any material legal impediment to obtain all licenses, permits and regulatory approvals required for the establishment and operation of the Indonesia Plant.

According to Frost & Sullivan, the sales volume of the global LFP cathode material industry is expected to grow at a CAGR of 18.6% from 2024 to 2028 which is higher than the 17.2% in mainland China, the market share of LFP cathode materials in terms of sales volume outside of mainland China is expected to rise from 2.9% in 2024 to 7.3% in 2028. Such growth is mainly driven by many LFP cathode material manufacturers and major lithium-ion battery manufacturers expanding or having plans to expand their production to global markets, aiming to attain early-mover advantages at the beginning of the industry's globalization, and major global NEV manufacturers increasingly adopting LFP batteries considering the various advantages they present.

With the growing overseas demands of LFP cathode materials, Indonesia has been identified as a favorable overseas destination due to its comprehensive NEV industry value chain, investment-friendly policies and favorable geographical location. Indonesia has promulgated policies to promote the growth of NEV industry value chain by reducing taxes and increasing the proportion of locally produced NEV contents. For example, in the Presidential Regulation No.55/2019, Indonesia has prioritized the domestic NEV industry and set local content requirements for NEVs produced in Indonesia to reach 40% by 2023, 60% by 2029, and 80% by 2030. Further, in the Government Regulation No. 74/2021, battery electric vehicle, a type of NEV, is exempted from sales tax on luxury goods. In law No. 1/2022, title transfer and ownership fee and vehicle tax towards NEVs will start exemption in 2025. Besides, according to Frost & Sullivan, the domestic LFP battery annual production capacity only accounts for less than 5%

of the demand for NEV battery in Indonesia, and Indonesia has set out its target to export 200,000 NEVs by 2025 and achieve 2.2 million electric vehicles on the roads by 2030 representing considerable growth potential, both domestically and overseas, and attracting foreign investment on local LFP industry value chain.

Moreover, leading companies within the lithium-ion battery value chain have developed detailed investment plans in Indonesia, resulting in the establishment of a comprehensive layout of the lithium-ion battery market value chain in the country. Specifically, several leading global lithium-ion battery manufacturers and NEV manufacturers have announced plans to establish manufacturing facilities in Indonesia, attracted by rapid market growth, the aforementioned localization incentives, and proximity to raw material sources. These major industry players are expected to invest billions of dollars over the next few years to set up integrated production capacities spanning from upstream mining and raw material manufacturing to midstream battery material supply and downstream lithium-ion battery manufacturing and recycling. Their ambitious expansion strategies and projected capital investments also attest to the promising market potential of Indonesia as a hub for the electric vehicle ecosystem and lithium cathode material value chain.

In terms of lithium resources, similar to mainland China, Indonesia imports lithium from Australia, the world's largest lithium producer, and the Indonesia government has been exploring more in depth collaboration with Australia. For example, in November 2023, Indonesia and Australia signed a memorandum of understanding in Jakarta regarding their collaboration in the electric vehicle industry combining their respective advantages in nickel and lithium reserves. Moreover, Indonesia's closer location to Australia compared to mainland China lowers the costs of transportation and provides advantages in efficient access to Australian lithium resources. As a maritime hub connecting the PRC with other countries, Indonesia delivers convenient connectivity and transportation for the lithium battery value chain to overseas markets, reducing shipment costs, which is also conducive to the formation of a comprehensive lithium-ion battery value chain in Indonesia. As a result of the establishment and commencement of the Indonesia Plant, we expect our revenue to grow as production capacity ramps up. As far as cost structure is concerned, while we do not expect any material difference between operating production facilities in mainland China and Indonesia, for example, cost of raw materials is expected to remain the largest portion of our cost of sales, there are several factors that we believe may provide cost advantages for our Indonesian operations:

- International trade considerations: the global trade landscape for NEVs, batteries and their components, including cathode materials, is evolving. Our Indonesian facility may benefit from more favorable trade terms, including tariffs, in certain markets compared to exports from the PRC, potentially offering us enhanced flexibility in serving diverse international markets.

- Special Economic Zone Benefits: the Indonesian facility is located in a special economic zone, which is expected to provide us exemption from value-added tax and customs duties for a certain period. This represents a potential cost saving compared to exporting products from the PRC, where such taxes and duties would apply.

- Labor Costs: Indonesia offers competitive labor costs, which is expected to contribute positively to our overall manufacturing cost structure in the Indonesian facility.

In view of this trend of globalization, we believe we are well positioned to capture the business opportunities from growing overseas demand for LFP cathode materials primarily on the basis that: (i) in terms of sales volume in 2023, we are China's and the world's fourth largest LFP cathode material manufacturer, with a global market share of 6.5%, while the three largest manufacturers held market shares of 30.5%, 12.9% and 10.5%, respectively, and (ii) our established relationships and ongoing communications with our globally leading battery manufacturer customers, some of which also have plans to expand to Indonesia. In September 2023, we entered into a memorandum of understanding with LGES regarding the joint cooperation of producing cathode materials in Indonesia. In addition, in February 2024, we entered into a long-term supply agreement with LGES, where LGES and its affiliates committed to procure 160,000 tons of our LFP cathode materials from 2024 to 2028. We believe this cooperative relationship with LGES would generate positive impact on our business operations, overseas expansion, financial results, reputation and brand image. Through joint cooperation in Indonesia, we aim to leverage synergies in raw material sourcing, technological expertise and market access to capitalize on rapid growth opportunities overseas.

Our plan to expand to Indonesia and the international market is subject to various risks and uncertainties including compliance with foreign laws and regulatory requirements, competition from foreign players or failure to anticipate changes to the competitive landscape in the international markets and difficulty in managing relationships with foreign customers. For details, see "Risk Factors — Risks Relating to our Industry and Business — Our international strategy and ability to conduct business in the international markets is subject to uncertainties and risks."

- approximately 40.0%, or HK$208.0 million, is expected to be used to pay partial expenses for new LMFP production lines at our Xiangyang Plant in Hubei Province. The main expenses include funds required for the purchase and installation of major production machineries and equipment and relevant software.

In 2025, approximately HK$208.0 million (equivalent to approximately RMB189.3 million) will be used for purchasing and installation of production equipment including sand mills, spray dryers and stoves, and relevant software. The table below sets forth a breakdown and implementation plan of the estimated amount of net proceeds for equipment and software procurement and installation based on type and number of equipment/software required based on our estimation and the estimated procurement cost:

	Number of units	For the year ending December 31 2025 RMB million
Sand mills	15	40.5
Spray dryers	2	32.5
Stoves	9	108.0
Other equipment	8	8.3
Total		**189.3**

The LMFP production lines will cost an estimated total of approximately RMB781.5 million (equivalent to approximately HK$858.9 million), and are scheduled to commence operation in 2026. As of June 30, 2024, the actual investment made for our LMFP production lines amounted to RMB16.0 million, which were primarily used for the construction of our Xiangyang Plant and purchasing equipment. The remaining spendings, other than the net proceeds from the Global Offering, will be funded by other sources, including our internal resources and bank borrowings. The designed production capacity of the LMFP production lines is expected to be 60.0 thousand tons of LMFP cathode materials per year.

LMFP, such as our M series product, is an emerging upgraded sub-category of LFP cathode materials made by adding manganese to the LFP composition. It is currently considered a promising cathode material as it combines the high safety feature of lithium iron phosphate with the higher energy density and power density of lithium manganese phosphate. We believe there will be ample demand for LMFP cathode materials considering such superior characteristics which are ideal for NEV batteries. LMFP cathode material shares similar crystal structure with LFP cathode material and retains stable chemical properties and excellent safety performance. The addition of manganese improves both the lithium-ion diffusion rate and electronic conductivity, leading to enhanced battery performance. LMFP batteries exhibit superior temperature resistance, maintaining nearly 80% capacity retention at –20 degrees Celsius, compared to 60%–70% for LFP batteries. In terms of cost efficiency, as the charging voltage of LMFP batteries could achieve 4.1V, as compared to 3.4V for LFP batteries, the theoretical energy density of LMFP batteries can be increased by 15–20%, which not only boosts performance but also reduces the cost per Wh, making LMFP batteries more cost-effective. Compared to mainstream cathode materials, LMFP surpasses NCM in safety performance and exceeds LFP in energy density. Despite current technical challenges in using LMFP as the sole component in batteries, leading manufacturers are already transitioning towards LMFP production. NEV and ESS battery companies are also adapting to this change by incorporating LMFP into their products. In view of this trend which underscores LMFP's pivotal role in shaping the future of the lithium battery and NEV industries, Frost & Sullivan estimates the sales volume of LMFP cathode materials in mainland China is expected to reach 1,490.9 thousand tons by 2028. For further details, see "Industry Overview — Overview of LFP Cathode Material Industry — Market Drivers and Trends of LFP Cathode Material Industry — New technology boost potential market demand for LMFP cathode materials."

We believe we have ample technological and operational capabilities for manufacturing LMFP cathode materials in large scale. The production of LMFP cathode materials leverages the same solid-state method, processing techniques and equipment as our proven large-scale LFP cathode material business, which facilitates efficient transfer of expertise and production scale-up leveraging our experience in producing LFP cathode materials. With similar crystal structure to that of traditional LFP materials, LMFP integrates seamlessly into the current product landscape. This compatibility ensures a smooth transition for LFP cathode material manufacturers to adapt their production processes to LMFP, leveraging their existing supplier relationships and customer base. We started research and development on LMFP cathode materials as early as 2021 and have entered into a strategic partnership with a well-known lithium-ion battery manufacturer in mainland China focusing on the joint development of LMFP batteries in April 2022. As of June 30, 2024, we have a team of 27 research and development members at our Shenzhen research and development center dedicated to advancing our LMFP cathode material products and relevant technologies and addressing the technological differences between LFP cathode materials and LMFP cathode materials. Recently, our research and development team has successfully changed the molecular shape of manganese ion with our nano spherical technology to improve the electronic conductivity and ionic conductivity of our M series products. This progress would improve the power density of our M series products and homogenize different raw materials further enhancing manufacturability of our M series products.

- approximately 10.0%, or HK$52.0 million, is expected to be used to partially repay certain interest-bearing bank borrowings.

  (i) Approximately 6.6%, or HK$34.3 million, is expected to be used to partially repay RMB70.0 million of borrowings from Bank of Nanjing (南京銀行). As of June 30, 2024, our borrowings from Bank of Nanjing bore an effective interest rate of 2.88%, with maturities up to February 19, 2025. The bank borrowings are primarily used for working capital purposes;

(ii) approximately 3.4%, or HK$17.7 million, is expected to be used to partially repay RMB50.0 million of borrowings from Agricultural Bank of China (中國農業銀行). As of June 30, 2024 our borrowings from Agricultural Bank of China bore an effective interest rate of 2.8%, with maturities up to March 27, 2025. The bank borrowings are primarily used for procuring raw materials;

- approximately 10.0%, or HK$52.0 million, is expected to be used for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price range stated in this prospectus.

If the Offer Price is fixed at HK$7.00 per H Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK$122.0 million, assuming the Over-allotment Option is not exercised.

If the Offer Price is fixed at HK$4.50 per H Share (being the low end of the Offer Price range stated in this prospectus), the net proceeds we receive will be reduced by approximately HK$122.0 million, assuming the Over-allotment Option is not exercised.

In the event that the Over-allotment Option is exercised in full, the additional net proceeds that we would receive would be HK$83.8 million assuming an Offer Price of HK$5.75 per H Share, being the mid-point of the Offer Price range stated in this prospectus, after deduction of underwriting fees and commissions and other estimated expenses paid and payable by us in relation to the Global Offering. Additional net proceeds received due to the exercise of any Over-allotment Option will be used for the above purposes accordingly on a pro-rata basis if the Over-allotment Option is exercised.

If the net proceeds of the Global Offering are not immediately applied to the above purposes, or if we are unable to effect any part of our future development plans as intended, and to the extent permitted by applicable law and regulations, we will deposit the net proceeds into short-term demand deposits with licensed banks or other authorized financial institutions as defined under the Securities and Futures Ordinance/the applicable laws in the relevant jurisdiction for non-Hong Kong based deposits. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules and make an appropriate announcement if there is any change to the above proposed use of proceeds.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreement (the "**Cornerstone Investment Agreement**") with the cornerstone investor set out below ("**Cornerstone Investor**"), pursuant to which the Cornerstone Investor agreed to, subject to certain conditions, subscribe, or cause its designated entities to subscribe, at the Offer Price for 20,000,000 Offer Shares, representing approximately 20.00% of the Offer Shares pursuant to the Global Offering and 3.01% of the total Shares in issue immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the options granted under the 2023 Share Option Scheme) (the "**Cornerstone Placing**").

We believe that the Cornerstone Placing demonstrates our Cornerstone Investor's confidence in our Company and its business prospect, and that the Cornerstone Placing will help to raise the profile of our Company. Our Company became acquainted with the Cornerstone Investor through introduction by an Overall Coordinator in the Global Offering.

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investor and its close associates will not subscribe for any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreement). The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the fully paid H Shares in issue following the Global Offering of the Company and will be counted towards the public float of our Company under Rule 8.08 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investor or its close associates will not, by virtue of its cornerstone investment, has any Board representation in our Company; and none of the Cornerstone Investor and its close associates will become a substantial Shareholder of our Company. Other than a guaranteed allocation of the Offer Shares at the final Offer Price, the Cornerstone Investor does not have any preferential rights under the Cornerstone Investment Agreement, as compared with other public Shareholders. There are no side arrangements or agreements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Listing, other than a guaranteed allocation of the Offer Shares at the final Offer Price, following the principles as set out in Chapter 4.15 of the Guide for New Listing Applicants.

To the best knowledge of our Company, the Cornerstone Investor is (i) not accustomed to take instructions from our Company or any directors, supervisors, chief executive, controlling shareholders, substantial shareholders or existing shareholders of our Company or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name or otherwise held by it; (ii) not financed directly or indirectly by our Company or any directors, supervisors, chief executive, controlling shareholders, substantial shareholders, existing shareholders of our Company or any of its subsidiaries or their respective close associates; and (iii) independent of our Group, our connected persons and their respective associates, and is not an existing Shareholder or a close associate of our Group.

As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources and it has sufficient funds to settle its investment under the Cornerstone Placing. The Cornerstone Investor has confirmed that all necessary approvals have been obtained with respect to the Cornerstone Placing and that no specific approval from any stock exchange (if relevant) is required for the Cornerstone Placing.

The Cornerstone Investor has agreed to pay for the Offer Shares that it has subscribed before dealings in the Company's H Shares commence on the Stock Exchange.

The total number of Offer Shares to be subscribed by the Cornerstone Investor may be affected by reallocation in the event of over-subscription under the Hong Kong Public Offering, as described in "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Details of the allocations to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around Tuesday, October 29, 2024. If there is over-allocation in the International Offering, the settlement of such over-allocation may be effected through delayed delivery of the Offer Shares to be subscribed by the Cornerstone Investor under the Cornerstone Placing. Where delayed delivery takes place, the Cornerstone Investor shall nevertheless pay and settle in full for the relevant Offer Shares that it subscribed before dealings in the Offer Shares commence on the Stock Exchange. As such, there will not be any deferred settlement in payment by the Cornerstone Investor. If there is no over-allocation in the International Offering, delayed delivery will not take place. For details of the Over-allotment Option, see "Structure of the Global Offering — Over-allotment Option" in this prospectus.

Set forth below certain details of the Cornerstone Placing:

			Approximate % of total number of Offer Shares		Approximate % of total Shares in issue immediately following the completion of Global Offering	
Cornerstone Investor[1]	Investment Amount[2]	Number of Offer Shares	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Based on the Offer Price of HK$4.50 (being the low-end of the indicative Offer Price range)						
Harvest Oriental.	HK$90,000,000	20,000,000	20.00%	17.39%	3.01%	2.94%
Based on the Offer Price of HK$5.75 (being the mid point of the indicative Offer Price range)						
Harvest Oriental.	HK$115,000,000	20,000,000	20.00%	17.39%	3.01%	2.94%
Based on the Offer Price of HK$7.00 (being the high-end of the indicative Offer Price range)						
Harvest Oriental.	HK$140,000,000	20,000,000	20.00%	17.39%	3.01%	2.94%

Notes:

1. As defined below.

2. Harvest Oriental has agreed to subscribe for 20,000,000 Offer Shares and the investment amount shall be calculated based on the Offer Price accordingly. The investment amount disclosed is for illustrative purpose only and exclusive of brokerage, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy.

THE CORNERSTONE INVESTOR

The following information about the Cornerstone Investor was provided to the Company by the Cornerstone Investor in relation to the Cornerstone Placing.

Harvest Oriental

Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Oriental SP ("**Harvest Oriental**") is a fund established in October 2024. Harvest International Premium Value (Secondary Market) Fund SPC is a segregated portfolio company established in the Cayman Islands and is an Independent Third Party. 91% of the management shares of Harvest International Premium Value (Secondary Market) Fund SPC are held by Harvest Global Investments Limited ("**HGI**") and 9% of the management shares are held by Harvest Global Capital Investments Limited ("**HGCI**"). Incorporated in Hong Kong in 2008, HGI is a wholly-owned subsidiary of Harvest Fund Management Co., Ltd ("**HFM**"). HFM is one of the first ten public fund management companies approved to be established within China. HFM is owned as to 40% by China CREDIT Trust Co., Ltd. (中誠信托有限公司), 30% by Lixin Investment Co., Ltd. (立信投資有限責任公司) and 30% by DWS Investments Singapore Limited. HGCI, the fund manager of Harvest Oriental, is a company incorporated in Hong Kong in 2011 and licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO in Hong Kong by the SFC. HGCI is principally engaged in asset management and investment advisory business. The participating shareholder of Harvest Oriental is Fortuna Capital Management Limited ("**Fortuna Capital**"), and the ultimate beneficial owner of Fortuna Capital is Yang Dehui, an Independent Third Party.

CLOSING CONDITIONS

The obligation of the Cornerstone Investor to subscribe for the Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

(a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement (as the case may be), and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;

(b) the Offer Price having been agreed upon between our Company and the Sponsor-OCs (for themselves and on behalf of the Underwriters);

(c) the Listing Committee having granted the approval for the listing of, and permission to deal in, the H Shares (including the H Shares to be subscribed for by the Cornerstone Investor) as well as other applicable waivers and approvals, and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the H Shares on the Stock Exchange;

(d) no laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or in the Cornerstone Investment Agreement and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

(e) the respective acknowledgements, representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as at the date of the Cornerstone Investment Agreement) and will be (as of the Listing Date or, if applicable, the delayed delivery date) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that without the prior written consent of each of the Company, the Joint Sponsors and the Sponsor-OCs, it will not, and will cause its affiliates not to, whether directly or indirectly, at any time during the period of six months from (and inclusive of) the Listing Date (the "**Lock-up Period**"), dispose of, in any way, any of the Offer Shares or any interest in any company or entity holding such Offer Shares that they have purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

HONG KONG UNDERWRITERS

Guotai Junan Securities (Hong Kong) Limited
Halcyon Securities Limited
ICBC International Securities Limited
BOCI Asia Limited
CCB International Capital Limited
ABCI Securities Company Limited
CMB International Capital Limited
TradeGo Markets Limited
Livermore Holdings Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters.

The Global Offering comprises the Hong Kong Public Offering of initially 10,000,000 Hong Kong Offer Shares and the International Offering of initially 90,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed "Structure of the Global Offering" in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 10,000,000 Hong Kong Offer Shares (subject to reallocation) for subscription by way of the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Listing Committee granting approval for the listing of, and permission to deal, in the H Shares pursuant to the Global Offering (including the H Shares to be issued by our Company pursuant to the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not having been withdrawn, revoked, withheld or subject to qualifications; (ii) the International Underwriting Agreement having been executed and delivered and becoming unconditional and not having been terminated in accordance with its terms; and (iii) certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally and not jointly agreed to apply or procure applications, on the terms and conditions of this prospectus, for their respective proportions of the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between the Sponsor-OCs (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if at any time prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any new law or any change or development involving a prospective change or any event or circumstance or series of events or circumstances resulting or likely to result in or representing a change or development involving a prospective change in any existing law or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof) or any other jurisdiction relevant to any member of the Group or its business operations (collectively, the "**Relevant Jurisdictions**", and each, a "**Relevant Jurisdiction**"); or

(ii) any change, or any development involving a prospective change or development (whether or not permanent), or any event or circumstance or series of events or circumstances resulting or likely to result in a change or development, or involving a prospective change or development, in any local, national, regional or international financial, political, military, industrial, legal, fiscal, economic, regulatory, credit, market or currency matters or conditions or exchange management or any monetary or trading settlement system (including a change in the stock and bond markets, money and foreign exchange markets), in or affecting any of the Relevant Jurisdictions; or

(iii) any moratorium, suspension or restriction (including any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Hong Kong Stock Exchange, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the New York Stock Exchange, or in the NASDAQ Global Market; or

(iv) any general moratorium on commercial banking activities in any Relevant Jurisdictions (declared by the relevant authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdiction; or

(v) any change or development involving a prospective change in or affecting taxation or exchange management, currency exchange rates or foreign investment regulations (including a change in the system under which the value of the Hong Kong currency is linked to the U.S. dollar, or a material devaluation of the U.S. dollar, Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange management, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares; or

(vi) any imposition of economic sanctions, or the withdrawal of trading privileges, which existed on the date of the Hong Kong Underwriting Agreement in whatever form, directly or indirectly, by, or for any Relevant Jurisdiction applicable to the business operation of our Group; or

(vii) any valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or

(viii) the outbreak or escalation of hostilities (whether or not war is or has been declared) involving or affecting any of the Relevant Jurisdictions or the declaration by any of the Relevant Jurisdictions of a national emergency or war or any other national or international calamity or crisis; or

(ix) any event or circumstance, or series of events or circumstances (either national or international), in the nature of force majeure in or affecting directly or indirectly any of the Relevant Jurisdictions including, without limiting the generality thereof, any act of God, act of government, declaration of a national or international emergency or war, act of war, outbreak or escalation of hostilities (whether or not war is declared), calamity, economic sanction, strike, labour dispute, crisis, riot, rebellion, civil commotion, public disorder, epidemic (including Severe Acute Respiratory Syndrome (SARS), swine or avian flu, Influenza A (H5N1), H1N1, swine or avian influenza (H7N9), COVID-19 or such related/mutated forms), pandemic, outbreak of infectious disease, lockdown, lockout or severe or extended interruption in transport, earthquake, act of terrorism (whether or not responsibility has been claimed), flooding, explosion, volcanic eruption, ice-storm, tsunami or fire; or

(x) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, the preliminary offering circular or final offering circular in connection with the International Offering (or to any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) or the CSRC Filings (as defined in the Hong Kong Underwriting Agreement) pursuant to the Companies (WUMP) Ordinance or the Listing Rules or the CSRC Rules (as defined in the Hong Kong Underwriting Agreement) or any requirement or request of the Hong Kong Stock Exchange, the SFC and/or the CSRC without the prior written consent of the Joint Sponsors and the Sponsor-OCs, in circumstances where the matter to be disclosed could, in the opinion of the Joint Sponsors and the Sponsor-OCs, materially and adversely affect the marketing and implementation of the Global Offering; or

(xi) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material misstatement in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or the Hong Kong Information Pack (as defined in the Hong Kong Underwriting Agreement) or the CSRC Filings; or

(xii) any change, development or event involving a prospective change in, or actual materialisation of, any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(xiii) an order or a petition is presented for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or

(xiv) any contravention or breach by any member of our Group or any Director or member of the senior management of our Company as named in this prospectus of the Listing Rules, the Companies (WUMP) Ordinance, the Companies Ordinance, the CSRC Rules, the PRC Company Law or other applicable laws; or

(xv) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Offer Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xvi) any non-compliance of this prospectus (or any other document used in connection with the contemplated offer, subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules, the Companies (WUMP) Ordinance, the CSRC Rules or any other applicable laws; or

(xvii) any litigation, claim or other legal or regulatory proceeding being threatened or instigated against (i) any member of our Group; (ii) any of the Controlling Shareholders; (iii) any Director; or (iv) any Supervisor; or

(xviii) any authority in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group or any Director or any Supervisor or any of the Controlling Shareholders; or

(xix) any of the chairman of the Board, the chief executive officer of our Company, or any Director or any Supervisor vacating his or her office; or as a result of such vacation, material loss or damage sustained by any member of the Group (howsoever caused and whether or not subject of any insurance or claim against any person); or

(xx) any of the chairman of the Board, the chief executive officer of our Company, the general manager of our Company, or any Director or Supervisor being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xxi) a material breach by any member of our Group of the Listing Rules or applicable laws,

which, individually or in the aggregate, in the sole and absolute opinion of the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters) and the Joint Sponsors:

(A) has or will or is likely to have a material adverse change, or any development involving a prospective material adverse change, in or affecting (i) the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, financial, operational or trading position or condition, financial, operational or trading or otherwise, performance of our Company and any other member of our Group taken as a whole and (ii) the ability of our Company to perform its obligations under the Underwriting Agreements and the Operative Documents (as defined in the Hong Kong Underwriting Agreement), including the issuance and sale of the Offer Shares ("**Material Adverse Change**"); or

(B) has or will have or is likely to have a material adverse effect on the success or marketability of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or

(C) makes or will or is likely to make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering or the International Offering to proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner as contemplated by this prospectus, the formal notice, the preliminary offering circular or final offering circular in connection with the International Offering; or

(D) has or will have or is likely to have the effect of (i) making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or (ii) preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Joint Sponsors or the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in the any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement) (including the Hong Kong Public Offering Documents, the CSRC Filings, the Operative Documents (as defined in the Hong Kong Underwriting Agreement), the preliminary offering circular and final offering circular in connection with the International Offering and/or in any notices, announcements, advertisements, communications, marketing or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto)) (collectively, the "**Offering Related Documents**") was, when it was issued, or has become, untrue, incorrect or inaccurate in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation expressed or contained in any of the Offering Related Documents is not fair and honest and not made on reasonable grounds or, where appropriate, not based on reasonable assumptions with reference to the facts and circumstances then subsisting; or

(ii) that there is a breach of, or any matter, event or circumstance rendering or which may render, any of the representations, warranties, agreements and undertakings given by any of our Company, the executive Directors, our Controlling Shareholders in the Hong Kong Underwriting Agreement, or the International Underwriting Agreement, as applicable, untrue, incorrect, incomplete in any material respect or misleading; or

(iii) that there is a material breach of any provision of, or any obligation imposed upon our Company or the Warrantors (as defined in the Hong Kong Underwriting Agreement) under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or

(iv) there is an event, act or omission which gives or is likely to give rise to any liability of any of our Company or any of the executive Directors and Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable; or

(v) that there is any Material Adverse Change, or any development involving a prospective Material Adverse Change or development, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, properties, results of operations, position, condition or performance, financial, operational, trading or otherwise, of our Group; or

(vi) that a material portion of the orders in the bookbuilding process have been withdrawn, terminated, cancelled or otherwise not fulfilled; or

(vii) that the investment commitments by any cornerstone investor(s) after signing of the Cornerstone Investment Agreement(s) with such cornerstone investor(s) have been withdrawn, terminated, cancelled or otherwise not fulfilled; or

(viii) any of the experts specified in this prospectus (other than the Joint Sponsors) has withdrawn its consent to being named in, or to the issue of, this prospectus or any of the Hong Kong Public Offering Documents; or

(ix) that the approval by the Listing Committee of the listing of, and permission to deal in, the H Shares (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused, not granted or qualified (other than by customary conditions), on or before the Listing Date, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld; or

(x) that our Company withdraws this prospectus (and/or any other document issued or used in connection with the Global Offering) or the Global Offering.

UNDERTAKINGS TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

Undertakings by Our Company

In accordance with Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or sold or transferred out of treasury or form the subject of any agreement to such issue, or sale or transfer out of treasury (whether or not such issue of shares or securities, or sale or transfer of treasury shares will be completed within six months from the Listing Date), except for the Offer Shares to be issued pursuant to the Global Offering, any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the exercise of the outstanding options granted under the 2023 Share Option Scheme or under the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by Our Controlling Shareholders

In accordance with Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Hong Kong Stock Exchange and to us that, except pursuant to the Global Offering, they will not and will procure that the registered holder(s) (if any) of the Shares in which any of the Controlling Shareholders has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

(i) in the period commencing on the date by reference to which disclosure of their shareholdings in our Company is made in this prospectus and ending on the date which is six months from the date on which dealings in the H Shares commence on the Stock Exchange, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which our Controlling Shareholders are shown to be the beneficial owners in the prospectus; or

(ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, dispose of, nor enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above to such extent that, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders as a group of controlling shareholders would cease to be Controlling Shareholders.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have further undertaken to the Stock Exchange and our Company that, within the period commencing on the date of this prospectus and ending on the date which is 12 months from the Listing Date, they will:

(a) when any of them pledge or charge any Shares or other securities of the Company beneficially owned by them in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the laws of Hong Kong) for a bona fide commercial loan) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares or other securities of the Company so pledged or charged; and

(b) when any of them receive indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares or other securities of the Company will be disposed of, immediately inform our Company of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of matters referred in above by any of our Controlling Shareholders and disclose such matters by way of announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

Undertakings by Our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Hong Kong Underwriters, the Capital Market Intermediaries and the Joint Sponsors that:

except as disclosed in this prospectus, including but not limited to, for the issue, offer or sale of the Offer Shares pursuant to the Global Offering (including the issue of Shares pursuant to the exercise of the Over-allotment Option), it will not, without the prior written consent of the Joint Sponsors and the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "**First Six-Month Period**"):

(i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any H Shares or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any H Shares or any interest in any of the foregoing) or deposit any H Shares with a depositary in connection with the issue of depositary receipts; or

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership (legal or beneficial) of any H Shares or any interest in any of the foregoing (including any securities convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any interest in any of the foregoing); or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraph (i) or (ii) above; or

(iv) offer or agree or contract to effect any transaction specified in sub-paragraph (i), (ii) and (iii) above or publicly announce any intention to do so,

in each case, whether any of the transactions specified in sub-paragraph (i) to (iii) above is to be settled by delivery of H Share in cash or otherwise (whether or not the issue of such H Shares will be completed within the First Six-Month Period).

In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the "**Second Six-Month Period**"), our Company enters into any of the transactions specified in sub-paragraph (i) or (ii) or (iii) above or offers or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, our Company shall take all reasonable steps to ensure compliance with applicable legal and regulatory requirements relating to the avoidance of creating a disorderly or false market in the H Shares. Each of the Controlling Shareholders also undertakes to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters to procure our Company's compliance with the foregoing undertakings. As disclosed as above, the restrictions shall not apply to issue of Shares pursuant to exercise of outstanding options under the 2023 Share Option Scheme or any transfer of A Shares which are held as treasury shares pursuant to any share scheme(s) of our Company.

Undertakings by Our Controlling Shareholders

Each of the Controlling Shareholders has undertaken to each of the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, without the prior written consent of the Joint Sponsors and the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

(a) during the First Six-Month Period, it will not and will procure that none of its affiliates will:

(i) offer, pledge, charge, sell, offer, contract or agree to sell, pledge, assign, mortgage, charge, hypothecate, lend, grant or sell (or agree to grant or sell) any option, warrant, contract or right to subscribe for or purchase, grant or purchase (or agree to grant or purchase) any option, warrant, contract or right to sell, lend or otherwise transfer or dispose of, make any short sale, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including any securities convertible into or exchangeable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company), directly or indirectly held by it as of the date of the Hong Kong Underwriting Agreement (the "**Locked-up Securities**");

(ii) enter into any swap, derivative or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities;

(iii) enter into any transaction with the same economic effect as any transaction set out in paragraphs (i) or (ii); or

(iv) publicly disclose that it will or may enter into any transaction set out in paragraphs (i), (ii) or (iii),

whether any of the transaction set out in paragraphs (i), (ii) or (iii) is to be settled by delivery of such capital or securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-Month Period);

(b) during the Second Six-Month Period, it will not enter into any transaction described in paragraphs (a)(i), (a)(ii), or (a)(iii) or offer, agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such transaction, the Controlling Shareholders as a group of controlling shareholders will cease to be a Controlling Shareholder;

(c) until the expiry of the Second Six-Month Period, in the event that it enters into any such transactions specified in paragraphs (a)(i), (a)(ii), or (a)(iii) or offers, agrees or contracts to, or publicly announces an intention to enter into any such transaction, it will notify the Joint Sponsors and the Sponsor-OCs and take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company; and

(d) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it shall:

(i) if and when it pledges or charges any Shares or other securities of our Company (or any interests therein) beneficially owned by it, immediately inform our Company, the Joint Sponsors and the Sponsor-OCs in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) so pledged or charged; and

(ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of our Company will be disposed of, immediately inform our Company, the Joint Sponsors and the Sponsor-OCs in writing of such indications.

The above undertakings shall not prevent the Controlling Shareholders from using the Locked-up Securities as a charge or a pledge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

For the avoidance of doubt, the lock-up under the above undertakings shall not apply to the existing pledge of A Shares by the Controlling Shareholders prior to Listing.

Our Company has agreed and undertaken that upon receiving such information in writing from a Controlling Shareholder, we shall, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make an announcement in relation to such information in accordance with applicable requirements of the Listing Rules.

Our Company has further agreed and undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that we will not, and each of the Controlling Shareholders has further undertaken to each of the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters to procure that our Company will not, effect any purchase of Shares, or agree to do so, which may reduce the holdings of Shares held by the public (as defined in Rule 8.24 of the Listing Rules) below the minimum public float requirement specified in the Listing Rules on or before the date falling six months after the Listing Date without first having obtained the prior written consent of the Joint Sponsors and the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters).

INTERNATIONAL OFFERING

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with Mr. Shi (as warranting director), our Controlling Shareholders (as warranting shareholders), the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for, or to purchase, their respective proportions of the International Offer Shares being offered under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sponsor-OCs on behalf of the International Underwriters at any time within 30 days from the last date for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an additional 15,000,000 H Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering), at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as those in the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Our Company has agreed to indemnify the International Underwriters against certain liabilities.

UNDERWRITING COMMISSIONS AND LISTING EXPENSES

An aggregate of the fees of up to 2.75% of gross proceeds to be raised from the subscription tranche and the placing tranche (including proceeds from any H Shares issued pursuant to the Over-allotment Option) of the Global Offering is payable by the Company to all syndicate members participating in the Global Offering, among which the syndicate members (i) will receive an underwriting commission which is equal to 2.25% of the aggregate gross proceeds to be raised from the Global Offering (including proceeds from any H Shares issued pursuant to the Over-allotment Option) (the "**Underwriting Commission**"), and (ii) may receive a discretionary incentive fee of up to 0.5% of the aggregate gross proceeds to be raised from the Global Offering (including proceeds from any H Shares issued pursuant to the Over-allotment Option) (the "**Incentive Fee**").

As of the date of this prospectus, the allocation of a portion of the Underwriting Commission remains subject to the Company's discretion. Accordingly, the unallocated portion of the Underwriting Commission will be regarded as discretionary fees for the purpose of the Listing Rules. The ratio of the fixed fee and discretionary fee (as classified under and for the purpose of Rule 3A.34 of the Listing Rules) payable by the Company to all syndicate members (based on an Offer Price of HK$5.75 per Share, being the mid-point of the Offer Price range stated in this prospectus, and assuming the Incentive Fee will be paid in full) is expected to be approximately 81.09: 18.91 (before the Over-allotment Option) and approximately 80.97: 19.03 (after the Over-allotment Option). For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay the underwriting commission for such Shares to the International Underwriters (but not the Hong Kong Underwriters).

The aggregate amount of sponsor fee payable by our Company to the Joint Sponsors are approximately HK$6.0 million.

The aggregate underwriting commissions and fees (including the incentive fees and assuming full payment), together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy, the Stock Exchange trading fee, sponsor fee, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to be approximately HK$55.0 million in aggregate (based on an Offer Price of HK$5.75 per Share, being the mid-point of the Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised and any shares to be issued upon exercise of the options granted under the 2023 Share Option Scheme) and are to be borne by us.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that each of the Underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

(a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate as the stabilizing manager) must not, in connection with the distribution of the Offer Shares, effect any transactions (including but not limited to issuing any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) all of them must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the H Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the H Shares (which financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the H Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by the Syndicate Members or their affiliates of any listed securities having the H Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

All of these activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering — Stabilization" in this prospectus. These activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares, and the volatility of the H Shares' share price, and the extent to which this occurs from day to day cannot be estimated.

JOINT SPONSORS' AND UNDERWRITERS' INTEREST IN OUR GROUP

The Underwriters will receive an underwriting commission. Particulars of these underwriting commission and expenses are set out in the paragraph headed "Underwriting Commissions and Listing Expenses" in this section above for further information.

Neither the Joint Sponsors nor any of their associates have accrued any material benefit as a result of the successful outcome of the Global Offering. None of the directors and employees of the Joint Sponsors have any directorship in our Company or any member of our Group.

Except as disclosed in this prospectus and the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement, none of the Underwriters has any shareholding interest in any member of our Group or any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Global Offering.

JOINT SPONSORS' INDEPENDENCE

Halcyon Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Guotai Junan Capital Limited does not satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules, since Guotai Junan Securities Co., Ltd, which is a controlling shareholder of the indirect holding company of Guotai Junan Capital Limited, has been providing continuous supervisory services to the Company, which might reasonably give rise to a perception that the sponsor's independence would be affected and such relationship does not arise under the sponsor's engagement to provide sponsorship services. Guotai Junan Securities Co., Ltd also acts as pledgee of certain A Shares of Mr. Shi.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 10,000,000 Offer Shares (subject to reallocation) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section below; and

(ii) the International Offering of 90,000,000 Offer Shares (subject to reallocation and the Over-allotment Option as mentioned below) outside the United States in offshore transactions in reliance on Regulation S, as described in the paragraph headed "The International Offering" in this section below.

Furthermore, in connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Sponsor-OCs on behalf of the International Underwriters, at any time within 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which our Company may be required to issue up to an additional 15,000,000 H Shares (representing 15% of the number of Offer Shares initially being offered under the Global Offering) at the Offer Price, to, among other things, cover over-allocations in the International Offering, if any.

Investors may either:

(1) apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or

(2) apply for or indicate an interest for the International Offer Shares under the International Offering, but may not do both.

The 100,000,000 Offer Shares in the Global Offering will represent approximately 15.0% of our enlarged share capital immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option and any Shares to be issued upon exercise of the options granted under the 2023 Share Option Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent 16.9% of our issued share capital immediately following the completion of the Global Offering.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "The Hong Kong Public Offering — Reallocation" in this section below.

References to applications, application or subscription monies or procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 10,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 1.5% of our Company's enlarged share capital immediately after completion of the Global Offering, without taking into account the exercise of the Over-allotment Option and any shares to be issued upon exercise of the options granted under the 2023 Share Option Scheme. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "Conditions of the Global Offering" in this section below.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools (after taking into account any reallocation referred to below): Pool A and Pool B, both of which are available on an equitable basis to successful applicants (with any odd board lots allocated to Pool A):

Pool A: the Offer Shares will be allocated on an equitable basis to applicants who have applied for the Offer Shares with an aggregate subscription price of HK$5 million or less (excluding the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee); and

Pool B: the Offer Shares will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate subscription price of more than HK$5 million (excluding the brokerage fee, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee).

Investors should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this sub-section only, the "**subscription price**" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 5,000,000 Hong Kong Offer Shares will be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation under the Listing Rules. In accordance with the clawback requirements set forth in paragraph 4.2 of Practice Note 18 of the Listing Rules and the Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange, if the Offer Shares under the International Offering are fully subscribed or over-subscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering. As a result of such reallocation, the total number of Hong Kong Offer Shares will be increased to 30,000,000 Offer Shares (in the case of (i)), 40,000,000 Offer Shares (in the case of (ii)) and 50,000,000 Offer Shares (in the case of (iii)), representing approximately 30%, approximately 40% and approximately 50% of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), respectively. In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between Pool A and Pool B in equal proportion and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Sponsor-OCs deem appropriate.

If (i) the Offer Shares under the International Offering are fully subscribed or over-subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100%, but less than 15 times, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering; or (ii) the Offer Shares under the International Offering are not fully subscribed, and if the number of Offer Shares validly applied for in the Hong Kong Public Offering represents more than 100% of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering irrespective of the number of times of over-subscription, the Sponsor-OCs (for themselves and on behalf of the Underwriters) may, at their discretion, reallocate the Offer Shares initially allocated from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, provided that the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering following such reallocation shall not be increased to more than 20,000,000 Offer Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and approximately 20% of the total number of Offer Shares initially available under the Global Offering, and the final Offer Price shall be fixed at the low end of the Offer Price range (that is, HK$4.50 per Offer Share) stated in this prospectus in accordance with the Chapter 4.14 of the Guide for New Listing Applicants issued by the Stock Exchange.

Subject to the above, the Sponsor-OCs (for themselves and on behalf of the Underwriters) shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, regardless of whether any reallocation pursuant to paragraph 4.2 of Practice Note 18 of the Listing Rules is triggered.

Any such clawback and reallocation between the International Offering and the Hong Kong Public Offering will be completed prior to any adjustment of the number of Offer Shares pursuant to the exercise of the Over-allotment Option, if any.

If the Hong Kong Public Offering is not fully subscribed for, the Sponsor-OCs have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering in such proportions as the Sponsor-OCs deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application (subject to application channel), the maximum price of HK$7.0 per Offer Share in additional to any brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK$3,535.30 for one board lot of 500 Hong Kong Offer Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" in this section below, is less than the maximum price of HK$7.0 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy, AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of an offering of initially 90,000,000 Offer Shares being offered by our Company, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering (subject to reallocation and the Over-allotment Option). The number of Offer Shares initially offered under the International Offering subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 13.5% of our Company's enlarged share capital immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Allocation

The International Offering will include selective marketing of Offer Shares to "Qualified Institutional Buyers" in the United States and institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

Allocation of Offer Shares pursuant to the International Offering will be determined by the Sponsor-OCs (for themselves and on behalf of the Underwriters) and will be based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sponsor-OCs (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sponsor-OCs so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering — Reallocation" in this section above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sponsor-OCs on behalf of the International Underwriters at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require the Company to issue up to 15,000,000 additional H Shares, representing not more than 15% of the total number of initial Offer Shares under the Global Offering, at the Offer Price under the International Offering to cover over-allocation in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Offer Shares to be issued pursuant thereto will represent approximately 2.2% of our Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our H Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, or any persons acting for it, to conduct any such stabilizing action. Such stabilization action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it, may be discontinued at any time and is required to be brought to an end within 30 days of the last day for the lodging applications under the Hong Kong Public Offering. Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (ii) selling or agreeing to sell our H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our H Shares, (iii) purchasing or agreeing to purchase our Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) or (ii) above, (iv) purchasing or agreeing to purchase any of our Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price of our H Shares, (v) selling or agreeing to sell any Offer Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in paragraph (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager or any person acting for it may, in connection with the stabilizing action, maintain a long position in the H Shares;
- there is no certainty as to the extent to which and the time period for which the Stabilizing Manager or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager or any person acting for it and selling in the open market, may have an adverse impact on the market price of the H Shares;
- no stabilizing action can be taken to support the price of the H Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Sunday, November 24, 2024, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the H Shares, demand for the H Shares, and therefore the price of the H Shares, could fall;
- the price of any H Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong) will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or any person acting for it may cover such over-allocation by (among other methods) exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager or any person acting for it in the secondary market at prices that do not exceed the Offer Price as detailed below or a combination of these means.

OFFER SIZE

The allocation and the total number of Offer Shares under the Global Offering will be determined in the following manner:

- The allocation of Offer Shares between the International Offering and the Hong Kong Public Offering will be subject to a reallocation adjustment depending on the number of Offer Shares validly applied for under the Hong Kong Public Offering. Please refer to the paragraph headed "The Hong Kong Public Offering — Reallocation" in this section above for details.

- The number of Offer Shares to be made available under the International Offering may be further increased if the Over-allotment Option is exercised. The maximum number of additional International Offer Shares to be offered pursuant to the exercise of the Over-allotment Option will represent approximately 15% of the number of Offer Shares being offered under the Global Offering. Please refer to the paragraph headed "Over-allotment Option" in this section above for details.

The table below sets out a summary of the total number of Hong Kong Offer Shares and International Offer Shares being offered in the Global Offering under different scenarios, depending on (a) whether a reallocation pursuant to the clawback arrangement described in the paragraph headed "The Hong Kong Public Offering — Reallocation" in this section above occurs and (b) whether the Over-allotment Option is exercised at all or exercised in full.

	No clawback reallocation	**30% clawback reallocation**	**40% clawback reallocation**	**50% clawback reallocation**
Total number of Offer Shares before the exercise of the Over-allotment Option. .	10,000,000 Hong Kong Offer Shares 90,000,000 International Offer Shares	30,000,000 Hong Kong Offer Shares 70,000,000 International Offer Shares	40,000,000 Hong Kong Offer Shares 60,000,000 International Offer Shares	50,000,000 Hong Kong Offer Shares 50,000,000 International Offer Shares
Total number of Offer Shares following the exercise in full of the Over-allotment Option. .	10,000,000 Hong Kong Offer Shares 105,000,000 International Offer Shares	30,000,000 Hong Kong Offer Shares 85,000,000 International Offer Shares	40,000,000 Hong Kong Offer Shares 75,000,000 International Offer Shares	50,000,000 Hong Kong Offer Shares 65,000,000 International Offer Shares

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Sponsor-OCs (for themselves and on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or before Monday, October 28, 2024, and in any event, no later than 12:00 noon on Monday, October 28, 2024. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the Offer Price range stated in this prospectus.

The Offer Price will not be more than HK$7.0 per Offer Share and is expected to be not less than HK$4.50 per Offer Share, unless otherwise announced as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you are required to pay, on application (subject to application channel), the maximum Offer Price of HK$7.0 per Offer Share, plus 1.0% brokerage fee, 0.0027% SFC transaction levy, 0.00015% AFRC transaction levy and 0.00565% Stock Exchange trading fee, amounting to a total of HK$3,535.30 for one board lot of 500 Hong Kong Offer Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK$7.0, we will refund the respective difference, including the brokerage fee, the Stock Exchange trading fee, the SFC transaction levy and AFRC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. Please refer to the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

The Sponsor-OCs (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the prior consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such situation, our Company will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, post a notice on the website of the Stock Exchange (**www.hkexnews.hk**) and the website of our Company (**www.lopal.com.cn**) (the contents of the website do not form a part of this prospectus). Our Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price. The Global Offering must first be canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus.

Upon issue of such a notice, the revised number of Offer Shares and/or Offer Price range will be final and conclusive and the Offer Price, if agreed upon by us and the Sponsor-OCs (for themselves and on behalf of the Underwriters), will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sponsor-OCs (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price range stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application.

The Offer Price, an indication of the level of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the results of allocations in the Hong Kong Public Offering, are expected to be made available in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares — B. Publication of Results" in this prospectus.

UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sponsor-OCs (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The underwriting arrangements under the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed "Underwriting" in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on, among others:

(i) the Listing Committee granting approval for the listing of, and permission to deal in, the H Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued by us pursuant to the exercise of the Over-allotment Option) on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price being duly determined;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company and the Sponsor-OCs (for themselves and on behalf of the Underwriters) by 12:00 noon on Monday, October 28, 2024 the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.lopal.com.cn**) on the next day following such lapse. In such situation, all application monies will be returned, without interest, on the terms set forth in the section headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the H Shares in issue and to be issued by us pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

Save for our A Shares which are listed on the Shanghai Stock Exchange, no part of our equity or debt securities is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made to enable the H Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our H Shares and our Company complies with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and the HKSCC Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, October 30, 2024, it is expected that dealings in our H Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, October 30, 2024.

Our H Shares will be traded in board lots of 500 H Shares each and the stock code of the H Shares is 2465.

IMPORTANT NOTICE TO INVESTORS
OF HONG KONG OFFER SHARES

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Hong Kong Public Offering and below are the procedures for application.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the "HKEXnews > New Listings > New Listing Information" section, and our website at www.lopal.com.cn.

The contents of this prospectus are identical to the prospectus as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

A. APPLICATION FOR HONG KONG OFFER SHARES

1. Who Can Apply

You can apply for Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are 18 years of age or older; and
- have a Hong Kong address *(for the **White Form eIPO** service only)*.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you or the person(s) for whose benefit you are applying for:

- are an existing Shareholder or close associates; or
- are a Director or any of his/her close associates.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Tuesday, October 22, 2024 and end at 12:00 noon on Friday, October 25, 2024 (Hong Kong time).

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
White Form eIPO service	www.eipo.com.hk	Investors who would like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in your own name.	From 9:00 a.m. on Tuesday, October 22, 2024 to 11:30 a.m. on Friday, October 25, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Friday, October 25, 2024, Hong Kong time.
HKSCC EIPO channel.	Your **broker** or **custodian** who is a HKSCC Participant will submit an electronic application instruction on your behalf through HKSCC's FINI system in accordance with your instruction	Investors who would not like to receive a physical H Share certificate. Hong Kong Offer Shares successfully applied for will be allotted and issued in the name of HKSCC Nominees, deposited directly into CCASS and credited to your designated HKSCC Participant's stock account.	Contact your **broker** or **custodian** for the earliest and latest time for giving such instructions, as this may vary by **broker** or **custodian**.

The **White Form eIPO** service and the **HKSCC EIPO** channel are facilities subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day of the application period to apply for Hong Kong Offer Shares.

For those applying through the **White Form eIPO** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. If you are a person for whose benefit the **electronic application instructions** are given, you shall be deemed to have declared that only one set of **electronic application instructions** has been given for your benefit. If you are an agent for another person, you shall be deemed to have declared that you have only given one set of **electronic application instructions** for the benefit of the person for whom you are an agent and that you are duly authorized to give those instructions as an agent.

For the avoidance of doubt, giving an application instruction under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **White Form eIPO** service, you are deemed to have authorized the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to apply for Hong Kong Offer Shares on your behalf and to do on your behalf all the things stated in this prospectus and any supplement to it.

For those applying through **HKSCC EIPO** channel, an actual application will be deemed to have been made for any application instructions given by you or for your benefit to HKSCC (in which case an application will be made by HKSCC Nominees on your behalf) provided such application instruction has not been withdrawn or otherwise invalidated before the closing time of the Hong Kong Public Offering.

HKSCC Nominees will only be acting as a nominee for you and neither HKSCC nor HKSCC Nominees shall be liable to you or any other person in respect of any actions taken by HKSCC or HKSCC Nominees on your behalf to apply for Hong Kong Offer Shares or for any breach of the terms and conditions of this prospectus.

3. Information Required to Apply

You must provide the following information with your application:

For Individual/Joint Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. HKID card; or
  - ii. National identification document; or
  - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)[2] as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
  - i. LEI registration document; or
  - ii. Certificate of incorporation; or
  - iii. Business registration certificate; or
  - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **White Form eIPO** service, you are required to provide a valid e-mail address, a contact telephone number and a Hong Kong Address. You are also required to declare that the identity information provided by you follows the requirements as described in Note 2 below. In particular, where you cannot provide a HKID number, you must confirm that you do not hold a HKID card.

2. The applicant's full name as shown on their identity document must be used. If an applicant's identity document contains both an English and Chinese name, both English and Chinese names must be used. Otherwise, either English or Chinese names will be accepted. The order of priority of the applicant's identity document type must be strictly followed and where an individual applicant has a valid HKID card, the HKID number must be used when making an application to subscribe for Hong Kong Offer Shares. Similarly for corporate applicants, a LEI number must be used if an entity has a LEI certificate.

3. If the applicant is a trustee, the client identification data ("**CID**") of the trustee, as set out above, will be required. If the applicant is an investment fund (i.e. a collective investment scheme, or CIS), the CID of the asset management company or the individual fund, as appropriate, which has opened a trading account with the broker will be required, as above.

4. The maximum number of joint applicants on FINI is capped at 4[1] in accordance with market practice.

5. If you are applying as a nominee, you must provide: (i) the full name (as shown on the identity document), the identity document's issuing country or jurisdiction, the identity document type; and (ii), the identity document number, for each of the beneficial owners or, in the case(s) of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

6. If you are applying as an unlisted company and (i) the principal business of that company is dealing in securities; and (ii) you exercise statutory control over that company, then the application will be treated as being for your benefit and you should provide the required information in your application as stated above.

   "Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange or any other stock exchange.

   "Statutory control" means you:

   - control the composition of the board of directors of the company;
   - control more than half of the voting power of the company; or
   - hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

[1] Subject to change, if the Company's Articles of Incorporation and applicable company law prescribe a lower cap.

For those applying through **HKSCC EIPO** channel, and making an application under a power of attorney, we and the Sponsor-OCs, as our agents, have discretion to consider whether to accept it on any conditions we think fit, including evidence of the attorney's authority.

Failing to provide any required information may result in your application being rejected.

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size	:	500 H Shares
Permitted number of Hong Kong Offer Shares for application and amount payable on application/ successful allotment	:	Hong Kong Offer Shares are available for application in specified board lot sizes only. Please refer to the amount payable associated with each specified board lot size in the table below. The maximum Offer Price is HK$7.0 per Share. If you are applying through the **HKSCC EIPO** channel, you are required to pre-fund your application based on the amount specified by your **broker** or **custodian**, as determined based on the applicable laws and regulations in Hong Kong. By instructing your **broker** or **custodian** to apply for the Hong Kong Offer Shares on your behalf through the **HKSCC EIPO** channel, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant HKSCC Participants) to arrange payment of the final Offer Price, brokerage of 1.0%, SFC transaction levy of 0.0027%, the Stock Exchange trading fee of 0.00565% and the AFRC transaction levy of 0.00015% by debiting the relevant nominee bank account at the Designated Bank for your **broker** or **custodian**. If you are applying through the **White Form eIPO** service, you may refer to the table below for the amount payable for the number of Shares you have selected. You must pay the respective maximum amount payable on application in full upon application for Hong Kong Offer Shares.

No. of Hong Kong Offer Shares applied for	Amount payable (2) on application	No. of Hong Kong Offer Shares applied for	Amount payable (2) on application	No. of Hong Kong Offer Shares applied for	Amount payable (2) on application	No. of Hong Kong Offer Shares applied for	Amount payable (2) on application
	HK$		HK$		HK$		HK$
500	3,535.30	7,000	49,494.16	50,000	353,529.76	700,000	4,949,416.50
1,000	7,070.60	8,000	56,564.75	60,000	424,235.70	800,000	5,656,476.00
1,500	10,605.89	9,000	63,635.35	70,000	494,941.66	900,000	6,363,535.50
2,000	14,141.19	10,000	70,705.96	80,000	565,647.60	1,000,000	7,070,595.00
2,500	17,676.49	15,000	106,058.93	90,000	636,353.56	2,000,000	14,141,190.00
3,000	21,211.79	20,000	141,411.90	100,000	707,059.50	3,000,000	21,211,785.00
3,500	24,747.08	25,000	176,764.88	200,000	1,414,119.00	4,000,000	28,282,380.00
4,000	28,282.38	30,000	212,117.86	300,000	2,121,178.50	5,000,000(1)	35,352,975.00
4,500	31,817.68	35,000	247,470.83	400,000	2,828,238.00		
5,000	35,352.98	40,000	282,823.80	500,000	3,535,297.50		
6,000	42,423.56	45,000	318,176.78	600,000	4,242,357.00		

(1) Maximum number of Hong Kong Offer Shares you may apply for and this is 50% of the Hong Kong Offer Shares initially offered.

(2) The amount payable is inclusive of brokerage, SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy. If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules) and the SFC transaction levy, the Stock Exchange trading fee and AFRC transaction levy will be paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC; and in the case of the AFRC transaction levy, collected by the Stock Exchange on behalf of the AFRC).

5. Multiple Applications Prohibited

You or your joint applicant(s) shall not make more than one application for your own benefit, except where you are a nominee and provide the information of the underlying investor in your application as required under the paragraph headed "— A. Application for Hong Kong Offer Shares — 3. Information Required to Apply" in this section. If you are suspected of submitting or cause to submit more than one application, all of your applications will be rejected.

Multiple applications made either through (i) the **White Form eIPO** service, (ii) **HKSCC EIPO** channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **White Form eIPO** service or **HKSCC EIPO** channel, you or the person(s) for whose benefit you have made the application shall not apply for any International Offer Shares.

6. Terms and Conditions of an Application

By applying for Hong Kong Offer Shares through the **White Form eIPO** service or **HKSCC EIPO** channel, you (or as the case may be, HKSCC Nominees will do the following things on your behalf):

(i) undertake to execute all relevant documents and instruct and authorise us and/or the Sponsor-OCs, as our agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC

Nominees as required by the Articles of Association, and (if you are applying through the **HKSCC EIPO** channel) to deposit the allotted Hong Kong Offer Shares directly into CCASS for the credit of your designated HKSCC Participant's stock account on your behalf;

(ii) confirm that you have read and understand the terms and conditions and application procedures set out in this prospectus and the designated website of the **White Form eIPO** service (or as the case may be, the agreement you entered into with your **broker** or **custodian**), and agree to be bound by them;

(iii) (if you are applying through the **HKSCC EIPO** channel) agree to the arrangements, undertakings and warranties under the participant agreement between your **broker** or **custodian** and HKSCC and observe the General Rules of HKSCC and the HKSCC Operational Procedures for giving application instructions to apply for Hong Kong Offer Shares;

(iv) confirm that you are aware of the restrictions on offers and sales of shares set out in this prospectus and they do not apply to you, or the person(s) for whose benefit you have made the application;

(v) confirm that you have read this prospectus and any supplement to it and have relied only on the information and representations contained therein in making your application (or as the case may be, causing your application to be made) and will not rely on any other information or representations;

(vi) agree that the Relevant Persons, the H Share Registrar and HKSCC will not be liable for any information and representations not in this prospectus and any supplement to it;

(vii) agree to disclose the details of your application and your personal data and any other personal data which may be required about you and the person(s) for whose benefit you have made the application to us, the Relevant Persons, the H Share Registrar, HKSCC, HKSCC Nominees, the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, for the purposes under the paragraph headed "— G. Personal Data — 3. Purposes and 4. Transfer of personal data" in this section;

(viii) agree (without prejudice to any other rights which you may have once your application (or as the case may be, HKSCC Nominees' application) has been accepted) that you will not rescind it because of an innocent misrepresentation;

(ix) agree that subject to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any application made by you or HKSCC Nominees on your behalf cannot be revoked once it is accepted, which will be evidenced by the notification of the result of the ballot by the H

Share Registrar by way of publication of the results at the time and in the manner as specified in the paragraph headed "— B. Publication of Results" in this section;

(x) confirm that you are aware of the situations specified in the paragraph headed "— C. Circumstances In Which You Will Not Be Allocated Hong Kong Offer Shares" in this section;

(xi) agree that your application or HKSCC Nominees' application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Articles of Association and laws of any place outside Hong Kong that apply to your application and that neither we nor the Relevant Persons will breach any law inside and/or outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus;

(xiii) confirm that (a) your application or HKSCC Nominees' application on your behalf is not financed directly or indirectly by the Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates; and (b) you are not accustomed or will not be accustomed to taking instructions from the Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of the Company or any of its subsidiaries or any of their respective close associates in relation to the acquisition, disposal, voting or other disposition of the Shares registered in your name or otherwise held by you;

(xiv) warrant that the information you have provided is true and accurate;

(xv) confirm that you understand that we and the Sponsor-OCs will rely on your declarations and representations in deciding whether or not to allocate any Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xvi) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;

(xvii) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the application channel of the H Share Registrar or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (1) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (2) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform		Date/Time
Applying through **White Form eIPO** service or **HKSCC EIPO** channel:		
Website	The designated results of allocation at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**) with a "search by ID" function.	24 hours, from 11:00 p.m. on Tuesday October 29, 2024 to 12:00 midnight on Monday, November 4, 2024 (Hong Kong time)
	The full list of (i) wholly or partially successful applicants using the **White Form eIPO** service and **HKSCC EIPO** channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed on the "Allotment Results" page of the **White Form eIPO** service at **www.iporesults.com.hk** (alternatively: **www.eipo.com.hk/eIPOAllotment**).	
	The Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **www.lopal.com.cn** which will provide links to the above mentioned websites of the H Share Registrar.	No later than 11:00 p.m. on Tuesday, October 29, 2024 (Hong Kong time)
Telephone . .	+852 2862 8555 — the allocation results telephone enquiry line provided by the H Share Registrar	between 9:00 a.m. and 6:00 p.m., on Wednesday, October 30, 2024, Thursday, October 31, 2024, Friday, November 1, 2024 and Monday, November 4, 2024 (Hong Kong time)

For those applying through **HKSCC EIPO** channel, you may also check with your **broker** or **custodian** from 6:00 p.m. on Monday, October 28, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, October 28, 2024 (Hong Kong time) on a 24-hour basis and should report any discrepancies on allotments to HKSCC as soon as practicable.

Allocation Announcement

We expect to announce the results of the final Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of Hong Kong Offer Shares on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **www.lopal.com.cn** by no later than 11:00 p.m. on Tuesday, October 29, 2024 (Hong Kong time).

C. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which Hong Kong Offer Shares will not be allocated to you or the person(s) for whose benefit you are applying for:

1. If your application is revoked:

Your application or the application made by HKSCC Nominees on your behalf may be revoked pursuant to Section 44A(6) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

2. If we or our agents exercise our discretion to reject your application:

We, the Sponsor-OCs, the H Share Registrar and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

3. If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares will be void if the Hong Kong Stock Exchange does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Hong Kong Stock Exchange notifies us of that longer period within three weeks of the closing date of the application lists.

4. If:

- you make multiple applications or suspected multiple applications. You may refer to the paragraph headed "— A. Applications for Hong Kong Offer Shares — 5. Multiple Applications Prohibited" in this section on what constitutes multiple applications;

- your application instruction is incomplete;
- your payment (or confirmation of funds, as the case may be) is not made correctly;
- the Underwriting Agreements do not become unconditional or are terminated;
- we or the Sponsor-OCs believe that by accepting your application, it or we would violate applicable securities or other laws, rules or regulations.

5. If there is money settlement failure for allotted Shares:

Based on the arrangements between HKSCC Participants and HKSCC, HKSCC Participants will be required to hold sufficient application funds on deposit with their Designated Bank before balloting. After balloting of Hong Kong Offer Shares, the Receiving Bank(s) will collect the portion of these funds required to settle each HKSCC Participant's actual Hong Kong Offer Share allotment from their Designated Bank.

There is a risk of money settlement failure. In the extreme event of money settlement failure by a HKSCC Participant (or its designated bank), who is acting on your behalf in settling payment for your allotted shares, HKSCC will contact the defaulting HKSCC Participant and its designated bank to determine the cause of failure and request such defaulting HKSCC Participant to rectify or procure to rectify the failure.

However, if it is determined that such settlement obligation cannot be met, the affected Hong Kong Offer Shares will be reallocated to the International Offering. Hong Kong Offer Shares applied for by you through the **broker** or **custodian** may be affected to the extent of the settlement failure. In the extreme case, you will not be allocated any Hong Kong Offer Shares due to the money settlement failure by such HKSCC Participant. None of us, the Relevant Persons, the H Share Registrar and HKSCC is or will be liable if Hong Kong Offer Shares are not allocated to you due to the money settlement failure.

D. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND OF APPLICATION MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made through the **HKSCC EIPO** channel where the H Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application.

H Share certificates will only become valid evidence of title at 8:00 a.m. on Wednesday, October 30, 2024 (Hong Kong time), provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade H Shares prior to the receipt of H Share certificates or the H Share certificates becoming valid evidence of title do so entirely at their own risk.

The right is reserved to retain any H Share certificate(s) and (if applicable) any surplus application monies pending clearance of application monies.

The following sets out the relevant procedures and time:

	White Form eIPO service	**HKSCC EIPO channel**
Despatch/collection of H Share certificate[2]		
For physical share certificates of 1,000,000 or more Offer Shares issued under your own name	Collection in person at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong	H Share certificate(s) will be issued in the name of HKSCC Nominees, deposited into CCASS and credited to your designated HKSCC Participant's stock account
	Time: from 9:00 a.m. to 1:00 p.m. on Wednesday, October 30, 2024 (Hong Kong time)	No action by you is required
	If you are an individual, you must not authorise any other person to collect for you. If you are a corporate applicant, your authorised representative must bear a letter of authorization from your corporation stamped with your corporation's chop.	
	Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.	
	Note: If you do not collect your H Share certificate(s) personally within the time above, it/they will be sent to the address specified in your application instructions by ordinary post at your own risk	

2 Except in the event of Bad Weather Signals (as defined below) in force in Hong Kong in the morning on the business day before the Listing Date rendering it impossible for the relevant H share certificates to be dispatched to HKSCC in a timely manner, the Company shall procure the H Share Registrar to arrange for delivery of the supporting documents and share certificates in accordance with the contingency arrangements as agreed between them. You may refer to "— E. Bad Weather Arrangements" in this section.

	White Form eIPO service	HKSCC EIPO channel
For physical share certificates of less than 1,000,000 Offer Shares issued under your own name . . .	Your H Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk **Time:** Tuesday, October 29, 2024	
Refund mechanism for surplus application monies paid by you		
Date	Wednesday, October 30, 2024	Subject to the arrangement between you and your **broker** or **custodian**
Responsible party . . .	H Share Registrar	Your **broker** or **custodian**
Application monies paid through single bank account.	**White Form** e-Refund payment instructions to your designated bank account	Your **broker** or **custodian** will arrange refund to your designated bank account subject to the arrangement between you and it
Application monies paid through multiple bank accounts	Refund cheque(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Friday, October 25, 2024 if, there is/are:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions,

(collectively, "**Bad Weather Signals**"),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, October 25, 2024.

Instead they will open between 11:45 a.m. and 12:00 noon and/or close at 12:00 noon on the next business day which does not have **Bad** Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

Prospective investors should be aware that a postponement of the opening/closing of the application lists may result in a delay in the listing date. Should there be any changes to the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made and published on the Hong Kong Stock Exchange's website at **www.hkexnews.hk** and our website at **www.lopal.com.cn** of the revised timetable.

If a **Bad** Weather Signal is hoisted on Tuesday, October 29, 2024, the H Share Registrar will make appropriate arrangements for the delivery of the share certificates to the CCASS Depository's service counter so that they would be available for trading on Wednesday, October 30, 2024.

If a **Bad** Weather Signal is hoisted on Tuesday, October 29, 2024:

- for physical share certificates of less than 1,000,000 Offer Shares issued under your own name, despatch will be made by ordinary post when the post office re-opens after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, October 29, 2024 or on Wednesday, October 30, 2024).

If a **Bad** Weather Signal is hoisted on Wednesday, October 30, 2024:

- for physical share certificates of 1,000,000 or more Offer Shares issued under your own name, you may pick them up from the H Share Registrar's office after the **Bad** Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, October 30, 2024 or on Thursday, October 31, 2024).

Prospective investors should be aware that if they choose to receive physical share certificates issued in their own name, there may be a delay in receiving the share certificates.

F. ADMISSION OF THE H SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of HKSCC and HKSCC Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

You should seek the advice of your broker or other professional advisor for details of the settlement arrangement as such arrangements may affect your rights and interests.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by the Company, the H Share Registrar, the Receiving Bank(s) and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. This personal data may include client identifier(s) and your identification information. By giving application instructions to HKSCC, you acknowledge that you have read, understood and agree to all of the terms of the Personal Information Collection Statement below.

1. Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for, and holder of, Hong Kong Offer Shares, of the policies and practices of the Company and the H Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

2. Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of Hong Kong Offer Shares to ensure that personal data supplied to the Company or its agents and the H Share Registrar is accurate and up-to-date when applying for Hong Kong Offer Shares or transferring Hong Kong Offer Shares into or out of their names or in procuring the services of the H Share Registrar.

Failure to supply the requested data or supplying inaccurate data may result in your application for Hong Kong Offer Shares being rejected, or in the delay or the inability of the Company or the H Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of Hong Kong Offer Shares which you have successfully applied for and/or the despatch of H Share certificate(s) to which you are entitled.

It is important that applicants for and holders of Hong Kong Offer Shares inform the Company and the H Share Registrar immediately of any inaccuracies in the personal data supplied.

3. Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque and **White Form** e-Refund payment instruction(s), where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;

- registering new issues or transfers into or out of the names of the holders of the H Shares including, where applicable, HKSCC Nominees;

- maintaining or updating the register of members of the Company;

- verifying identities of applicants for and holders of the H Shares and identifying any duplicate applications for the H Shares;

- facilitating Hong Kong Offer Shares balloting;

- establishing benefit entitlements of holders of the H Shares, such as dividends, rights issues, bonus issues, etc.;

- distributing communications from the Company and its subsidiaries;

- compiling statistical information and profiles of the holder of the H Shares;

- disclosing relevant information to facilitate claims on entitlements; and

- any other incidental or associated purposes relating to the above and/or to enable the Company and the H Share Registrar to discharge their obligations to applicants and holders of the H Shares and/or regulators and/or any other purposes to which applicants and holders of the H Shares may from time to time agree.

4. Transfer of Personal Data

Personal data held by the Company and the H Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but the Company and the H Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bank(s) and overseas principal share registrar;

- HKSCC or HKSCC Nominees, who will use the personal data and may transfer the personal data to the H Share Registrar, in each case for the purposes of providing its services or facilities or performing its functions in accordance with its rules or procedures and operating FINI and CCASS (including where applicants for the Hong Kong Offer Shares request a deposit into CCASS);

- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the H Share Registrar in connection with their respective business operation;

- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations, including for the purpose of the Hong Kong Stock Exchange's administration of the Hong Kong Listing Rules and the SFC's performance of its statutory functions; and
- any persons or institutions with which the holders of Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or brokers etc.

5. Retention of Personal Data

The Company and the H Share Registrar will keep the personal data of the applicants and holders of Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

6. Access to and Correction of Personal Data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether the Company or the H Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the H Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company and the H Share Registrar, at their registered address disclosed in the section headed "Corporate Information" in this prospectus or as notified from time to time, for the attention of the joint company secretary, or the H Share Registrar for the attention of the privacy compliance officer.

The following is the text of a report set out on pages IA-1 to IA-116, prepared for inclusion in this document, received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong.

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大華馬施雲
會計師事務所有限公司

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU LOPAL TECH. CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND HALCYON CAPITAL LIMITED

Introduction

We report on the historical financial information of Jiangsu Lopal Tech. Co., Ltd. (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages IA-4 to IA-116, which comprises the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 (the "**Track Record Period**"), the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024, the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages IA-4 to IA-116 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 22 October 2024 (the "**Document**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("**HKSIR 200**") "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the consolidated financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024 and the financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024 and of the consolidated financial performance and consolidated cash flows of the Group for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-4 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

Yours faithfully,

Moore CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 22 October 2024

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with IFRS Accounting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	4,053,505	14,071,643	8,729,479	3,814,204	3,568,612
Cost of sales		(2,973,747)	(11,638,338)	(8,786,960)	(4,055,637)	(3,224,638)
Gross profit/(loss)		1,079,758	2,433,305	(57,481)	(241,433)	343,974
Other income, gains and losses	7	37,316	95,335	92,288	72,711	134,067
(Impairment losses)/reversal of impairment loss on financial assets		(23,134)	(70,362)	(18,966)	36,334	30,458
Selling and distribution expenses		(172,759)	(176,859)	(196,537)	(105,676)	(80,664)
Administrative expenses		(156,470)	(319,796)	(868,973)	(350,699)	(262,110)
Research and development expenses		(207,953)	(615,549)	(485,724)	(265,631)	(203,587)
Share of results of associates		(279)	16,956	(23,583)	(2,657)	(11,877)
Finance costs	8	(49,757)	(202,143)	(261,377)	(108,457)	(130,395)
Listing expenses		—	—	(10,216)	(7,030)	(13,395)
Profit/(loss) before taxation		506,722	1,160,887	(1,830,569)	(972,538)	(193,529)
Income tax (expense)/credit	10	(73,304)	(130,941)	316,368	161,051	(66,691)
Profit/(loss) for the year/period		433,418	1,029,946	(1,514,201)	(811,487)	(260,220)
OTHER COMPREHENSIVE INCOME/(EXPENSE)						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		5	190	133	(80)	(1,083)
Change in the fair value on hedging instruments designated as cash flow hedges		—	—	(2,025)	—	(837)
Other comprehensive income/(expense) for the year/period		5	190	(1,892)	(80)	(1,920)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD		433,423	1,030,136	(1,516,093)	(811,567)	(262,140)
PROFIT/(LOSS) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:						
Owners of the Company		351,103	752,897	(1,233,291)	(654,008)	(217,820)
Non-controlling interests		82,315	277,049	(280,910)	(157,479)	(42,400)
		433,418	1,029,946	(1,514,201)	(811,487)	(260,220)

	Notes	Year ended 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	Six months ended 30 June 2023 RMB'000 (Unaudited)	2024 RMB'000
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR/PERIOD ATTRIBUTABLE TO:						
Owners of the Company		351,108	753,087	(1,234,799)	(654,073)	(219,218)
Non-controlling interests		82,315	277,049	(281,294)	(157,494)	(42,922)
		433,423	1,030,136	(1,516,093)	(811,567)	(262,140)
EARNINGS/(LOSS) PER SHARE	14					
Basic (RMB)		0.73	1.43	(2.19)	(1.16)	(0.39)
Diluted (RMB)		0.73	1.42	(2.19)	(1.16)	(0.39)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	1,606,051	3,535,014	6,359,929	6,806,366
Right-of-use assets	16	268,886	573,875	1,286,193	1,255,843
Goodwill	17	390,074	362,599	289,826	264,577
Other intangible assets	18	39,924	45,047	68,217	58,955
Interests in associates	19	62,721	119,677	74,490	62,613
Financial assets at fair value through other comprehensive income	21	92,450	92,450	141,450	141,450
Deferred tax assets	31	20,244	62,296	392,691	355,187
Trade and other receivables	23	106,640	630,010	226,733	64,927
Total non-current assets		2,586,990	5,420,968	8,839,529	9,009,918
CURRENT ASSETS					
Inventories	22	1,100,586	3,007,275	1,610,238	1,647,787
Trade and other receivables	23	1,556,172	4,195,192	3,395,047	3,337,159
Tax recoverable		8,279	6,818	14,214	15,653
Financial assets at fair value through profit or loss	21	431	30,738	59,527	841,126
Derivative financial instruments	24	—	—	950	56
Pledged bank deposits	25	19,499	500,308	350,726	87,612
Cash and cash equivalents	25	833,133	1,529,373	2,958,603	2,285,939
Total current assets		3,518,100	9,269,704	8,389,305	8,215,332
CURRENT LIABILITIES					
Trade and other payables	26	927,502	2,246,764	2,902,805	2,431,671
Tax payable		59,117	82,509	4,934	18,436
Bank and other borrowings	28	1,075,631	4,039,370	6,405,976	6,071,229
Lease liabilities	29	157,431	297,391	294,752	220,759
Derivative financial instruments	24	—	—	4,062	3,434
Contract liabilities	27	60,186	425,740	21,940	30,127
Deferred income	30	5,291	9,337	10,298	14,346
Total current liabilities		2,285,158	7,101,111	9,644,767	8,790,002
NET CURRENT ASSETS/(LIABILITIES)		1,232,942	2,168,593	(1,255,462)	(574,670)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,819,932	7,589,561	7,584,067	8,435,248
NON-CURRENT LIABILITIES					
Deferred tax liabilities	31	10,055	8,522	8,826	10,077
Bank and other borrowings	28	1,072,973	1,586,476	2,520,719	3,406,324
Lease liabilities	29	188,751	360,602	795,418	893,635
Deferred income	30	32,890	24,497	78,038	112,835
Total non-current liabilities		1,304,669	1,980,097	3,403,001	4,422,871
Net assets		2,515,263	5,609,464	4,181,066	4,012,377
EQUITY					
Share capital	32	482,091	565,079	565,079	565,079
Reserves	33	1,512,037	4,157,561	2,887,288	2,472,608
Total equity attributable to owners of the Company		1,994,128	4,722,640	3,452,367	3,037,687
Non-controlling interests		521,135	886,824	728,699	974,690
Total equity		2,515,263	5,609,464	4,181,066	4,012,377

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December			As at 30 June
		2021	2022	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	15	138,981	157,741	109,926	109,788
Right-of-use assets	16	18,571	45,495	44,464	43,949
Other intangible assets	18	12,032	13,165	10,714	11,902
Investments in subsidiaries	20	1,372,178	3,174,821	3,645,810	3,936,449
Financial assets at fair value through other comprehensive income	21	80,000	80,000	129,000	129,000
Deferred tax assets	31	3,345	6,285	6,260	8,871
Trade and other receivables	23	4,807	—	4,838	3,972
Total non-current assets		1,629,914	3,477,507	3,951,012	4,243,931
CURRENT ASSETS					
Inventories	22	171,224	126,460	20,103	16,458
Trade and other receivables	23	1,083,838	1,587,406	1,301,551	808,361
Tax recoverable		5,008	3,149	—	—
Financial assets at fair value through profit or loss	21	431	30,738	59,527	380,776
Pledged bank deposits	25	3,092	9,855	228	229
Cash and cash equivalents	25	280,872	454,911	1,715,079	1,364,893
Total current assets		1,544,465	2,212,519	3,096,488	2,570,717
CURRENT LIABILITIES					
Trade and other payables	26	163,191	312,315	58,284	201,933
Bank and other borrowings	28	905,251	1,207,296	3,040,536	2,699,951
Contract liabilities	27	10,903	10,253	576	839
Deferred income	30	951	1,571	1,571	1,571
Total current liabilities		1,080,296	1,531,435	3,100,967	2,904,294
NET CURRENT ASSETS/(LIABILITIES)		464,169	681,084	(4,479)	(333,577)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,094,083	4,158,591	3,946,533	3,910,354
NON-CURRENT LIABILITIES					
Bank and other borrowings	28	294,000	173,000	—	—
Deferred income	30	2,606	2,571	999	213
Total non-current liabilities		296,606	175,571	999	213
Net assets		1,797,477	3,983,020	3,945,534	3,910,141
EQUITY					
Share capital	32	482,091	565,079	565,079	565,079
Reserves	33	1,315,386	3,417,941	3,380,455	3,345,062
Total equity		1,797,477	3,983,020	3,945,534	3,910,141

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Share capital	Capital reserve	Treasury share	Translation reserve	Share based payment reserve	Hedging reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Note 32)	RMB'000 (Note 33)	RMB'000 (Note 33)	RMB'000 (Note 33)	RMB'000 (Note 36)	RMB'000	RMB'000 (Note 33)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	344,368	933,085	(7,892)	(39)	7,892	—	57,615	589,069	1,924,098	191,158	2,115,256
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	351,103	351,103	82,315	433,418
Exchange differences arising on translation of foreign operations	—	—	—	5	—	—	—	—	5	—	5
Total comprehensive income for the year	—	—	—	5	—	—	—	351,103	351,108	82,315	433,423
Appropriation to statutory reserve	—	—	—	—	—	—	10,481	(10,481)	—	—	—
Dividends paid (Note 13)	—	—	—	—	—	—	—	(60,950)	(60,950)	—	(60,950)
Dividends paid to the non-controlling interests ("**NCI**") of subsidiaries	—	—	—	—	—	—	—	—	—	(11,768)	(11,768)
Appropriation to maintenance and production funds	—	—	—	—	—	—	1,544	(1,544)	—	—	—
Utilisation of maintenance and production funds	—	—	—	—	—	—	(1,280)	1,280	—	—	—
Repurchase of shares (Note 32(a))	(17)	(73)	90	—	(95)	—	—	95	—	—	—
Convert capital reserve to share capital (Note 32(b))	137,740	(137,740)	—	—	—	—	—	—	—	—	—
Restricted stock circulation (Note 36)	—	7,797	7,802	—	(7,797)	—	—	—	7,802	—	7,802
Increase in NCI as a result of acquisition of subsidiaries	—	—	—	—	—	—	—	—	—	31,500	31,500
Deemed disposal of subsidiaries without loss of control (Note 41(a))	—	117,070	—	—	—	—	—	—	117,070	227,930	345,000
Recognition of financial liability arising from put option held by NCI (Note 28(b))	—	(345,000)	—	—	—	—	—	—	(345,000)	—	(345,000)
At 31 December 2021	482,091	575,139	—	(34)	—	—	68,360	868,572	1,994,128	521,135	2,515,263
At 1 January 2022	482,091	575,139	—	(34)	—	—	68,360	868,572	1,994,128	521,135	2,515,263
Profit and total comprehensive income for the year	—	—	—	—	—	—	—	752,897	752,897	277,049	1,029,946
Exchange differences arising on translation of foreign operations	—	—	—	190	—	—	—	—	190	—	190
Total comprehensive income for the year	—	—	—	190	—	—	—	752,897	753,087	277,049	1,030,136
Appropriation to statutory reserve	—	—	—	—	—	—	12,270	(12,270)	—	—	—
Dividends paid (Note 13)	—	—	—	—	—	—	—	(105,105)	(105,105)	—	(105,105)
Dividends paid to the NCI of subsidiaries	—	—	—	—	—	—	—	—	—	(24,192)	(24,192)
Appropriation to maintenance and production funds	—	—	—	—	—	—	959	(959)	—	—	—
Utilisation of maintenance and production funds	—	—	—	—	—	—	(985)	985	—	—	—
Issue of shares (Note 32(c))	82,988	2,092,544	—	—	—	—	—	—	2,175,532	—	2,175,532
Recognition of equity-settled share-based payments (Note 36)	—	—	—	—	4,432	—	—	—	4,432	—	4,432
Repurchase of shares (Note 32(d))	—	—	(11,998)	—	—	—	—	—	(11,998)	—	(11,998)
Increase in NCI as result of acquisition of additional interest in subsidiary without change in control (Note 41(b))	—	(87,436)	—	—	—	—	—	—	(87,436)	87,436	—
Acquisition of subsidiary (Note 35(b))	—	—	—	—	—	—	—	—	—	25,396	25,396
At 31 December 2022	565,079	2,580,247	(11,998)	156	4,432	—	80,604	1,504,120	4,722,640	886,824	5,609,464

	Attributable to owners of the parent										
	Share capital	Capital reserve	Treasury share	Translation reserve	Share based payment reserve	Hedging reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Note 32)	RMB'000 (Note 33)	RMB'000 (Note 33)	RMB'000 (Note 33)	RMB'000 (Note 36)	RMB'000	RMB'000 (Note 33)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	565,079	2,580,247	(11,998)	156	4,432	—	80,604	1,504,120	4,722,640	886,824	5,609,464
Loss and total comprehensive expense for the year	—	—	—	—	—	—	—	(1,233,291)	(1,233,291)	(280,910)	(1,514,201)
Change in fair value on hedging instruments designated as cash flow hedges	—	—	—	—	—	(1,612)	—	—	(1,612)	(413)	(2,025)
Exchange differences arising on translation of foreign operations	—	—	—	104	—	—	—	—	104	29	133
Total comprehensive expense for the year	—	—	—	104	—	(1,612)	—	(1,233,291)	(1,234,799)	(281,294)	(1,516,093)
Dividends paid to the NCI of subsidiaries	—	—	—	—	—	—	—	—	—	(5,712)	(5,712)
Appropriation to maintenance and production funds	—	—	—	—	—	—	954	(954)	—	—	—
Utilisation of maintenance and production funds	—	—	—	—	—	—	(922)	922	—	—	—
Recognition of equity-settled share-based payments (Note 36)	—	—	—	—	2,682	—	—	—	2,682	—	2,682
Transfer upon lapsed of share option	—	—	—	—	(4,432)	—	—	4,432	—	—	—
Repurchase of shares (Note 32(e))	—	—	(38,275)	—	—	—	—	—	(38,275)	—	(38,275)
Contribution from NCI	—	—	—	—	—	—	—	—	—	129,000	129,000
Deemed partial disposal of interest in subsidiaries without losing control (Note 41(a))	—	119	—	—	—	—	—	—	119	(119)	—
At 31 December 2023	565,079	2,580,366	(50,273)	260	2,682	(1,612)	80,636	275,229	3,452,367	728,699	4,181,066
At 1 January 2024	565,079	2,580,366	(50,273)	260	2,682	(1,612)	80,636	275,229	3,452,367	728,699	4,181,066
Loss and total comprehensive expense for the period	—	—	—	—	—	—	—	(217,820)	(217,820)	(42,400)	(260,220)
Change in fair value on hedging instruments designated as cash flow hedges	—	—	—	—	—	(610)	—	—	(610)	(227)	(837)
Exchange differences arising on translation of foreign operations	—	—	—	(788)	—	—	—	—	(788)	(295)	(1,083)
Total comprehensive expense for the period	—	—	—	(788)	—	(610)	—	(217,820)	(219,218)	(42,922)	(262,140)
Dividends paid to the NCI of subsidiaries	—	—	—	—	—	—	—	—	—	(4,273)	(4,273)
Appropriation to maintenance and production funds	—	—	—	—	—	—	4,024	(4,024)	—	—	—
Utilisation of maintenance and production funds	—	—	—	—	—	—	(2,007)	2,007	—	—	—
Recognition of equity-settled share-based payments (Note 36)	—	—	—	—	4,664	—	—	—	4,664	—	4,664
Deemed partial disposal of interest in subsidiaries without losing control (Note 41(a))	—	185,301	—	—	—	—	—	—	185,301	200,126	385,427
Recognition of financial liability arising from put option held by NCI (Note 28(c))	—	(385,427)	—	—	—	—	—	—	(385,427)	—	(385,427)
Contribution from NCI	—	—	—	—	—	—	—	—	—	93,060	93,060
At 30 June 2024	565,079	2,380,240	(50,273)	(528)	7,346	(2,222)	82,653	55,392	3,037,687	974,690	4,012,377

	Attributable to owners of the parent										
	Share capital	Capital reserve	Treasury share	Translation reserve	Share based payment reserve	Hedging reserve	Statutory reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 (Note 32)	RMB'000 (Note 33)	RMB'000 (Note 33)	RMB'000 (Note 33)	RMB'000 (Note 36)	RMB'000	RMB'000 (Note 33)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (Unaudited). . . .	565,079	2,580,247	(11,998)	156	4,432	—	80,604	1,504,120	4,722,640	886,824	5,609,464
Loss and total comprehensive expense for the period.	—	—	—	—	—	—	—	(654,008)	(654,008)	(157,479)	(811,487)
Exchange differences arising on translation of foreign operations	—	—	—	(65)	—	—	—	—	(65)	(15)	(80)
Total comprehensive expense for the period.	—	—	—	(65)	—	—	—	(654,008)	(654,073)	(157,494)	(811,567)
Dividends paid to the NCI of subsidiaries	—	—	—	—	—	—	—	—	—	(5,712)	(5,712)
Appropriation to maintenance and production funds	—	—	—	—	—	—	496	(496)	—	—	—
Utilisation of maintenance and production funds	—	—	—	—	—	—	(384)	384	—	—	—
Recognition of equity-settled share-based payments (Note 36)	—	—	—	—	12,907	—	—	—	12,907	—	12,907
Repurchase of shares (Note 32(e)).	—	—	(38,275)	—	—	—	—	—	(38,275)	—	(38,275)
Contribution from NCI	—	—	—	—	—	—	—	—	—	84,000	84,000
At 30 June 2023.	565,079	2,580,247	(50,273)	91	17,339	—	80,716	850,000	4,043,199	807,618	4,850,817

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2021	Year ended 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit/(loss) before taxation		506,722	1,160,887	(1,830,569)	(972,538)	(193,529)
Adjustments for:						
Finance costs	8	49,757	202,143	261,377	108,457	130,395
Interest income	7	(3,897)	(14,956)	(31,335)	(12,286)	(12,273)
Share of results of associates		279	(16,956)	23,583	2,657	11,877
Depreciation of property, plant and equipment	15	90,965	226,939	369,683	158,978	248,725
Depreciation of right-of-use assets	16	18,523	57,404	63,337	40,773	42,959
Amortisation of other intangible assets	18	4,114	6,115	20,001	6,630	13,151
Impairment losses on inventories	9	2,226	72,567	554,547	222,327	69,494
Impairment losses/(reversal of impairment losses) on trade receivables	9	18,578	68,498	4,188	(38,463)	(31,787)
Impairment losses/(reversal of impairment losses) on other receivables	9	3,700	2,116	15,028	2,450	(725)
Impairment losses/(reversal of impairment losses) on bills receivables	9	856	(252)	(250)	(321)	2,054
Impairment losses on goodwill	9	—	28,881	72,773	1,406	25,249
Share based payment recognised	36	—	4,432	2,682	12,907	4,664
Loss from disposal of property, plant and equipment	7	2,096	273	948	1,172	388
(Gain)/loss from changes in fair value of financial assets at FVTPL	7	(8,389)	(16,288)	(46,900)	(15,357)	5,539
Loss from changes in fair value of financial liabilities at FVTPL	7	—	—	106,250	24,884	16,355
Gain on early termination of leases	7	—	(14,078)	—	—	(1,823)
Gain on disposal of investment in an associate	7	—	—	(16,583)	(16,583)	—

	Note	Year ended 31 December 2021	2022	2023	Six months ended 30 June 2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Operating cash flows before movements in working capital		685,530	1,767,725	(431,240)	(472,907)	330,713
(Increase)/decrease in inventories		(592,352)	(1,979,256)	843,115	(167,134)	(107,344)
(Increase)/decrease in trade and other receivables		(141,110)	(2,468,239)	787,813	408,787	240,350
(Decrease)/increase in trade and other payables		(752,305)	604,779	656,043	(10,141)	(423,208)
Increase/(decrease) in contract liabilities		29,465	365,554	(403,800)	(165,165)	8,187
(Decrease)/increase in deferred income		(5,167)	(4,347)	54,502	47,717	38,845
Cash (used in)/generated from operations		(775,939)	(1,713,784)	1,506,433	(358,843)	87,543
Income tax paid		(47,908)	(149,673)	(98,203)	(80,844)	(16,143)
Net cash (used in)/from operating activities		(823,847)	(1,863,457)	1,408,230	(439,687)	71,400
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received		3,897	14,956	31,335	12,286	12,273
Proceeds from disposal of property, plant and equipment		19,031	12,886	380,213	947	1,056
Proceeds from disposal of financial assets at fair value through profit or loss ("**FVTPL**")		2,115,075	5,194,374	11,721,211	5,247,020	4,826,862
Purchase of property, plant and equipment		(657,791)	(2,222,509)	(3,166,764)	(1,367,802)	(558,590)
Purchase of other intangible assets		(8,315)	(11,238)	(43,171)	(38,139)	(3,889)
Net cash (outflow)/inflow from acquisition of subsidiaries	35	(206,477)	144,650	—	—	—
Purchase of financial assets at fair value through other comprehensive income		(12,450)	—	(49,000)	—	—
Purchase of financial assets at FVTPL		(2,014,667)	(5,208,393)	(11,703,100)	(6,764,621)	(5,614,000)
(Placement)/withdrawal of pledged bank deposits		(13,733)	(480,809)	149,582	(147,672)	263,114
Purchase of interests in associates		(63,000)	(40,000)	—	—	—
Withdrawal of bank deposit with original maturity over three months		10,000	—	—	—	—
Proceeds from disposal of interests in an associate		—	—	38,186	38,186	—
Net cash used in investing activities		(828,430)	(2,596,083)	(2,641,508)	(3,019,795)	(1,073,174)

	Note	Year ended 31 December			Six months ended 30 June	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Interest paid		(41,215)	(118,617)	(219,083)	(102,390)	(113,603)
Addition of bank borrowings		1,960,214	5,463,370	9,892,724	7,222,226	3,624,174
Repayment of bank borrowings		(585,600)	(1,988,502)	(6,701,306)	(3,278,496)	(3,474,481)
Repayment of lease liabilities		(13,571)	(235,758)	(407,711)	(161,136)	(180,111)
Dividend paid	13	(60,950)	(105,105)	—	—	—
Dividend paid to non-controlling interests of subsidiaries		(11,768)	(24,192)	(5,712)	(5,712)	(4,273)
Repurchase of shares	32	(90)	(11,998)	(38,275)	(38,275)	—
Deemed disposal of subsidiaries without loss of control	41(a)	345,000	—	—	—	385,427
Issuance of shares	32	—	2,175,532	—	—	—
Contribution from non-controlling interest		—	—	129,000	84,000	93,060
Net cash from financing activities		1,592,020	5,154,730	2,649,637	3,720,217	330,193
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(60,257)	695,190	1,416,359	260,735	(671,581)
Cash and cash equivalents at beginning of the year/period		893,531	833,133	1,529,373	1,529,373	2,958,603
Effect of foreign exchange rate changes, net		(141)	1,050	12,871	2,570	(1,083)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTING BANK BALANCES AND CASH	25	833,133	1,529,373	2,958,603	1,792,678	2,285,939

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Jiangsu Lopal Technology Co., Ltd. (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on 11 March 2003. With the approval of the China Securities Regulatory Commission, the Company completed its initial public offering and the Company's shares were listed on the Shanghai Stock Exchange (stock code: 603906.SH) on 10 April 2017. The registered address of the office of the Company is 6 Hengtong Avenue, Nanjing Economic and Technological Development Zone, Nanjing, Jiangsu Province.

The Company and its subsidiaries (collectively referred to as the "**Group**") are principally engaged in research, development and manufacturing of lithium iron phosphate ("**LFP**") cathode materials and environmental protection chemicals for vehicle.

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

During the Track Record Period and as at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name of entities	Place and date of incorporation/ establishment	Nominal value of registered share capital	Nominal value of paid-up share capital	Equity/beneficial interest held by the Group as at 31 December 2021	31 December 2022	31 December 2023	30 June 2023	30 June 2024	At date of this report	Principal activities	Notes
				%	%	%	%	%	%		
Directly held by the Company											
常州鋰源新能源科技有限公司 Changzhou Liyuan New Energy Technology Co., Ltd. ("**Changzhou Liyuan**")* .	PRC/12 May 2021	RMB720,741,131	RMB626,241,131	88.00	79.60	79.60	79.60	72.87	72.87	Technology research and development, technology transfer and sales of electronic special materials	(a)
湖北綠瓜生物科技有限公司 Hubei Green Melon Biotechnology Co., Ltd.*	PRC/16 April 2021	RMB100,000,000	RMB56,000,000	100.00	100.00	100.00	100.00	100.00	100.00	Research and development ("**R&D**"), production and sales of disinfection and other products	(b)
江蘇綠瓜生物科技股份有限公司 Jiangsu Green Melon Biotechnology Co., Ltd.*	PRC/22 July 2020	RMB10,000,000	RMB3,000,000	100.00	—	—	—	—	—	R&D, production and sales of disinfection and other products	(c)
江蘇鋰源電池材料有限公司 Jiangsu Lithium Source Battery Materials Co., Ltd.*	PRC/14 August 2020	RMB100,000,000	RMB100,000,000	100.00	—	—	—	—	—	R&D, production and sales of battery materials	(d)
江蘇鉑源催化科技有限公司 (曾用名：江蘇龍蟠氫能源科技有限公司、江蘇鉑坦氫能源科技有限公司) Jiangsu Platinum Source Catalytic Technology Co., Ltd. (Formerly known as Jiangsu Longpan Hydrogen Energy Technology Co., Ltd. and Jiangsu GPTFC System Co., Ltd.)*.	PRC/26 May 2020	RMB100,000,000	RMB42,600,000	100.00	100.00	100.00	100.00	100.00	100.00	R&D of emerging energy technologies; manufacturing, sales, research and development of special electronic materials; sales of new catalytic materials and additives; manufacturing and sales of special chemical products (excluding hazardous chemicals)	(e)
江蘇龍蟠新材料科技有限公司 Jiangsu Longpan New Material Technology Co., Ltd.* .	PRC/4 January 2023	RMB100,000,000	RMB100,000,000	—	—	100.00	100.00	100.00	100.00	R&D, production and sales of environmentally friendly chemicals for vehicles	(f)
江蘇瑞利豐新能源科技有限公司 Jiangsu Ruilifeng New Energy Technology Co., Ltd. ("**Jiangsu Ruilifeng**")*. .	PRC/17 September 2009	RMB20,000,000	RMB20,000,000	70.00	70.00	70.00	70.00	70.00	70.00	Project investment, trade	(g)
江蘇三金鋰電科技有限公司 (曾用名：龍蟠科技(張家港)有限公司) Jiangsu Sanjin Lithium Technology Co., Ltd. (Formerly known as Longpan Technology (Zhangjiagang) Co., Ltd.)*.	PRC/13 June 2018	RMB300,000,000	RMB224,900,000	100.00	100.00	100.00	100.00	100.00	100.00	R&D, production and sales of electronic special materials	(h)
江蘇天藍智能裝備有限公司 Jiangsu Tianlan Intelligent Equipment Co., Ltd.*	PRC/20 April 2020	RMB20,000,000	RMB20,000,000	—	—	100.00	100.00	100.00	100.00	R&D, production and sales of filling equipment and other intelligent equipment	(i)
江蘇可蘭素環保科技有限公司 Kelas Environmental Protection Technology Co., Ltd.* .	PRC/20 August 2009	RMB435,531,144	RMB435,531,144	100.00	100.00	100.00	100.00	100.00	100.00	Production and sales of urea for vehicles, urea filling equipment, etc.	(j)
LBM NEW ENERGY (AP) PTE. LTD.	Singapore/28 September 2018	USD54,164,463	USD54,164,463	100.00	100.00	—	—	—	—	Provision of marketing and finance support within the Group	(k)

Name of entities	Place and date of incorporation/ establishment	Nominal value of registered share capital	Nominal value of paid-up share capital	Equity/beneficial interest held by the Group as at 31 December 2021	31 December 2022	31 December 2023	30 June 2023	30 June 2024	At date of this report	Principal activities	Notes
				%	%	%	%	%	%		
龍蟠科技(香港)有限公司 Longpan Technology (Hong Kong) Co., Ltd.*	Hong Kong ("**HK**")/29 April 2013	HKD5,000,000	HKD5,000,000	—	—	—	—	—	—	Sales of lubricating oil, antifreeze, brake fluid, and car maintenance products	(l)
江蘇龍蟠綠色能源有限公司 (曾用名：龍蟠科技研發(江蘇)有限公司) Jiangsu Lopal Green Energy Co., Ltd. (Formerly known as Longpan Technology Research and Development (Jiangsu) Co., Ltd.)	PRC/23 September 2022	RMB20,000,000	RMB14,000,000	—	100.00	100.00	100.00	100.00	100.00	Forward-looking new material research and development, production and sales	(m)
龍蟠潤滑新材料(天津)有限公司LOPAL Lubrication New Material (Tianjin) Co., Ltd.*	PRC/27 March 2013	RMB265,000,000	RMB240,000,000	100.00	100.00	100.00	100.00	100.00	100.00	Production and sales of lubricating oil, antifreeze, and urea for vehicles	(n)
Lopal Mining (Hong Kong) Co., Limited	HK/30 January 2023	HKD1,000,000	HKD1,000,000	—	—	100.00	100.00	100.00	100.00	Mining, production and sales of mineral resources	(o)
南京精工新材料有限公司 Nanjing Seiko New Material Co., Ltd.* . . .	PRC/19 August 2009	RMB40,000,000	RMB40,000,000	100.00	100.00	100.00	100.00	100.00	100.00	Research, production, and sales of plastic packaging materials, etc.	(p)
南京尚易環保科技有限公司 Nanjing Shangyi Environmental Protection Technology Co., Ltd.* .	PRC/13 May 2013	RMB300,000,000	RMB210,000,000	100.00	100.00	100.00	100.00	100.00	100.00	Production and sales of automobile maintenance products and environmental protection materials	(q)
南京微蟻數據科技有限公司 Nanjing Weiyi Data Technology Co., Ltd.* .	PRC/16 April 2015	RMB3,000,000	RMB3,000,000	100.00	—	—	—	—	—	Sales of auto repair services, auto parts and supplies, etc.	(r)
宜春龍蟠時代鋰業科技有限公司(曾用名：宜豐時代新能源材料有限公司) Yifeng Times New Energy Materials Co., Ltd. ("**Lopal Times**")* .	PRC/2 March 2022	RMB1,000,000,000	RMB460,666,700	—	70.00	66.35	70.00	70.00	70.00	R&D, production and sales of lithium carbonate	(s)
Indirectly held by the Company											
貝特瑞(天津)納米材料製造有限公司 Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd.*	PRC/28 December 2015	RMB100,000,000	RMB100,000,000	88.00	79.60	79.60	79.60	72.87	72.87	R&D, production and sales of battery materials	(t)
紅芯(天津)環保科技有限公司 Hongxin (Tianjin) Environmental Protection Technology Co., Ltd.* .	PRC/6 June 2021	RMB10,000,000	Nil	100.00	—	—	—	—	—	Manufacture and sale of special chemical products (excluding hazardous chemicals); processing, manufacture and sale of lubricating oil (excluding hazardous chemicals)	(u)
湖北可蘭素環保科技有限公司 Hubei Kelansu Environmental Protection Technology Co., Ltd.* .	PRC/7 May 2022	RMB100,000,000	RMB96,000,000	—	100.00	100.00	100.00	100.00	100.00	Production and sales of urea for vehicles, urea filling equipment, etc.; manufacturing and sales of plastic products; manufacturing of plastic packaging boxes and containers	(v)
湖北鋰源新能源科技有限公司 Hubei Liyuan New Energy Technology Co., Ltd.*	PRC/2 December 2021	RMB160,000,000	RMB160,000,000	88.00	79.60	79.60	79.60	72.87	72.87	R&D, production and sales of battery materials	(w)
江蘇貝特瑞納米科技有限公司 Jiangsu BTR NANO Technology Co., Ltd.* .	PRC/28 January 2021	RMB300,000,000	RMB300,000,000	88.00	79.60	79.60	79.60	72.87	72.87	R&D, production and sales of battery materials	(x)

				Equity/beneficial interest held by the Group as at							
Name of entities	Place and date of incorporation/ establishment	Nominal value of registered share capital	Nominal value of paid-up share capital	31 December 2021	31 December 2022	31 December 2023	30 June 2023	30 June 2024	At date of this report	Principal activities	Notes
				%	%	%	%	%	%		
江蘇綠瓜生物科技股份有限公司 Jiangsu Green Melon Biotechnology Co., Ltd.*	PRC/22 July 2020	RMB10,000,000	RMB3,000,000	—	100.00	100.00	100.00	100.00	100.00	R&D, production and sales of disinfection and other products	(c)
江蘇天藍智能裝備有限公司 Jiangsu Tianlan Intelligent Equipment Co., Ltd.*	PRC/20 April 2020	RMB20,000,000	RMB20,000,000	100.00	100.00	—	—	—	—	R&D, production and sales of filling equipment and other intelligent equipment	(i)
LBM NEW ENERGY (AP) PTE. LTD.	Singapore/28 September 2018	USD54,164,463	USD54,164,463	—	—	79.60	79.60	72.87	72.87	Provision of marketing and finance support within the Group	(k)
鋰源(深圳)科學研究有限公司 Liyuan (Shenzhen) Scientific Research Co., Ltd.*	PRC/26 November 2021	RMB50,000,000	RMB29,600,000	88.00	79.60	79.60	79.60	72.87	72.87	R&D of special electronic materials	(y)
南京鋰源納米科技有限公司 Nanjing Liyuan Nanotechnology Co., Ltd.*	PRC/14 September 2022	RMB100,000,000	RMB11,500,000	—	79.60	79.60	69.17	72.87	72.87	R&D, production and sales of battery materials	(z)
山東可蘭素環保科技有限公司 (曾用名：菏澤可蘭素環保科技有限公司) Shandong Kelansu Environmental Protection Technology Co., Ltd. (Formerly known as Heze Kelansu Environmental Protection Technology Co., Ltd.)*	PRC/30 December 2020	RMB100,000,000	RMB100,000,000	100.00	100.00	100.00	100.00	100.00	100.00	Production and sales of urea for vehicles	(aa)
山東鋰源科技有限公司 Shandong Liyuan Technology Co., Ltd.* .	PRC/10 September 2021	RMB160,000,000	RMB160,000,000	88.00	79.60	79.60	79.60	72.87	72.87	R&D, production and sales of battery materials	(bb)
四川可蘭素環保科技有限公司 Sichuan Kelansu Environmental Protection Technology Co., Ltd.* .	PRC/16 December 2020	RMB100,000,000	RMB100,000,000	100.00	100.00	100.00	100.00	100.00	100.00	Production and sales of urea for vehicles, urea filling equipment, etc.	(cc)
四川鋰源新材料有限公司 Sichuan Liyuan New Material Co., Ltd.* . . .	PRC/21 October 2020	RMB500,000,000	RMB500,000,000	88.00	79.60	79.60	79.60	72.87	72.87	R&D, production and sales of battery materials	(dd)
張家港迪克汽車化學品有限公司 Zhangjiagang TEEC Automotive Chemicals Co., Ltd.* . .	PRC/20 May 1996	USD30,000,000	USD30,000,000	39.91	39.91	39.91	39.91	39.91	39.91	Antifreeze, brake fluid production, research and development and sales	(ee)
PT. LBM ENERGI BARU INDONESIA.	Indonesia/22 February 2023	IDR 300,000,000,000	IDR 300,000,000,000	—	—	79.60	79.60	72.87	72.87	R&D, production and sales of battery materials	(ff)
LBM NEW ENERGY SINGAPORE PTE. LTD.	Singapore/8 February 2023	USD7,000	USD7,000	—	—	79.60	79.60	72.87	72.87	Investment holding company	(gg)

* *The English names of these subsidiaries registered in the PRC represent the translated names of these companies as no English names have been registered.*

Notes:

(a) The entity was established on 12 May 2021. The statutory financial statements for the year ended 31 December 2021 and 2022 and for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC and Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC, respectively.

(b) The entity was established on 16 April 2021. No statutory financial statements for the year ended 31 December 2021, 2022 and 2023 was available as there was no requirements to issue audited accounts by the local authorities.

(c) The entity transferred to indirectly held by the Company from 27 June 2022. No statutory financial statements for the year ended 31 December 2021, 2022 and 2023 were available as there was no requirements to issue audited accounts by the local authorities.

(d) The entity was deregistered on 12 April 2022. No statutory financial statements for the year ended 31 December 2021 and 2022 was available as there was no requirements to issue audited accounts by the local authorities.

(e) No statutory financial statements for the year ended 31 December 2021, 2022 and 2023 was available as there was no requirements to issue audited accounts by the local authorities.

(f) The entity was established on 4 January 2023. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(g) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(h) The statutory financial statement for the year ended 31 December 2021 prepared in accordance with PRC accounting principles and regulations was audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(i) The entity transferred to directly held by the Company from 4 May 2023. The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(j) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(k) The entity transferred to indirectly held by the Company from 9 March 2023. The statutory financial statements for the year ended 31 December 2021, 2022 and 2023 prepared in accordance with Singapore accounting principles and regulations were audited by Jasmine Chua & Associates Public Accountants and Chartered Accountants, a certified public accounting firm registered in Singapore.

(l) The entity was deregistered on 6 August 2021. No statutory financial statements for the year ended 31 December 2021 were available as there was no requirements to issue audited accounts by the local authorities.

(m) The entity was established on 23 September 2022. No statutory financial statement for the year ended 31 December 2022 and 2023 was available as there was no requirements to issue audited accounts by the local authorities.

(n) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(o) The entity was established on 30 January 2023.

(p) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(q) No statutory financial statements for the year ended 31 December 2021 and 2022 were available as there was no requirements to issue audited accounts by the local authorities. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(r) The entity was deregistered on 24 June 2022. No statutory financial statements for the year ended 31 December 2021 and 2022 were available as there was no requirements to issue audited accounts by the local authorities.

(s) The entity was established on 2 March 2022. No statutory financial statements for the year ended 31 December 2022 were available as there was no requirements to issue audited accounts by the local authorities. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(t) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(u) The entity was established on 6 June 2021, and was deregistered on 23 May 2022. No statutory financial statements for the year ended 31 December 2021, 2022 and 2023 were available as there was no requirements to issue audited accounts by the local authorities.

(v) The entity was established on 7 May 2022. The statutory financial statement for the year ended 31 December 2022 prepared in accordance with PRC accounting principles and regulations was audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(w) The entity was established on 2 December 2021. The statutory financial statement for the year ended 31 December 2022 prepared in accordance with PRC accounting principles and regulations was audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(x) The entity was established on 28 January 2021. The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(y) The entity was established on 26 November 2021. The statutory financial statement for the year ended 31 December 2022 prepared in accordance with PRC accounting principles and regulations was audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(z) The entity was established on 14 September 2022. No statutory financial statement for the year ended 31 December 2022 was available as there was no requirements to issue audited accounts by the local authorities.

(aa) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(bb) The entity was established on 10 September 2021. The statutory financial statement for the year ended 31 December 2022 prepared in accordance with PRC accounting principles and regulations was audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(cc) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(dd) The statutory financial statements for the year ended 31 December 2021 and 2022 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(ee) The statutory financial statements for the year ended 31 December 2021 prepared in accordance with PRC accounting principles and regulations were audited by Jonten Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

The Group holds 70% of Jiangsu Ruilifeng which holds 57% of Zhangjiagang TEEC Automotive Chemicals Co., Ltd.

(ff) The entity was established on 23 February 2023. The statutory financial statements for the year ended 31 December 2023 prepared in accordance with PRC accounting principles and regulations were audited by Gongzheng Tianye Certified Public Accountants (Limited Liability Partnership), a certified public accounting firm registered in the PRC.

(gg) The entity was established on 8 February 2023. The statutory financial statements for the period (date of incorporation) to 31 December 2023 prepared in accordance with Singapore accounting principles and regulations were audited by Jasmine Chua & Associates Public Accountants and Chartered Accountants, a certified public accounting firm registered in the Singapore.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

The statutory financial statements of the Company for the year ended 31 December 2021 and 2022 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC and were audited by Jonten Certified Public Accountants (Limited Liability Partnership), certified public accountants registered in the PRC. The statutory financial statements of the Company for the year ended 31 December 2023 was prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC and were audited by Gongzheng Tianye Certified Public Accountants (Special General Partnership), certified public accountants registered in the PRC.

Going concern assumption

During the six months ended 30 June 2024, the Group reported a net loss of approximately RMB260 million (year ended 31 December 2023: RMB1,514 million). As at 30 June 2024, the Group's current liabilities exceeded its current assets by approximately RMB575 million (31 December 2023: RMB1,255 million).

In view of these circumstances, the management of the Group have given careful consideration to the future liquidity and performance of the Group and its available sources of financial resources to continue as a going concern. In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group has implemented, or is in the process of implementing, the following key plans and measures: (i) The Group has been actively negotiating with a number of banks and financial institutions for renewal, extension and replacement of bank loans; (ii) The Group continues to take active measures to control administrative costs including streamlining the workflows of different business operations; (iii) The Group continues to take active actions to improve the working capital situation including monitoring the collection of receivables closely and take immediate actions for any outstanding receivables and negotiation with suppliers to extend credit terms; and (iv) The Group will consider other financing arrangements with a view to improving the Group's liquidity and financial position. The management of the Group have reviewed the Group's cash flow projections which cover a period of not less than twelve months from the end of the reporting period. The management of the Group are of the opinion that after taking into account the above plans, the Group has sufficient financial resources to continue as a going concern for the foreseeable future. Therefore, the management of the Group are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which includes all the International Accounting Standards ("**IASs**"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the Group's financial year beginning on 1 January 2024, throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

IFRS 18	Presentation and Disclosures in Financial Statements[4]
IFRS 19	Subsidiaries without Public Accountability: Disclosures — Basis for Conclusions[4]
Amendments to IFRS 9 and IFRS 7	Amendments to the classification and measurement of Financial Instruments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRSs	Annual Improvements to IFRS Accounting Standards Volume 11[3]

[1] Effective for annual periods beginning on or after 1 January 2025
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2026
[4] Effective for annual periods beginning on or after 1 January 2027

The directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which comply with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets" ("**IAS 36**").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4.1. Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the proportionate interests of non-controlling interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets, and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 "Financial Instruments" ("**IFRS 9**") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4.2. Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount.

Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4.3. Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from sales of goods

The Group sells lithium iron phosphate cathode materials, automotive specialty chemicals and other goods directly to customers in accordance with the contracts entered with the customers. The Group also recognises revenue from the sales of hydrogen and cleansing products to the customers when control of the products has transferred to the customer, being at the point the goods are delivered to the customers. Control is passed when the products have been accepted by the customer. The normal credit term is within 90 days effective from the date when the goods are accepted by the customers. When the customer pays in advance for the orders, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

For contracts entered into with customers on processing aluminium carbonate, the relevant aluminium carbonate specified in the contracts are based on customer's specifications with no alternative use. Taking into consideration of the relevant contract terms, the legal environment and relevant legal precedent, the Group concluded that the Group does not have an enforceable right to payment prior to transfer of the relevant aluminium carbonate to customers. Revenue from processing of aluminium carbonate is therefore recognised at a point in time when the completed product is transferred to customers, being at the point that the customer obtains the control of the completed product and the Group has present right to payment and collection of the consideration is probable.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer.

When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4.4. Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases e.g. motor vehicles/staff quarter that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient to remeasure the lease liabilities by discounting the revised lease payments using the unchanged discount rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

The Group as a lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

4.5. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

4.6. Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

4.7. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains and losses".

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

4.8. Employee benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government.

The Group's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

4.9. Share-based payment arrangements

Equity-settled share-based payment transactions

Shares/Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares/share options that vest immediately at the date of grant, the fair value of the shares/share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to capital reserve. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to capital reserve.

4.10. Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.11. Business combinations

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting issued by International Accounting Standards Board in March 2018 (the "**Conceptual Framework**") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

4.12. Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4.13. Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than assets under construction as described below. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets in functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Buildings	20 years
Plant and machinery	5–10 years
Motor vehicles	5–10 years
Other equipment	5 years
Leasehold improvements	5–10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.14. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4.15. Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.16. Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of the Group's cash management.

4.17. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.18. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of automotive specialty chemicals and LFP cathode materials are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

4.19. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables and contract assets arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Equity instruments designated as at fair value through other comprehensive income ("**FVTOCI**")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income, gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and bills receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount become past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade and bills receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- past-due status;

- nature, size and industry of debtors; and

- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group measures ECL for the remaining trade and bills receivables and contract assets on an individual basis.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the net foreign exchange gains/(losses);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the gains/(losses) from changes in fair value of financial assets at FVTPL.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/others upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including bank borrowings, trade and bills payables and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income, gains and losses" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Capital contribution from investors with put option

Shares of subsidiary held by non-controlling interests under terms whereby the Group is or may be obliged to repurchase the shares and does not have the unconditional right to avoid delivering cash or another financial asset are recognised as financial liabilities and accounted for in accordance with the accounting policies for financial liabilities as disclosed in note 28(b) and note 28(c).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss. Unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the mature of hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

In assessing the economic relationship between the hedged item and the hedging instrument, the Group assumes that the interest rate benchmark on which the hedged cash flows and/or the hedged risk (contractually or non-contractually specified) are based, or the interest rate benchmark on which the cash flows of the hedging instrument are based, is not altered as a result of interest rate benchmark reform.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other income, gains and losses, net" line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions are ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

4.20. Related parties

A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Group's parent. Or

An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4.21. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer and directors of the Company that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's Historical Financial Information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment, right-of-use assets and other intangible assets

Property, plant and equipment, right-of-use assets and other intangible assets are stated at costs less accumulated depreciation/amortisation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicator that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. The Group is also required to test for impairment of capitalised development costs assets not available for use on an annual basis. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash generating unit to which the assets belong, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Detail of the carrying amounts of property, plant and equipment, right-of-use assets and other intangible assets subject to impairment assessments and impairment losses that have been recognised are disclosed in notes 15, 16 and 18, respectively.

Provision of ECL for trade and other receivables

Trade receivables with credit-impaired are assessed for ECL individually. In addition, the Group uses practical expedient in estimating ECL in trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical defaults rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. As at 31 December 2021, 2022 and 2023 and as at 30 June 2024, the carrying amount of trade and other receivables are RMB1,662,812,000, RMB4,825,202,000, MB3,621,780,000 and RMB3,402,086,000, respectively. During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, net impairment losses on trade and other receivables of RMB23,134,000, RMB70,362,000, RMB18,966,000 and reversal of impairment loss of RMB30,458,000 in aggregate were recognised, respectively.

Deferred tax assets

As at 31 December 2021, 2022 and 2023 and 30 June 2024, deferred tax assets of RMB20,244,000, RMB62,296,000, RMB392,691,000 and RMB355,187,000, respectively, in relation to deductible temporary differences for certain operating subsidiaries have been recognised in the consolidated statement of financial position. As at 31 December 2021, 2022 and 2023 and 30 June 2024, no deferred tax asset has been recognised on the tax losses of RMB10,422,000, RMB54,991,000, RMB154,354,000 and RMB552,304,000, respectively due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Fair value measurement of financial instruments

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group's unlisted equity investments classified as financial assets at FVTOCI amounting to RMB92,450,000, RMB92,450,000, RMB141,450,000 and RMB141,450,000, respectively, and unlisted fund at FVTPL amounting to RMBNil, RMBNil, RMB59,005,000 and RMB40,129,000, respectively, the Group's listed equity investments classified as current financial assets at FVTPL amounting to RMB431,000, RMB738,000, RMB522,000 and RMB247,000, respectively, the Group's investments in wealth management products classified as financial assets at FVTPL amounting to RMBNil, RMB30,000,000, RMBNil and RMB800,750,000, respectively, the Group's derivative assets amounting to RMBNil, RMBNil, RMB950,000 and RMB56,000, respectively, and the Group's derivative liabilities amounting to RMBNil, RMBNil, RMB4,062,000 and RMB3,434,000, respectively are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See Note 37(d) for further disclosures.

Inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. The Group will reassess the estimations at each statement of financial position date. As at 31 December 2021, 2022 and 2023 and 30 June 2024, carrying amount of inventories are RMB1,100,586,000, RMB3,007,275,000, RMB1,610,238,000 and RMB1,647,787,000 respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss/further impairment loss may arise. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying amount of goodwill is approximately RMB390,074,000, RMB362,599,000, RMB289,826,000 and RMB264,577,000. Details of the recoverable amount calculation are disclosed in Note 17.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the aggregate of the net amounts received and receivable from customers during the Track Record Period. There is no seasonality and cyclicality of the operations of the Group. The performance obligation in the contracts has an original expected duration of one year or less.

Revenue during the Track Record Period are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from contracts with customers under IFRS 15					
Sales of LFP cathode materials					
— Without procurement of lithium carbonate and raw materials from customers	1,876,842	12,084,887	6,186,681	2,673,665	1,696,977
— With procurement of lithium carbonate and raw materials from customers	—	156,986	566,947	177,858	778,603
	1,876,842	12,241,873	6,753,628	2,851,523	2,475,580
Sales of automotive specialty chemicals	2,118,725	1,762,814	1,903,212	938,057	970,147
Processing income from lithium carbonate	—	—	—	—	42,685
Others	57,938	66,956	72,639	24,624	80,200
Total revenue	4,053,505	14,071,643	8,729,479	3,814,204	3,568,612
Timing of revenue recognition within the scope of IFRS 15					
At a point in time	4,053,505	14,071,643	8,729,479	3,814,204	3,568,612

The major customers which contributed more than 10% of the total revenue for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 are listed as below:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Customer A (Note (a))	1,160,415	7,486,860	2,648,020	1,045,520	1,114,401
Customer B (Note (b))	N/A	1,991,882	1,545,614	474,845	525,290
Customer C (Note (c))	N/A	N/A	N/A	N/A	383,792

Notes:

(a) The revenue contributed by Customer A is from LFP cathode materials and processing income from lithium carbonate.

(b) The revenue contributed by Customer B is from LFP cathode materials. The percentage of contribution is not applicable for Customer B as it contributed less than 10% of the total revenue for the year ended 31 December 2021.

(c) The revenue contributed by Customer C is from LFP cathode materials. The percentage of contribution is not applicable for Customer C as it contributed less than 10% of the total revenue for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023.

(d) The following table includes revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied at the reporting date.

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within one year	19,707	30,506	42,057	168,759
Over one year	—	213,000	198,800	5,743,900
	19,707	243,506	240,857	5,912,659

(b) Segment information

The CODM review the Group's internal reporting in order to assess performance and allocate resources. Management determined the operating segments based on these reports.

The CODM assesses the performance based on the nature of the Group's businesses which are principally located in the PRC, and comprises (i) Sales of automotive specialty chemicals business and (ii) sales of lithium iron phosphate cathode material business.

Segment results represent the gain generated by each segment without allocation of other income, gain or losses, share of result of associates, listing expenses and income tax expense. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

Segment assets include all assets, other than unallocated corporate assets. Segment liabilities include all liabilities, other than unallocated corporate liabilities.

(c) Segment result

Information regarding the Group's reportable segments is presented below:

Year ended 31 December 2021

	Sales of automotive specialty chemicals business	Sales of lithium iron phosphate cathode material business	Other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue from external customers	2,156,942	1,896,040	523	—	4,053,505
Recognised at a point in time.	2,156,942	1,896,040	523	—	4,053,505
Recognised over time	—	—	—	—	—
Inter-segment sales	18,169	139	2,259	(20,567)	—
Total segment revenue.	2,175,111	1,896,179	2,782	(20,567)	4,053,505
Segment profit/(loss).	219,492	300,162	(212)	—	519,442
Other income, gains and losses.					37,316
Share of result of associates.					(279)
Finance costs					(49,757)
Profit before income tax					506,722
Income tax expense.					(73,304)
Profit for the year.					433,418

Year ended 31 December 2022

	Sales of automotive specialty chemicals business	Sales of lithium iron phosphate cathode material business	Other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue from external customers	1,824,203	12,245,318	2,122	—	14,071,643
Recognised at a point in time.	1,824,203	12,245,318	2,122	—	14,071,643
Recognised over time	—	—	—	—	—
Inter-segment sales	296,283	705	4,026	(301,014)	—
Total segment revenue.	2,120,486	12,246,023	6,148	(301,014)	14,071,643
Segment profit/(loss).	25,523	1,236,634	(11,418)	—	1,250,739
Other income, gains and losses.					95,335
Share of result of associates.					16,956
Finance costs					(202,143)
Profit before income tax					1,160,887
Income tax expense.					(130,941)
Profit for the year.					1,029,946

Year ended 31 December 2023

	Sales of automotive specialty chemicals business	Sales of lithium iron phosphate cathode material business	Other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue from external customers	2,004,852	6,705,747	18,880	—	8,729,479
Recognised at a point in time	2,004,852	6,705,747	18,880	—	8,729,479
Recognised over time	—	—	—	—	—
Inter-segment sales	179,344	44,304	—	(223,648)	—
Total segment revenue	2,184,196	6,750,051	18,880	(223,648)	8,729,479
Segment profit/(loss)	50,163	(1,655,248)	(22,596)	—	(1,627,681)
Other income, gains and losses					92,288
Share of result of associates					(23,583)
Finance costs					(261,377)
Listing expenses					(10,216)
Loss before income tax					(1,830,569)
Income tax credit					316,368
Loss for the year					(1,514,201)

Six months ended 30 June 2023

	Sales of automotive specialty chemicals business	Sales of lithium iron phosphate cathode material business	Other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Segment revenue from external customers	950,620	2,858,690	4,894	—	3,814,204
Recognised at a point in time	950,620	2,858,690	4,894	—	3,814,204
Recognised over time	—	—	—	—	—
Inter-segment sales	62,917	116	8,731	(71,764)	—
Total segment revenue	1,013,537	2,858,806	13,625	(71,764)	3,814,204
Segment profit/(loss)	35,482	(954,812)	(7,775)	—	(927,105)
Other income, gains and losses					72,711
Share of result of associates					(2,657)
Finance costs					(108,457)
Listing expenses					(7,030)
Loss before income tax					(972,538)
Income tax credit					161,051
Loss for the period					(811,487)

Six months ended 30 June 2024

	Sales of automotive specialty chemicals business	Sales of lithium iron phosphate cathode material business	Processing for lithium carbonate and raw materials	Other business	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue from external customers	990,595	2,516,515	57,782	3,720	—	3,568,612
Recognised at a point in time	990,595	2,516,515	57,782	3,720	—	3,568,612
Recognised over time	—	—	—	—	—	—
Inter-segment sales	22,327	667	332,809	6,843	(362,646)	—
Total segment revenue	1,012,922	2,517,182	390,591	10,563	(362,646)	3,568,612
Segment profit/(loss)	91,780	(292,211)	41,922	(13,420)	—	(171,929)
Other income, gains and losses						134,067
Share of result of associates						(11,877)
Finance costs						(130,395)
Listing expenses						(13,395)
Loss before income tax						(193,529)
Income tax expense						(66,691)
Loss for the period						(260,220)

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income on bank deposit	3,897	14,956	31,335	12,286	12,273
Government grants*	22,687	47,145	86,517	52,688	106,093
Loss on disposal of property, plant and equipment	(2,096)	(273)	(948)	(1,172)	(388)
Gain on early termination of leases	—	14,078	—	—	1,823
Gain on disposal of interests in an associate	—	—	16,583	16,583	—
Gain/(loss) from changes in fair value of financial assets at FVTPL	8,389	16,288	46,900	15,357	(5,539)
Loss from changes in fair value of other borrowings at FVTPL	—	—	(106,250)	(24,884)	(16,355)
(Loss)/gain from changes in fair value of derivatives	—	—	(876)	—	30,319
Others	4,439	3,141	19,027	1,853	5,841
	37,316	95,335	92,288	72,711	134,067

* *Included in the amount are government grants received by the Group amounting to RMB15,702,000, RMB34,815,000, RMB75,518,000, RMB41,924,000 and RMB97,203,000 for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively, representing tax refunds, operating subsidies and various industry-specific subsidies granted by the government authorities to reward the Group's effort for technological innovation. There are no unfulfilled conditions relating to such government grants recognised.*

8. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expenses on:					
— bank borrowings	42,592	118,406	191,345	90,122	97,044
— lease liabilities	3,644	21,316	50,761	12,102	23,549
— discounted bills	3,521	62,421	19,271	6,233	9,802
	49,757	202,143	261,377	108,457	130,395

9. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation has been carried at after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Auditor's remuneration					
— audit services	785	905	905	700	—
— non-audit services	100	105	100	100	—
	885	1,010	1,005	800	—
Cost of inventories sold	2,668,143	10,849,363	7,636,770	4,035,697	3,076,308
Depreciation of property, plant and equipment (Note 15)	90,965	226,939	369,683	158,978	248,725
Depreciation of right-of-use assets (Note 16)	18,523	57,404	63,337	40,773	42,959
Amortisation of other intangible assets (Note 18)	4,114	6,115	20,001	6,630	13,151
Impairment loss on goodwill (Note 17)	—	28,881	72,773	1,406	25,249
Impairment losses/(reversal of impairment losses) on inventories (Note 22)	2,226	72,567	554,547	222,327	69,494
Impairment losses/(reversal of impairment losses) on trade receivables (Note 37(b))	18,578	68,498	4,188	(38,463)	(31,787)
Impairment losses/(reversal of impairment losses) on other receivables (Note 37(b))	3,700	2,116	15,028	2,450	(725)
Impairment losses/(reversal of impairment losses) on bills receivable (Note 37(b))	856	(252)	(250)	(321)	2,054
Staff cost (including directors', chief executives', and supervisors' remuneration):					
Wages, salaries and bonuses	218,390	342,618	443,710	208,717	246,203
Retirement benefit expense	18,407	29,446	42,472	20,067	26,982
Equity-settled share-based payment (Note 36)	—	4,432	2,682	12,907	4,664
Social security costs, housing benefits and other employee benefits	19,584	29,616	41,686	19,557	26,028
	256,381	406,112	530,550	261,248	303,877

10. INCOME TAX EXPENSE/(CREDIT)

(a) Taxation in the consolidated statement of profit or loss

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
PRC Enterprise Income Tax					
Current tax	83,694	174,526	12,757	4,912	27,930
Under provision in prior years	49	—	475	223	276
	83,743	174,526	13,232	5,135	28,206
Deferred taxation (Note 31)	(10,439)	(43,585)	(329,600)	(166,186)	38,485
	73,304	130,941	(316,368)	(161,051)	66,691

The group companies are subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% unless subject to tax exemption set out below.

The Company was accredited as a "High and New Technology Enterprise" in 2020 which was subsequently renewed in 2023, and therefore the Company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Nanjing Seiko New Material Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2018 which was subsequently renewed in 2022, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Kelas Environmental Protection Technology Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2020 which was subsequently renewed in 2023, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

LOPAL Lubrication New Material (Tianjin) Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2019 which was subsequently renewed in 2022, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Zhangjiagang TEEC Automotive Chemicals Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2020 which was subsequently renewed in 2023, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15%, and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Jiangsu Tianlan Intelligent Equipment Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2022, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15% and 15% for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2020 which was subsequently renewed in 2023, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Jiangsu BTR NANO Technology Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2022, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15% and 15% for the year ended 31 December 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Jiangsu Tianlan Intelligent Equipment Co., Ltd. was qualified as "Small and Micro-Sized Enterprises' ("**SME**")" for 2021 and 2022. For the first RMB1 million of annual taxable income is eligible for 75%, 87.5% and 87.5% reduction, respectively, at the applicable income tax rate of 20%, and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable income tax rate of 20%. Jiangsu Tianlan Intelligent Equipment Co., Ltd. was accredited as a "High and New Technology Enterprise" in 2023, and therefore the company was entitled to a preferential income tax rate of 15% for the year ended 31 December 2023 and the six months ended 30 June 2023 and 2024, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

Nanjing Weiyi Data Technology Co., Ltd. was qualified as "Small and Micro-Sized Enterprises' ("**SME**")" for 2021 and which were subsequently renewed in 2022. For the first RMB1 million of annual taxable income is eligible for 87.5% and 87.5% reduction, respectively, at the applicable income tax rate of 20%, and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable income tax rate of 20%.

Sichuan Liyuan New Material Co., Ltd. was accredited as a "catalogue of encouraged industries in the western region" in 2021, and therefore the company was entitled to a preferential income tax rate of 15%, 15%, 15%, 15% and 15% for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively. This qualification is subject to review by the relevant tax authority in the PRC.

Taxable income of the subsidiaries in Singapore are subject to corporate income tax at the rate of 17%, 17%, 17%, 17% and 17% of taxable income for the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024.

The income tax expense/(credit) for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 can be reconciled to the profit/(loss) before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before taxation	506,722	1,160,887	(1,830,569)	(972,538)	(193,529)
Tax at the domestic income tax rate of the Company	76,008	174,133	(274,586)	(145,881)	(29,029)
Effects of different tax rates applicable to different subsidiaries of the Group	34,898	47,508	(59,112)	(4,250)	(3,392)
Under-provision of taxation in prior years	49	—	475	223	276
Tax effect of income that is not taxable for tax purposes	(1,010)	(5,365)	(2,922)	(1,497)	(1,417)
Tax effect of expenses that are not deductible for tax purposes	4,277	12,918	56,230	10,181	25,900
Tax effect of temporary difference not recognised	(363)	4,459	9,461	1,254	98,026
Tax effect of additional tax deduction for eligible research and development expenses	(40,555)	(102,712)	(45,914)	(21,081)	(23,673)
Income tax expense/(credit) for the year/period	73,304	130,941	(316,368)	(161,051)	66,691

(b) Tax effects relating to each component of other comprehensive income

	Before taxation	Taxation credited/ (charged)	Net of taxation
	RMB'000	RMB'000	RMB'000
For the year ended 31 December 2023			
Change in the fair value on hedging instruments designated as cash flow hedges	(2,516)	491	(2,025)
For the six months ended 30 June 2024			
Change in the fair value on hedging instruments designated as cash flow hedges	(567)	(270)	(837)

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

Mr. Shi Junfeng **("Mr. Shi")** is the chief executive of the Company and his emolument disclosed below included those for services rendered by him as the chief executive of the Company and other group entities.

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company, and supervisors of the group companies (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Year ended 31 December 2021	Fee	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Shi Junfeng	—	1,100	38	45	—	1,183
Lu Zhenya	—	1,110	38	45	—	1,193
Qin Jian	—	990	38	45	—	1,073
Shen Zhiyong	—	856	38	45	—	939
Zhang Renzhi (Note (a))	—	—	—	—	—	—
Sub-total	—	4,056	152	180	—	4,388
Non-executive directors						
Zhu Xianglan	—	—	—	—	—	—
Independent non-executive directors						
Hu Xiaoming (Note (b))	75	—	—	—	—	75
Ye Xin	100	—	—	—	—	100
Li Qingwen	100	—	—	—	—	100
Sub-total	275	—	—	—	—	275
Supervisors						
Hu Renjie (Note (d))	—	239	33	38	—	310
Xue Jie	—	580	38	45	—	663
Meng Guangsheng (Note (c))	—	191	34	37	—	262
Zhou Lin	—	348	38	44	—	430
Sub-total	—	1,358	143	164	—	1,665
Total	275	5,414	295	344	—	6,328

Year ended 31 December 2022	Fee	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Shi Junfeng	—	862	21	69	—	952
Lu Zhenya	—	804	21	69	294	1,188
Qin Jian	—	592	21	69	183	865
Shen Zhiyong	—	669	21	69	1,111	1,870
Zhang Renzhi (Note (a))	—	—	—	—	—	—
Sub-total	—	2,927	84	276	1,588	4,875
Non-executive directors						
Zhu Xianglan	—	—	—	—	—	—
Independent non-executive directors						
Hu Xiaoming (Note (b))	—	—	—	—	—	—
Ye Xin	100	—	—	—	—	100
Li Qingwen	100	—	—	—	—	100
Geng Chengxuan (Note (e))	100	—	—	—	—	100
Sub-total	300	—	—	—	—	300
Supervisors						
Hu Renjie (Note (d))	—	218	19	50	—	287
Xue Jie	—	545	21	69	—	635
Zhou Lin	—	314	21	69	—	404
Sub-total	—	1,077	61	188	—	1,326
Total	300	4,004	145	464	1,588	6,501

Year ended 31 December 2023	Fee	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Shi Junfeng	—	676	46	46	—	768
Lu Zhenya	—	591	46	46	85	768
Qin Jian	—	599	46	48	81	774
Shen Zhiyong	—	479	46	46	220	791
Zhang Yi (Note (f))	—	548	46	46	175	815
Sub-total	—	2,893	230	232	561	3,916
Non-executive directors						
Zhu Xianglan	—	—	—	—	—	—
Independent non-executive directors						
Ye Xin	100	—	—	—	—	100
Li Qingwen	100	—	—	—	—	100
Geng Chengxuan (Note (e))	100	—	—	—	—	100
Sub-total	300	—	—	—	—	300
Supervisors						
Hu Renjie (Note (d))	—	194	35	29	—	258
Xue Jie	—	484	46	49	—	579
Zhou Lin	—	271	46	46	—	363
Sub-total	—	949	127	124	—	1,200
Total	300	3,842	357	356	561	5,416

Six months ended 30 June 2023 (Unaudited)	Fee	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Shi Junfeng	—	346	36	10	—	392
Lu Zhenya	—	302	36	10	33	381
Qin Jian	—	254	37	10	32	333
Shen Zhiyong	—	245	36	10	253	544
Zhang Yi (Note (f))	—	280	36	10	31	357
Sub-total	—	1,427	181	50	349	2,007
Non-executive directors						
Zhu Xianglan	—	—	—	—	—	—
Independent non-executive directors						
Ye Xin	50	—	—	—	—	50
Li Qingwen	50	—	—	—	—	50
Geng Chengxuan (Note (e))	50	—	—	—	—	50
Sub-total	150	—	—	—	—	150
Supervisors						
Hu Renjie (Note (d))	—	99	29	4	—	132
Xue Jie	—	235	36	10	—	281
Zhou Lin	—	137	36	10	—	183
Sub-total	—	471	101	24	—	596
Total	150	1,898	282	74	349	2,753

Six months ended 30 June 2024	Fee	Salaries, allowances and benefits in kind	Retirement benefit scheme contributions	Other social security costs, housing benefits and other employee benefits	Share-based compensation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors						
Shi Junfeng	—	507	23	24	—	554
Lu Zhenya	—	588	23	24	155	790
Qin Jian	—	463	23	24	147	657
Shen Zhiyong	—	517	23	24	401	965
Zhang Yi (Note (f))	—	698	23	24	319	1,064
Sub-total	—	2,773	115	120	1,022	4,030
Non-executive directors						
Zhu Xianglan	—	—	—	—	—	—
Independent non-executive directors						
Ye Xin	50	—	—	—	—	50
Li Qingwen	50	—	—	—	—	50
Geng Chengxuan (Note (e))	50	—	—	—	—	50
Sub-total	150	—	—	—	—	150
Supervisors						
Hu Renjie (Note (d))	—	86	18	14	—	118
Xue Jie	—	332	23	25	—	380
Zhou Lin	—	200	23	24	—	247
Sub-total	—	618	64	63	—	745
Total	150	3,391	179	183	1,022	4,925

Notes:

(a) Ms. Zhang Renzhi resigned as executive director of the Company with effect from 4 August 2022.

(b) Mr. Hu Xiaoming resigned as independent non-executive director of the Company with effect from 27 September 2021.

(c) Mr. Meng Guangsheng was appointed as supervisor of the Company with effect from 26 March 2020 and resigned on 27 September 2021.

(d) Mr. Hu Renjie was appointed as supervisor of the Company with effect from 27 September 2021 and resigned on 15 July 2024.

(e) Ms. Geng Chengxuan was appointed as independent non-executive director of the Company with effect from 27 September 2021.

(f) Mr. Zhang Yi was appointed as executive director of the Company with effect from 13 September 2022.

The executive directors' and chief executive's emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group during the Track Record Period.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company during the Track Record Period.

During the Track Record Period, there was no arrangement under which a director or the chief executive waived or agreed to waive any emolument, and no emoluments were paid by the Group to any of the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

12. FIVE HIGHEST PAID EMPLOYEES

The individuals whose emoluments were the top 5 highest in the Group for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively include nil, one, nil, nil and three directors of the Company whose emoluments are reflected in the analysis shown in "DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS" above. The emoluments paid to the remaining five, four, five, five and two individuals with the highest emoluments in the Group for each of the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024 respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	12,094	8,496	4,176	1,755	1,106
Retirement benefit expense	132	156	195	90	46
Social security costs, housing benefits and other employee benefits	66	167	226	22	41
Share-based compensation	—	—	384	9	646
	12,292	8,819	4,981	1,876	1,839

The number of the highest paid employees (including the directors) of the Company whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023 (Unaudited)	2024
Nil to HKD1,000,000	—	—	—	5	2
HKD1,000,001 to HKD1,500,000	—	—	5	—	3
HKD1,500,001 to HKD2,000,000	3	—	—	—	—
HKD2,000,001 to HKD2,500,000	1	4	—	—	—
HKD2,500,001 to HKD3,000,000	—	—	—	—	—
HKD3,000,001 to HKD3,500,000	—	—	—	—	—
HKD3,500,001 to HKD4,000,000	—	1	—	—	—
HKD4,000,001 to HKD4,500,000	—	—	—	—	—
HKD4,500,001 to HKD5,000,000	—	—	—	—	—
HKD5,000,001 to HKD5,500,000	—	—	—	—	—
HKD6,000,001 to HKD6,500,000	1	—	—	—	—

During the Track Record Period, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

13. DIVIDENDS

On 10 May 2021, the payment of a final dividend of RMB60,950,000 was paid by the Company in respect of the year ended 31 December 2020. On 30 September 2022, the payment of an interim dividend of RMB105,105,000 was paid by the Company in respect of the period ended 30 June 2022. No dividend was declared by the Company in respect of the year ended 31 December 2023 and the six months ended 30 June 2024.

14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company for the Track Record Period is based on the following data:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Earnings/(loss)					
Profit/(loss) for the year/period attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	351,103	752,897	(1,233,291)	(654,008)	(217,820)
	'000	'000	'000	'000	'000
Number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	481,639	527,320	563,387	565,079	562,997
Effect of dilutive potential ordinary shares:					
Share options	2,099	1,430	—	—	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	483,738	528,750	563,387	565,079	562,997

The weighted average number of ordinary shares outstanding during the year ended 31 December 2021 have been adjusted for the effect of capitalisation of capital reserve and the new shares were issued to the shareholders on 25 March 2021 and as if the capitalisation happened on 1 January 2021.

The computation of diluted loss per share for the year ended 31 December 2023 and the six months ended 30 June 2023 and 2024 does not assume the exercise of the Company's share option since their assumed execution would result in a decrease in loss per share.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Construction in progress	Buildings	Plant and machinery	Motor vehicles	Other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2021	57,497	409,840	237,042	14,395	73,064	39,490	831,328
Additions	623,925	3,608	78,017	2,268	23,970	29,145	760,933
Transfer from constructions in progress	(183,484)	37,573	140,730	—	3,934	1,247	—
Acquired on acquisition of subsidiaries (Note 35(a))	35,643	—	349,263	1,559	6,973	7,848	401,286
Disposals	—	(320)	(7,816)	(1,999)	(2,973)	(15,860)	(28,968)
At 31 December 2021 and 1 January 2022	533,581	450,701	797,236	16,223	104,968	61,870	1,964,579
Additions	1,748,885	12,279	192,954	3,508	42,065	104,576	2,104,267
Transfer from constructions in progress	(917,557)	40,667	836,617	—	24,168	16,105	—
Acquired on acquisition of a subsidiary (Note 35(b))	—	—	64,289	329	176	—	64,794
Disposals	—	—	(12,787)	(1,423)	(6,336)	(32)	(20,578)
At 31 December 2022 and 1 January 2023	1,364,909	503,647	1,878,309	18,637	165,041	182,519	4,113,062
Additions	2,788,483	5,216	259,522	3,755	37,379	103,328	3,197,683
Transfer from constructions in progress	(1,577,663)	221,759	1,322,741	6,172	17,203	9,788	—
Disposals	—	—	(4,117)	(719)	(567)	(309)	(5,712)
At 31 December 2023 and 1 January 2024	2,575,729	730,622	3,456,455	27,845	219,056	295,326	7,305,033
Additions	615,843	38,303	—	2,090	13,543	26,827	696,606
Transfer from constructions in progress	(1,150,868)	382,156	753,441	1,127	13,598	546	—
Disposals	—	—	(3,367)	(328)	(1,035)	—	(4,730)
At 30 June 2024	2,040,704	1,151,081	4,206,529	30,734	245,162	322,699	7,996,909
ACCUMULATED DEPRECIATION							
At 1 January 2021	—	91,556	113,657	7,769	44,246	18,176	275,404
Depreciation provided for the year	—	19,970	48,181	1,766	12,138	8,910	90,965
Eliminated on disposals	—	—	(3,711)	(1,264)	(2,452)	(414)	(7,841)
At 31 December 2021 and 1 January 2022	—	111,526	158,127	8,271	53,932	26,672	358,528
Depreciation provided for the year	—	31,731	132,699	2,446	20,001	40,062	226,939
Eliminated on disposals	—	—	(3,593)	(1,366)	(2,439)	(21)	(7,419)
At 31 December 2022 and 1 January 2023	—	143,257	287,233	9,351	71,494	66,713	578,048
Depreciation provided for the year	—	20,739	239,971	3,766	28,800	76,407	369,683
Eliminated on disposals	—	—	(1,369)	(676)	(555)	(27)	(2,627)
At 31 December 2023 and 1 January 2024	—	163,996	525,835	12,441	99,739	143,093	945,104
Depreciation provided for the period	—	18,779	176,366	1,867	16,852	34,861	248,725
Eliminated on disposals	—	—	(2,158)	(205)	(923)	—	(3,286)
At 30 June 2024	—	182,775	700,043	14,103	115,668	177,954	1,190,543
CARRYING AMOUNT							
At 31 December 2021	533,581	339,175	639,109	7,952	51,036	35,198	1,606,051
At 31 December 2022	1,364,909	360,390	1,591,076	9,286	93,547	115,806	3,535,014
At 31 December 2023	2,575,729	566,626	2,930,620	15,404	119,317	152,233	6,359,929
At 30 June 2024	2,040,704	968,306	3,506,486	16,631	129,494	144,745	6,806,366

The Company

	Construction in progress RMB'000	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Other equipment RMB'000	Leasehold improvement RMB'000	Total RMB'000
COST							
At 1 January 2021	6,962	102,481	88,549	9,890	29,237	13,333	250,452
Additions	9,463	195	3,438	—	3,664	104	16,864
Transfer from construction in progress	(2,185)	—	—	—	1,378	807	—
Disposals	—	(320)	(133)	(781)	(719)	—	(1,953)
At 31 December 2021 and 1 January 2022	14,240	102,356	91,854	9,109	33,560	14,244	265,363
Additions	33,292	213	1,331	315	1,520	1,157	37,828
Transfer from constructions in progress	(3,453)	—	2,531	—	160	762	—
Disposals	—	—	(290)	—	(371)	—	(661)
At 31 December 2022 and 1 January 2023	44,079	102,569	95,426	9,424	34,869	16,163	302,530
Additions	145	156	326	647	1,921	6,766	9,961
Transfer from constructions in progress	(742)	—	590	—	—	152	—
Disposals	—	—	(96,342)	(1,959)	(23,245)	(10,291)	(131,837)
At 31 December 2023 and 1 January 2024	43,482	102,725	—	8,112	13,545	12,790	180,654
Additions	217	—	4,785	328	5,333	2,960	13,623
Transfer from constructions in progress	(93)	—	93	—	—	—	—
Disposals	—	—	—	(217)	(4,428)	(3,385)	(8,030)
At 30 June 2024	43,606	102,725	4,878	8,223	14,450	12,365	186,247
ACCUMULATED DEPRECIATION							
At 1 January 2021	—	31,631	50,610	4,560	16,158	5,051	108,010
Depreciation provided for the year	—	5,020	7,534	832	3,838	2,009	19,233
Eliminated on disposals	—	—	(106)	(98)	(657)	—	(861)
At 31 December 2021 and 1 January 2022	—	36,651	58,038	5,294	19,339	7,060	126,382
Depreciation provided for the year	—	5,031	6,839	804	4,017	2,338	19,029
Eliminated on disposals	—	—	(269)	—	(353)	—	(622)
At 31 December 2022 and 1 January 2023	—	41,682	64,608	6,098	23,003	9,398	144,789
Depreciation provided for the year	—	5,027	2,047	1,116	2,306	4,782	15,278
Eliminated on disposals	—	—	(66,655)	(1,218)	(15,426)	(6,040)	(89,339)
At 31 December 2023 and 1 January 2024	—	46,709	—	5,996	9,883	8,140	70,728
Depreciation provided for the period	—	2,508	2,850	474	3,947	1,600	11,379
Eliminated on disposals	—	—	—	(203)	(3,145)	(2,300)	(5,648)
At 30 June 2024	—	49,217	2,850	6,267	10,685	7,440	76,459
CARRYING AMOUNT							
At 31 December 2021	14,240	65,705	33,816	3,815	14,221	7,184	138,981
At 31 December 2022	44,079	60,887	30,818	3,326	11,866	6,765	157,741
At 31 December 2023	43,482	56,016	—	2,116	3,662	4,650	109,926
At 30 June 2024	43,606	53,508	2,028	1,956	3,765	4,925	109,788

16. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands	Leasehold properties	Total
	RMB'000	RMB'000	RMB'000
CARRYING AMOUNT			
At 1 January 2021	226,720	—	226,720
Acquired on acquisition of subsidiaries (Note 35(a))	—	60,689	60,689
Depreciation charge	(5,232)	(13,291)	(18,523)
At 31 December 2021 and 1 January 2022	221,488	47,398	268,886
Additions	79,307	317,105	396,412
Early termination of lease	(8,074)	(25,945)	(34,019)
Depreciation charge	(5,574)	(51,830)	(57,404)
At 31 December 2022 and 1 January 2023	287,147	286,728	573,875
Additions	86,529	688,954	775,483
Lease modification	—	172	172
Depreciation charge	(8,031)	(55,306)	(63,337)
At 31 December 2023 and 1 January 2024	365,645	920,548	1,286,193
Additions	—	18,433	18,433
Early termination of lease	—	(5,824)	(5,824)
Depreciation charge	(5,239)	(37,720)	(42,959)
At 30 June 2024	360,406	895,437	1,255,843

During the Track Record Period, the Group leases various offices, warehouses and factories for its operations. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Company

	Leasehold lands
	RMB'000
CARRYING AMOUNT	
At 1 January 2021	19,066
Depreciation charge	(495)
At 31 December 2021 and 1 January 2022	18,571
Additions	35,690
Disposals	(8,074)
Depreciation charge	(692)
At 31 December 2022 and 1 January 2023	45,495
Depreciation charge	(1,031)
At 31 December 2023 and 1 January 2024	44,464
Depreciation charge	(515)
At 30 June 2024	43,949

17. GOODWILL

The Group

	RMB'000
COST	
At 1 January 2021	206,960
Arising on acquisition of subsidiaries (Note 35(a))	183,347
At 31 December 2021 and 1 January 2022	390,307
Arising on acquisition of subsidiary	1,406
At 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	391,713
IMPAIRMENT	
At 1 January 2021, 31 December 2021 and 1 January 2022	233
Impairment loss recognised for the year	28,881
At 31 December 2022 and 1 January 2023	29,114
Impairment loss recognised for the year	72,773
At 31 December 2023 and 1 January 2024	101,887
Impairment loss recognised for the period	25,249
At 30 June 2024	127,136
CARRYING VALUES	
At 31 December 2021	390,074
At 31 December 2022	362,599
At 31 December 2023	289,826
At 30 June 2024	264,577

Goodwill is allocated to the Group's cash-generating units ("**CGUs**") as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Jiangsu Ruilifeng and its subsidiaries ("**Jiangsu Ruilifeng CGU**")	206,727	177,846	177,846	177,846
Changzhou Liyuan and its subsidiaries ("**Changzhou Liyuan CGU**") (Note 35(a))	183,347	183,347	111,980	86,731
Lopal Times (Note 35(b))	—	1,406	—	—
	390,074	362,599	289,826	264,577

The recoverable amounts of the CGUs are determined based on value-in-use calculations based on cash flow forecasts derived from the most recent financial budgets and estimated future cash flows covering a 5-year period and with the beyond budgeted period using zero growth rate approved by the directors of the Company.

The key assumptions used in the estimation of value in use are as below:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Jiangsu Ruilifeng CGU				
Revenue (average growth rate)	8.4%	8.7%	11.4%	10.52%
Pre-tax discount rate	12.6%	11.3%	10.5%	9.59%
Changzhou Liyuan CGU				
Revenue (average growth rate)	27.5%	(9.5%)	(5.4%)	(8.2%)
Pre-tax discount rate	11.5%	12.2%	12.0%	12.2%
Average procurement price of lithium carbonate	RMB92,900/ ton	RMB258,600/ ton	RMB93,800/ ton	RMB82,100/ ton

The directors of the Company have determined the values assigned to each of the key assumptions as follows:

- Average revenue growth rate over the five-year forecast period is based on past performance and management's expectation of market development;

- Pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the CGUs; and

- Average procurement price of lithium carbonate is based on management's expectation of price trends of lithium carbonate.

Impact of possible changes in key assumptions

The recoverable amount of Jiangsu Ruilifeng CGU was estimated to exceed its carrying amount as at 31 December 2021 and 2023 and 30 June 2024 by approximately RMB22,174,000, RMB21,667,000 and RMB17,401,000 respectively. The recoverable amount of Jiangsu Ruilifeng CGU was estimated to be lower than its carrying amount as at 31 December 2022 and impairment of RMB28,881,000 for Jiangsu Ruilifeng CGU was recognised for the year ended 31 December 2022.

The recoverable amount of Changzhou Liyuan CGU is estimated to exceed its carrying amount at 31 December 2021 and 2022 by approximately RMB2,100,438,000 and RMB433,859,000 respectively. The recoverable amount of Changzhou Liyuan CGU was estimated to be lower than its carrying amount as at 31 December 2023 and 30 June 2024 and impairment of RMB71,367,000 and RMB25,249,000 for Changzhou Liyuan CGU was recognised for the year ended 31 December 2023 and the six months ended 30 June 2024, respectively.

Management have undertaken sensitivity analysis on the impairment test of goodwill. The recoverable amount of each CGU would equal its carrying amount (net of impairment loss) if each key assumption was to change as follows with all other variables held constant:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
Jiangsu Ruilifeng CGU				
Revenue (average growth rate)	7.8%	8.7%	11.1%	9.8%
Pre-tax discount rate	13.0%	11.3%	10.7%	9.8%
Changzhou Liyuan CGU				
Revenue (average growth rate)	14.8%	(11.2%)	(5.4%)	(8.2%)
Pre-tax discount rate	22%	16.8%	12.0%	12.2%
Average procurement price of lithium carbonate	RMB95,000/ ton	RMB266,000/ ton	RMB93,800/ ton	RMB82,100/ ton

The directors of the Company believe that any reasonably possible changes in the key assumptions on which recoverable amount is based would not caused the carrying amount of CGU to exceed its recoverable amount.

18. OTHER INTANGIBLE ASSETS

The Group

	Software RMB'000	Patent RMB'000	Others RMB'000	Total RMB'000
COST				
At 1 January 2021	16,572	1,207	192	17,971
Additions	7,968	250	97	8,315
Acquired on acquisition of a subsidiary (Note 35(a))	—	27,900	—	27,900
At 31 December 2021 and 1 January 2022	24,540	29,357	289	54,186
Additions	11,123	55	60	11,238
At 31 December 2022 and 1 January 2023	35,663	29,412	349	65,424
Additions	11,074	32,016	81	43,171
At 31 December 2023 and 1 January 2024	46,737	61,428	430	108,595
Additions	3,808	—	81	3,889
At 30 June 2024	50,545	61,428	511	112,484
ACCUMULATED AMORTISATION				
At 1 January 2021	8,749	1,207	192	10,148
Charge for the year	3,203	814	97	4,114
At 31 December 2021 and 1 January 2022	11,952	2,021	289	14,262
Charge for the year	4,598	1,457	60	6,115
At 31 December 2022 and 1 January 2023	16,550	3,478	349	20,377
Charge for the year	7,120	12,800	81	20,001
At 31 December 2023 and 1 January 2024	23,670	16,278	430	40,378
Charge for the period	3,791	9,279	81	13,151
At 30 June 2024	27,461	25,557	511	53,529
CARRYING AMOUNT				
At 31 December 2021	12,588	27,336	—	39,924
At 31 December 2022	19,113	25,934	—	45,047
At 31 December 2023	23,067	45,150	—	68,217
At 30 June 2024	23,084	35,871	—	58,955

The Group tests other intangible assets annually for impairment, or more frequently, if there are indications that other intangible assets might be impaired.

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Computer software	5 years
Patent	30 years

The Company

	Software
	RMB'000
COST	
At 1 January 2021	15,362
Additions	7,724
At 31 December 2021 and 1 January 2022	23,086
Additions	5,166
At 31 December 2022 and 1 January 2023	28,252
Additions	1,832
At 31 December 2023 and 1 January 2024	30,084
Additions	3,301
At 30 June 2024	33,385
ACCUMULATED AMORTISATION	
At 1 January 2021	8,057
Charge for the year	2,997
At 31 December 2021 and 1 January 2022	11,054
Charge for the year	4,033
At 31 December 2022 and 1 January 2023	15,087
Charge for the year	4,283
At 31 December 2023 and 1 January 2024	19,370
Charge for the period	2,113
At 30 June 2024	21,483
CARRYING AMOUNT	
At 31 December 2021	12,032
At 31 December 2022	13,165
At 31 December 2023	10,714
At 30 June 2024	11,902

The computer software has finite useful lives. Such intangible asset is amortised on a straight-line basis over 5 years.

19. INTERESTS IN ASSOCIATES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Cost of unlisted investment	63,000	103,000	80,000	80,000
Share of post-acquisition (loss)/profits and other comprehensive (expense)/income	(279)	16,677	(5,510)	(17,387)
	62,721	119,677	74,490	62,613

Details of the Group's associates at 31 December 2021, 2022 and 2023 and 30 June 2024 are as follows:

Name	Place of establishment and operation	Registered/paid up capital	Percentage of ownership interest attributable to the Group				Principal activities	Notes
			31 December			30 June		
			2021	2022	2023	2024		
四川省盈達鋰電新材料有限公司 Sichuan Yingda Lithium New Material Co., Ltd. . . .	PRC	RMB185,690,000/ RMB101,460,000	22.67%	20.27%	—	—	Manufacturing, sales, research and development of electronic special materials; new material technology promotion services; battery sales.	(a)
湖北豐鋰新能源科技有限公司 Hubei Fengli New Energy Technology Co., Ltd.	PRC	RMB200,000,000	25%	40%	40%	40%	Technical service, development, consultation, exchange, transfer, and promotion; manufacturing, sales, and research and development of electronic special materials; research and development of new material technology; sales of special chemical products.	(b)

Notes:

(a) On 26 March 2021, 四川鋰源新材料有限公司 ("**Sichuan Liyuan**"), a wholly-owned subsidiary of the Group and other four independent third parties entered into an agreement for the establishment of 四川省盈達鋰電新材料有限公司 ("**Sichuan Yingda**"), a company established in the PRC with limited liability, for the purpose of manufacturing, sales, research and development of electronic special materials. Sichuan Liyuan contributed RMB23,000,000 to the registered capital of Sichuan Yingda. Upon the completion of the capital contribution, the Group holds 22.67% equity interest in Sichuan Yingda. Pursuant to Articles of Association of Sichuan Yinda, the Group has right to appoint one out of the seven directors in the board of directors, which is responsible for relevant activities of Sichuan Yinda. Accordingly, the directors of the Company consider that the Group has significant influence in Sichuan Yinda. In this regard, the investment is accounted for as an associate of the Group.

On 21 February 2023, Sichuan Liyuan entered into an agreement with an independent third party. Pursuant to the agreement, Sichuan Liyuan agreed to sale and the independent third party agreed to purchase equity interest representing RMB23,000,000 paid-up capital of Sichuan Yingda at a consideration of RMB38,186,000. A gain on disposal of interest in an associate of RMB16,583,000 was recognised in profit or loss for the year ended 31 December 2023.

(b) On 17 August 2021, Changzhou Liyuan, a subsidiary of the Group and an independent third party entered into an agreement for the establishment of Hubei Fengli, a company established in the PRC with limited liability, for the purpose of investment cooperation agreement on iron phosphate project. Changzhou Liyuan committed to contribute RMB80,000,000 to the registered capital of Hubei Fengli. Upon the completion of the capital contribution, Changzhou Liyuan holds 40.00% equity interest in Hubei Fengli. The shareholders exercise their voting rights in the shareholders meeting which is the highest decision-making body of Hubei Fengli in proportion to their paid-up capital contributions. In this regard, the investment is accounted for as an associate of the Group. As at 31 December 2021, Changzhou Liyuan has contributed RMB40,000,000 to Hubei Fengli, therefore Changzhou Liyuan shares 25% of the net assets of Hubei Fengli, which is equivalent to its proportion of capital contribution as at 31 December 2021. During the year ended 31 December 2022, Changzhou Liyuan has contributed RMB40,000,000 to Hubei Fengli, resulting in increase of the share of net assets of Hubei Fengli to 40%.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associates are accounted for using the equity method in the Historical Financial Information.

Sichuan Yingda Lithium New Material Co., Ltd.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	95,922	87,882	N/A	N/A
Non-current assets	14,392	57,467	N/A	N/A
Current liabilities	10,100	39,259	N/A	N/A
Non-current liabilities	—	—	N/A	N/A
Net assets	100,214	106,090	N/A	N/A

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	5,982	1,767	N/A
Loss and total comprehensive expense for the year/ period before the date of disposal	(1,246)	(6,124)	(1,120)	N/A

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Historical Financial Information:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets	100,214	106,090	N/A	N/A
Proportion of the Group's ownership interest	22.67%	20.27%	N/A	N/A
The Group's share of net assets	22,798	21,831	N/A	N/A

Hubei Fengli New Energy Technology Co., Ltd.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	89,683	194,916	157,155	160,406
Non-current assets	102,363	421,405	388,151	373,579
Current liabilities	32,502	172,040	200,771	261,526
Non-current liabilities	—	200,000	156,261	116,261
Net assets	159,544	244,281	188,274	156,198

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	—	292,295	266,589	144,832
(Loss)/profit and total comprehensive (expense)/ income for the year	(456)	44,737	(58,390)	(33,320)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the Historical Financial Information:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net assets	159,544	244,281	188,274	156,198
Proportion of the Group's ownership interest	25%	40%	40%	40%
The Group's share of net assets	39,923	97,846	74,490	62,613

20. INTERESTS IN SUBSIDIARIES

The Company

(a) Interests in subsidiaries

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	1,372,178	3,174,821	3,645,810	3,936,449

The Company tested its investments in subsidiaries for impairment by comparing the recoverable amounts with the carrying amounts. In determining the recoverable amount of the investments in the subsidiaries, the Company estimates its shares of present value of estimated future cash flows expected to generate from the operations of the subsidiaries. The Company tested its investments in subsidiaries for impairment annually or more frequently if events or changes in circumstances indicated that they might be impaired. During the Track Record Period, the estimated recoverable amounts of the investments in subsidiaries were greater than the carrying values and therefore no impairment was recorded.

(b) Amounts due from subsidiaries

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the amounts due from subsidiaries are non-interest bearing, unsecured and are repayable on demand.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/PROFIT OR LOSS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Financial assets at FVTOCI				
Unlisted equity investments, at fair value (Note (a))	92,450	92,450	141,450	141,450
Current assets				
Financial assets at FVTPL				
Listed equity investments, at fair value (Note (b))	431	738	522	247
Wealth management products (Note (c))	—	30,000	—	800,750
Unlisted funds investment (Note (d))	—	—	59,005	40,129
	431	30,738	59,527	841,126

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Financial assets at FVTOCI				
Unlisted equity investments, at fair value (Note (a))	80,000	80,000	129,000	129,000
Current assets				
Financial assets at FVTPL				
Listed equity investments, at fair value (Note (b))	431	738	522	247
Wealth management products (Note (c))	—	30,000	—	340,400
Unlisted funds investment (Note (d))	—	—	59,005	40,129
	431	30,738	59,527	380,776

Notes:

(a) The unlisted equity investments in PRC mainly include 安徽明天新能源科技有限公司 ("**Anhui Mingtian**").

On 18 October 2019, the Company and other nine independent third parties enter into a subscription agreement for the purpose of acquisition 10% equity interest of Anhui Mingtian by the Group. The Group contributed RMB80,000,000 to Anhui Mingtian as a shareholder. Upon the completion of the capital contribution, the Group holds 10% equity interest in Anhui Mingtian. In this regard, the investment in Anhui Mingtian is accounted for as a financial asset at fair value through profit or loss of the Group.

During the year ended 31 December 2022, Anhui Mingtian completed a capital contribution agreement with an independent third party, the shareholdings held by the Group is diluted to 9.78%.

(b) As at 31 December 2021, 2022 and 2023 and 30 June 2024, the fair values of the listed shares in the PRC were determined based on the quoted bid price available on the Shenzhen Stock Exchange.

(c) The wealth management product was issued by banks in the PRC and were low-risk in nature. The wealth management products are structured fixed deposits with financial institutions with maturities within one year. The principal of the structured fixed deposits will be invested in debt instruments or derivative markets. The Group received variable return depending on the return of the derivative. The returns of these investments were determined by reference to the performance of the expected return rates stated in the contracts.

22. INVENTORIES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	724,821	1,512,299	350,738	466,575
Work in progress	50,457	37,385	82,010	88,425
Finished goods	325,308	1,457,591	1,177,490	1,092,787
	1,100,586	3,007,275	1,610,238	1,647,787

The provision for impairment loss recognised of inventories of RMB2,226,000, RMB72,567,000, RMB554,547,000 and RMB69,494,000 are recognised for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables	114,204	70,231	1,023	2,434
Work in progress	6,624	4,491	—	—
Finished goods	50,396	51,738	19,080	14,024
	171,224	126,460	20,103	16,458

The provision for impairment loss recognised of inventories of RMB2,951,000, RMB1,762,000, RMB320,000 and RMB122,000 are recognised for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively.

23. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	857,997	2,121,005	2,174,914	1,549,571
Bills receivable	347,197	1,038,690	479,122	1,036,244
Other receivables	457,618	1,665,507	967,744	816,271
	1,662,812	4,825,202	3,621,780	3,402,086
Analysis for reporting purposes:				
Non-current portion	106,640	630,010	226,733	64,927
Current portion	1,556,172	4,195,192	3,395,047	3,337,159
	1,662,812	4,825,202	3,621,780	3,402,086

The Group's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables net of allowance for expected credit losses presented based on revenue recognition date.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	852,309	2,113,004	2,161,710	1,528,935
1 year to 2 years	1,920	7,627	12,244	19,734
2 years to 3 years	2,608	308	720	680
3 years to 4 years	1,159	62	182	159
4 years to 5 years	1	4	58	63
	857,997	2,121,005	2,174,914	1,549,571

All bills receivables received by the Group are with a maturity period of less than one year.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	123,270	309,851	293,176	165,703
Bills receivable	90,117	38,660	151,656	64,583
Other receivables	875,258	1,238,895	861,557	582,047
	1,088,645	1,587,406	1,306,389	812,333
Analysis for reporting purposes:				
Non-current portion	4,807	—	4,838	3,972
Current portion	1,083,838	1,587,406	1,301,551	808,361
	1,088,645	1,587,406	1,306,389	812,333

The Company's trading terms with its customers are mainly on credit. The credit period is generally from one month to three months. The Company seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Company does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables net of allowance for expected credit losses of the Company presented based on revenue recognition date.

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Within 1 year	119,789	307,979	291,271	164,281
1 year to 2 years	501	1,842	1,619	1,298
2 years to 3 years	2,263	—	263	113
3 years to 4 years	717	28	—	—
4 years to 5 years	—	2	23	11
	123,270	309,851	293,176	165,703

All bills receivable received by the Company are with a maturity period of less than one year.

Details of impairment assessment of trade and other receivables of the Group and the Company are set out in Note 37(b).

24. DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Derivative financial assets				
Held for trading derivatives that are designated in hedge accounting relationship:				
— Future contracts	—	—	950	56
Derivative financial liabilities				
Held for trading derivatives that are designated in hedge accounting relationship:				
— Future contracts	—	—	4,062	3,434

Note: The derivative financial assets and liabilities are arising from the future contract of lithium carbonate. The above derivative instruments are marked-to-market (Shanghai Metals Market) in each measurement period and any unrealised change in fair value is recorded as a component of the profit or loss and the associated fair value carrying amount on the statement of financial position is adjusted by the change.

25. BANK BALANCES AND CASH AND RESTRICTED AND PLEDGED BANK DEPOSITS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash				
Cash on hand	268	298	269	170
Cash at banks	832,865	1,529,075	2,958,334	2,285,769
	833,133	1,529,373	2,958,603	2,285,939
Pledged bank deposits	19,499	500,308	350,726	87,612
	852,632	2,029,681	3,309,329	2,373,551

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Pledged bank deposits carry fixed interest rate ranged from 0.03% to 2.03%, 0.03% to 2.60%, 0.05% to 2.75% and 0.15% to 1.8% as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively. Pledged bank deposits represent deposits pledged to financial institutions to secure banking facilities granted to the Group and futures contracts. Pledged bank deposits amounting to RMB13,511,000, RMB489,264,000, RMB337,129,000 and RMB78,493,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively, have been pledged to secure bills payables and are therefore classified as current assets. Pledged bank deposits amounting to RMB5,988,000, RMB11,044,000, RMB13,597,000 and RMB9,119,000 have been pledged to secure futures contracts for raw materials with contract amounting to RMB45,793,000, RMB79,661,000, RMB41,996,000 and RMB47,603,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively, and all the futures contracts will be maturity within 12 months, therefore classified as current assets.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Bank balances and cash				
Cash on hand	118	32	5	6
Cash at banks	280,754	454,879	1,715,074	1,364,887
	280,872	454,911	1,715,079	1,364,893
Pledged bank deposits	3,092	9,855	228	229
	283,964	464,766	1,715,307	1,365,122

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Pledged bank deposits carry fixed interest rate ranged from 0.03% to 2.03%, 0.03% to 2.60%, 0.05% to 2.75% and 1.8% to 1.8% as at 31 December 2021, 2022, and 2023 and 30 June 2024 respectively. Pledged bank deposits represent deposits pledged to financial institutions to secure banking facilities granted to the Group and futures contracts. Pledged bank deposits amounting to RMB1,600,000, RMB4,556,000, RMB288,000 and RMB229,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively, have been pledged to secure bills payables and are therefore classified as current assets. Pledged bank deposits amounting to RMB1,492,000, RMB5,299,000, RMBNil and RMBNil have been pledged to secure futures contracts for raw materials with contract amounting to RMB10,581,000, RMB35,263,000, RMBNil and RMBNil as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively, and all the futures contracts will be maturity within 12 months, therefore classified as current assets.

The conversion of the RMB denominated balances maintained in the PRC into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

Details of impairment assessment of bank balances and restricted and pledged bank deposits of the Group and the Company are set out in Note 37(b).

26. TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	491,824	1,195,941	1,191,017	1,218,738
Bills payable	129,554	302,164	590,635	152,445
Other payables	306,124	748,659	1,121,153	1,060,488
	927,502	2,246,764	2,902,805	2,431,671

The following is an aged analysis of trade payables as at 31 December 2021, 2022, 2023 and 30 June 2024, presented based on the invoice date.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	484,778	1,164,976	1,178,237	1,130,945
1 year to 2 years	6,021	27,392	6,113	81,602
2 years to 3 years	312	1,870	3,648	3,013
Over 3 years	713	1,703	3,019	3,178
	491,824	1,195,941	1,191,017	1,218,738

The trade payables are non-interest-bearing and are normally settled on terms range from 30 to 60 days.

The bills payable are guaranteed by banks in the PRC and have maturities of 6 months to 1 year.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	34,175	48,895	38,696	68,774
Other payables	129,016	263,420	19,588	133,159
	163,191	312,315	58,284	201,933

The following is an aged analysis of trade payables as at 31 December 2021, 2022, 2023 and 30 June 2024, presented based on the invoice date.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 1 year	33,680	48,657	36,880	62,567
1 year to 2 years	393	77	1,302	4,036
2 years to 3 years	60	104	209	804
Over 3 years	42	57	305	1,367
	34,175	48,895	38,696	68,774

The trade payables are non-interest-bearing and are normally settled on terms range from 30 to 60 days.

The bills payable are guaranteed by banks in the PRC and have maturities of 6 months to 1 year.

27. CONTRACT LIABILITIES

The Group

The Group recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of automotive specialty chemicals	32,602	23,041	12,439	24,606
Sales of LFP cathode materials	27,533	401,305	8,758	4,256
Others	51	1,394	743	1,265
	60,186	425,740	21,940	30,127

The Group receives certain amount of the contract values as receipt in advances upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognised until the customer obtains control of the goods.

As at 1 January 2021, contract liabilities amounted to RMB30,721,000. The contract liabilities as at 1 January 2021, 2022 and 2023 and 1 January 2024 were fully recognised as revenue during the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively.

The Company

The Company recognised the following revenue-related contract liabilities:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Sales of automotive specialty chemicals	10,903	10,253	576	839

The Company receives certain amount of the contract values as receipt in advances upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognised until the customer obtains control of the goods.

As at 1 January 2021, contract liabilities amounted to RMB9,387,000. The contract liabilities as at 1 January 2021, 2022 and 2023 and 1 January 2024 were fully recognised as revenue during the year ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively.

28. BANK AND OTHER BORROWINGS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate bank borrowings (Note (a))				
Secured	1,214,947	3,143,918	5,551,470	6,059,692
Unsecured	548,657	624,642	2,353,975	1,749,232
	1,763,604	3,768,560	7,905,445	7,808,924
Endorsed bills	40,000	1,512,286	570,000	815,597
Other borrowing (Notes (b) and (c))	345,000	345,000	451,250	853,032
	2,148,604	5,625,846	8,926,695	9,477,553

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
The carrying amounts of the above bank borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):				
Within one year	1,035,631	2,527,084	5,835,976	5,255,632
Within a period of more than one year but not exceeding two years	322,984	375,921	459,733	1,433,133
Within a period of more than two years but not exceeding five years	404,989	865,555	1,609,736	1,120,159
	1,763,604	3,768,560	7,905,445	7,808,924
The carrying amounts of the above endorsed bills are repayable within one year	40,000	1,512,286	570,000	815,597
The carrying amounts of the above other borrowing is repayable within a period of more than two years but not exceeding five years	345,000	345,000	451,250	853,032
	2,148,604	5,625,846	8,926,695	9,477,553
Less: amounts due within one year shown under current liabilities	(1,075,631)	(4,039,370)	(6,405,976)	(6,071,229)
Amounts shown under non-current liabilities	1,072,973	1,586,476	2,520,719	3,406,324

Notes:

(a) The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are 2.85% to 4.60% per annum, 2.95% to 4.41% per annum, 2.71% to 4.06% per annum and 2.65% to 3.98% per annum as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively.

Bank borrowings of the Group of RMB270,000,000, RMB519,541,000, RMB488,642,000 and RMB795,428,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 are guaranteed by Mr. Shi respectively.

Bank borrowings of the Group of RMB553,400,000, RMB775,000,000, RMB1,225,000,000 and RMB1,000,749,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 are guaranteed by Mr. Shi and Ms. Zhu Xianglan ("**Mrs. Shi**"), the spouse of Mr. Shi respectively.

(b) In October 2021, Changzhou Liyuan entered into a capital contribution agreement with 2 independent third parties (the "**Investors A**"), the Investors A agreed to contribute RMB345 million and obtained 20% equity interests of Changzhou Liyuan. As part of the terms of the capital contribution agreement, the Investors A could request Changzhou Liyuan to repurchase all of the equity interest of Changzhou Liyuan acquired by the Investors A upon the occurrence or non-occurrence of certain specified events, including failure by the Company to make an announcement on the spin-off and qualified listing of Changzhou Liyuan within four years after the completion date of the Capital Contribution, or if Changzhou Liyuan fails to complete a qualified listing within five years after the completion date. The repurchase price is based on higher of capital contribution plus 10% internal rate of return per annum or the fair value of the equity interest of Changzhou Liyuan upon redemption.

The capital contribution is initially recognised as a financial liability at fair value, whereby the Group recognised a debit of approximately RMB345,000,000 to equity. The fair value at initial recognition of the financial liability at completion date of the capital contribution was measured based on the present value contractually determined stream of future cash flows with reference to valuation carried out by an independent professional valuer not connected with the Group using the Binomial model.

(c) In February 2024 and May 2024, Changzhou Liyuan entered into capital contribution agreements with 2 independent third parties (the "**Investors B**"), the Investors B agreed to contribute RMB100,000,000 and RMB285,427,000 and obtained 1.93% and 5.50% equity interests of Changzhou Liyuan, respectively. As part of the terms of the capital contribution agreement, the Investors B could request Changzhou Liyuan to repurchase all of the equity interest of Changzhou Liyuan acquired by the Investors B upon the occurrence or non-occurrence of certain specified events, including failure by the Company to make an announcement on the spin-off and qualified listing of Changzhou Liyuan within four years after the completion date of the Capital Contribution, or if Changzhou Liyuan fails to complete a qualified listing within five years after the completion date. The repurchase price is based on higher of capital contribution plus 8% internal rate of return per annum or the fair value of the equity interest of Changzhou Liyuan upon redemption.

The capital contribution is initially recognised as a financial liability at fair value, whereby the Group recognised a debit of approximately RMB100,000,000 and RMB285,427,000 to equity, respectively. The fair value at initial recognition of the financial liability at completion date of the capital contribution was measured based on the present value contractually determined stream of future cash flows with reference to valuation carried out by an independent professional valuer not connected with the Group using the Binomial model.

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate bank borrowings				
Secured	650,594	805,707	1,048,529	1,000,758
Unsecured	548,657	574,589	1,992,007	1,699,193
	1,199,251	1,380,296	3,040,536	2,699,951

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
The carrying amounts of the above bank borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):				
Within one year	905,251	1,207,296	3,040,536	2,699,951
Within a period of more than one year but not exceeding two years	294,000	173,000	—	—
	1,199,251	1,380,296	3,040,536	2,699,951
Less: Amounts due within one year shown under current liabilities	(905,251)	(1,207,296)	(3,040,536)	(2,699,951)
Amounts shown under non-current liabilities	294,000	173,000	—	—

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Company's bank borrowings are 2.85% to 4.00% per annum, 2.95% to 3.95% per annum, 2.85% to 3.40% per annum and 2.80% to 3.60% per annum as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

Bank borrowings of the Company of RMB270,000,000, RMB99,900,000, RMBNil and RMBNil as at 31 December 2021, 2022 and 2023 and 30 June 2024 are guaranteed by Mr. Shi respectively.

Bank borrowings of the Company of RMB200,000,000, RMB380,000,000 and RMB900,000,000 and RMB1,000,749,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 are guaranteed by Mr. and Mrs. Shi, the spouse of Mr. Shi respectively.

29. LEASE LIABILITIES

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Lease liabilities payable:				
With one year	157,431	297,391	294,752	220,759
Within a period of more than one year but not more than two years	188,751	201,959	57,921	120,141
Within a period of more than two years but not more than five years	—	158,643	292,008	555,354
Within a period of more than five years	—	—	445,489	218,140
	346,182	657,993	1,090,170	1,114,394
Less: Amounts for settlement with 12 months shown under current liabilities	(157,431)	(297,391)	(294,752)	(220,759)
Amount due for settlement after 12 months shown under non-current liabilities	188,751	360,602	795,418	893,635

The weighted average incremental borrowing rates applied to lease liabilities at 4.53%, 4.18%, 4.11% and 4.06% as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively.

30. DEFERRED INCOME

The Group

	RMB'000
At 1 January 2021	42,068
Addition during the year	3,098
Recognised in consolidated statement of profit or loss	(6,985)
At 31 December 2021 and 1 January 2022	38,181
Addition during the year	7,983
Recognised in consolidated statement of profit or loss	(12,330)
At 31 December 2022 and 1 January 2023	33,834
Addition during the year	65,501
Recognised in consolidated statement of profit or loss	(10,999)
At 31 December 2023 and 1 January 2024	88,336
Addition during the period	47,735
Recognised in consolidated statement of profit or loss	(8,890)
At 30 June 2024	127,181

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis for reporting purposes:				
Non-current portion	32,890	24,497	78,038	112,835
Current portion	5,291	9,337	10,298	14,346
	38,181	33,834	88,336	127,181

The Company

	RMB'000
At 1 January 2021	4,628
Recognised in statement of profit or loss	(1,071)
At 31 December 2021 and 1 January 2022	3,557
Addition during the year	4,800
Recognised in statement of profit or loss	(4,215)
At 31 December 2022 and 1 January 2023	4,142
Recognised in statement of profit or loss	(1,572)
At 31 December 2023 and 1 January 2024	2,570
Recognised in statement of profit or loss	(786)
At 30 June 2024	1,784

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis for reporting purposes:				
Non-current portion	2,606	2,571	999	213
Current portion	951	1,571	1,571	1,571
	3,557	4,142	2,570	1,784

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for compensate the Group's development costs and fixed asset investments. Government grants received for compensate for the Group's development costs which has not yet been undertaken are included in deferred income and recognised as income on a systematic basis of over the periods that the cost, which it is intended to compensate, are expensed. Government grants received relates to assets invested in laboratory equipment and plant were credited to deferred income and are recognised as income over the expected useful lives of the relevant assets.

31. DEFERRED TAX

The Group

The following are the Group's major deferred tax assets/(liabilities) recognised and movements thereon during the Track Record Period:

	Impairment of assets	Deductible loss	Deferred income government grant	Lease liabilities/ right-of-use assets	Appraisal value-added of assets in business combination not under common control	Accelerated depreciation of fixed assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	3,458	—	—	—	(2,053)	—	3,473	4,878
Arising from acquisition of subsidiaries	2,760	—	192	48	(8,889)	—	761	(5,128)
Credited/(charged) to profit or loss	3,969	7,352	(42)	53	886	—	(1,779)	10,439
At 31 December 2021 and 1 January 2022	10,187	7,352	150	101	(10,056)	—	2,455	10,189
Credited/(charged) to profit or loss	21,453	18,820	201	2,154	1,576	(42)	(577)	43,585
At 31 December 2022 and 1 January 2023	31,640	26,172	351	2,255	(8,480)	(42)	1,878	53,774
Credited/(charged) to profit or loss	52,051	266,869	6,345	4,455	966	42	(1,128)	329,600
Credited to other comprehensive income	—	—	—	—	—	—	491	491
At 31 December 2023 and 1 January 2024	83,691	293,041	6,696	6,710	(7,514)	—	1,241	383,865
(Charged)/credited to profit or loss	(49,392)	2,915	3,380	2,215	735	—	1,662	(38,485)
Charged to other comprehensive income	—	—	—	—	—	—	(270)	(270)
At 30 June 2024	34,299	295,956	10,076	8,925	(6,779)	—	2,633	345,110

For the purpose of presentation in the Historical Financial Information, certain deferred tax assets and liabilities have been offset. The following is the analysis of the net deferred tax balances for financial reporting purposes:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax assets	20,244	62,296	392,691	355,187
Net deferred tax liabilities	(10,055)	(8,522)	(8,826)	(10,077)
	10,189	53,774	383,865	345,110

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group has unused tax losses of RMB40,046,000, RMB176,006,000, RMB1,838,522,000 and RMB2,249,353,000, respectively available for offset against future profits. A deferred tax asset has been recognised in respect of RMB29,624,000, RMB121,015,000, RMB1,751,390,000 and RMB1,697,049,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively of such losses. No deferred tax asset has been recognised in respect of the remaining RMB10,422,000, RMB54,991,000, RMB154,354,000 and RMB552,304,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024 respectively due to the unpredictability of future profit streams.

The Group has unused tax losses that were not recognised as deferred tax assets due to the unpredictability of future profit streams. The unused tax losses can be carried forward for five years from the year of the incurrence and an analysis of their expiry dates are as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Unused tax losses expiring in:				
2022	5,058	—	—	—
2023	1,237	1,237	—	—
2024	306	306	306	—
2025	391	391	391	391
2026	3,430	2,742	2,538	2,538
2027	—	50,315	52,099	9,405
2028	—	—	99,020	56,586
2029	—	—	—	483,384
	10,422	54,991	154,354	552,304

The Company

The following are the Company's major deferred tax assets recognised and movements thereon during the Track Record Period:

	Impairment of assets	**Deductible loss**	**Accelerated depreciation of fixed assets**	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
At 1 January 2021	2,043	—	—	861	2,904
Credited to profit or loss	385	—	—	56	441
At 31 December 2021 and 1 January 2022	2,428	—	—	917	3,345
Credited/(charged) to profit or loss	393	2,846	—	(299)	2,940
At 31 December 2022 and 1 January 2023	2,821	2,846	—	618	6,285
Credited/(charged) to profit or loss	1,027	260	(1,186)	(126)	(25)
At 31 December 2023 and 1 January 2024	3,848	3,106	(1,186)	492	6,260
(Charged)/credited to profit or loss	(202)	—	1,126	1,687	2,611
At 30 June 2024	3,646	3,106	(60)	2,179	8,871

32. SHARE CAPITAL

The Company

	Number of shares	Amount
		RMB'000
Registered, issued and fully paid ordinary shares with par value of RMB1.00 each share		
At 1 January 2021	344,368,246	344,368
Repurchase and cancellation of shares (Note (a))	(17,280)	(17)
Issue by capitalisation of capital reserve (Note (b))	137,740,386	137,740
At 31 December 2021 and 1 January 2022	482,091,352	482,091
Issue of shares (Note (c))	82,987,551	82,988
At 31 December 2022, 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024	565,078,903	565,079

Notes:

(a) Pursuant to the approval of the board of directors of the Company on 27 January 2021, the Company repurchase part of the restricted shares granted. Upon the completion of repurchase of restricted share, 17,280 restricted shares were repurchased and cancelled on 30 March 2021.

(b) Pursuant to the approval of the board of directors of the Company on 25 March 2021, the Company issued four capitalisation shares to all shareholders for every ten shares by way of capitalisation of capital reserve (the "**Capitalisation Issue**"). As such, based on the total number of issued shares of the Company of 344,350,966 shares as at 25 March 2021, the total number of capitalisation shares under the Capitalisation Issue was 137,740,386 shares. The new shares were listed on the Shanghai Stock Exchange on 10 May 2021.

(c) On 16 June 2022, the registered share capital of the Company was increased from RMB482,091,000 to RMB565,079,000 by placing, where a total number of 82,987,551 shares were subscribed at RMB26.51 per share. Upon the completion of placing, net proceeds of RMB2,175,532,000 was raised by the Company. The share capital of the Company increased by RMB82,988,000, the capital reserve of the Company increased by RMB2,092,544,000.

(d) During the year ended 31 December 2022, the Company repurchased the Company's own ordinary shares on the Shanghai Stock Exchange, 480,800 ordinary shares were repurchased with aggregate consideration of approximately RMB11,998,000. The above repurchase of ordinary shares are performed by the Company. No other subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities during the Track Record Period.

(e) During the year ended 31 December 2023, the Company repurchased the Company's own ordinary shares on the Shanghai Stock Exchange, 1,601,600 ordinary shares were repurchased with aggregate consideration of approximately RMB38,275,000. The above repurchase of ordinary shares are performed by the Company. No other subsidiaries of the Company purchased, sold or redeemed any of the Company's listed securities during the Track Record Period.

33. RESERVES

The Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity of the Historical Financial Information.

Capital reserve

Capital reserve mainly comprised the excess/deficiency of the considerations paid for/received from over the changes in the carrying amounts of non-controlling interests in the acquisition of further interests in subsidiaries or disposal of part interests in subsidiaries, respectively.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Share based payment reserve

The share-based payments reserve represents the fair value of restricted shares granted which are yet to be vested and share options granted which are yet to be exercised. The amount will either be transferred to the capital reserve when the related options are exercised, or be transferred to retained profits when the related shares are vested and related options are expired or are forfeited.

Statutory reserve

Statutory reserves of the Group were established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC. Appropriations to the reserves were approved by the respective boards of directors. The statutory reserve consists of statutory reserve funds and maintenance and production funds.

In accordance with the relevant PRC Regulations, the PRC subsidiaries of the Group are required to appropriate 10% of the annual statutory net profit, after offsetting any prior years' losses to the statutory reserve fund before distributing the net profit. When the respective balance of the statutory reserve fund reaches 50% of the share capital of the PRC subsidiaries, any further appropriation is at the discretion of shareholders of the PRC subsidiaries.

For the entities concerned, statutory reserves fund can be used to offset accumulated losses, if any, and may be converted into capital in proportion to the existing equity interests of investors, provided that the balance after such conversion is not less than 25% of the registered capital.

According to relevant PRC regulations, the Group is required to transfer an amount to specific reserve for the maintenance and production funds and other related expenditures.

The Company

	Capital reserve	Treasury shares	Share based payment reserve	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	933,085	(7,892)	7,892	57,018	411,282	1,401,385
Profit for the year	—	—	—	—	104,811	104,811
Total comprehensive income for the year	—	—	—	—	104,811	104,811
Appropriation to statutory reserve	—	—	—	10,481	(10,481)	—
Dividends paid (Note 13)	—	—	—	—	(60,950)	(60,950)
Appropriation to maintenance and production funds	—	—	—	1,341	—	1,341
Utilisation of maintenance and production funds	—	—	—	(1,280)	—	(1,280)
Repurchase of shares (Note 32(a))	(73)	90	(95)	—	95	17
Convert capital reserve to share capital (Note 32(b))	(137,740)	—	—	—	—	(137,740)
Restricted stock circulation (Note 36)	7,797	7,802	(7,797)	—	—	7,802
At 31 December 2021 and 1 January 2022	803,069	—	—	67,560	444,757	1,315,386
Profit for the year	—	—	—	—	122,698	122,698
Total comprehensive income for the year	—	—	—	—	122,698	122,698
Appropriation to statutory reserve	—	—	—	12,270	(12,270)	—
Dividends paid (Note 13)	—	—	—	—	(105,105)	(105,105)
Appropriation to maintenance and production funds	—	—	—	860	—	860
Utilisation of maintenance and production funds	—	—	—	(876)	—	(876)
Issue of shares (Note 32(c))	2,092,544	—	—	—	—	2,092,544
Recognition of equity-settled share-based payments (Note 36)	—	—	4,432	—	—	4,432
Repurchase of shares (Note 32(d))	—	(11,998)	—	—	—	(11,998)
At 31 December 2022 and 1 January 2023	2,895,613	(11,998)	4,432	79,814	450,080	3,417,941
Loss for the year	—	—	—	—	(1,868)	(1,868)
Total comprehensive expense for the year	—	—	—	—	(1,868)	(1,868)
Appropriation to maintenance and production funds	—	—	—	117	—	117
Utilisation of maintenance and production funds	—	—	—	(142)	—	(142)
Recognition of equity-settled share-based payments (Note 36)	—	—	2,682	—	—	2,682
Transfer upon lapsed of share option	—	—	(4,432)	—	4,432	—
Repurchase of shares (Note 32(e))	—	(38,275)	—	—	—	(38,275)
At 31 December 2023 and 1 January 2024	2,895,613	(50,273)	2,682	79,789	452,644	3,380,455
Loss for the period	—	—	—	—	(40,057)	(40,057)
Total comprehensive expense for the period	—	—	—	—	(40,057)	(40,057)
Recognition of equity-settled share-based payments (Note 36)	—	—	4,664	—	—	4,664
At 30 June 2024	2,895,613	(50,273)	7,346	79,789	412,587	3,345,062

34. CAPITAL COMMITMENTS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property and equipment and other intangible assets contracted for but not provided in the Historical Financial Information	473,801	2,749,541	1,997,937	1,059,876

35. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Tianjin Nano and Jiangsu BTR NANO

On 23 April 2021, the Company with other 3 investors (together the "**Purchasers**") entered into an agreement (the "**Master Agreement**") with BTR Nano Tech Co., Ltd. ("**BTR Nano**") and BTR (Jiangsu) New Material Technology Co., Ltd. ("**BTR Jiangsu**") (together the "**Vendors**"). According to the agreement, the Purchasers will form a company to acquire 100% equity interest of Jiangsu BTR NANO Technology Co., Ltd. ("**Jiangsu BTR NANO**") and Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. ("**Tianjin Nano**") (together the "**Target Companies**") at a consideration of RMB515,791,000 and RMB328,640,000 respectively. On the same date, the Company entered into an agreement ("**Shareholder Agreement**") with Changzhou Youbailey Venture Capital Center (Limited Partnership), BTR New Material Group, Nanjing Kimberley Venture Capital Center (Limited Partnership) to form a company, Changzhou Liyuan. The Company and the other 3 investors subscribed for RMB231,000,000 and RMB84,000,000 of the registered capital of Changzhou Liyuan. Upon the completion of the capital contribution, the Group holds 73.33% equity interest in Changzhou Liyuan. On 30 May 2021, Changzhou Liyuan entered into an agreement with BTR Nano and BTR Jiangsu to acquire 100% equity interest of Jiangsu BTR NANO and Tianjin Nano separately. The details terms and conditions are same as the Master Agreement. The Target Companies are principally engaged in production and sales of LFP cathode materials. The acquisition has been accounted for as acquisition of business using the acquisition method.

Asset acquired and liabilities recognised at the date of acquisition

	Changzhou Liyuan	Tianjin Nano	Jiangsu BTR NANO	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment (Note 15)	—	86,621	314,665	401,286
Right-of-use assets (Note 16)	—	29,965	30,724	60,689
Intangible assets (Note 18)	—	27,900	—	27,900
Deferred tax assets (Note 31)	—	2,923	839	3,762
Financial asset at fair value through profit or loss	—	12,450	—	12,450
Prepayment, deposits and other receivables	—	78	3,166	3,244
Current assets				
Inventories	—	85,930	103,255	189,185
Trade and other receivables	315,000	398,785	260,388	974,173
Cash and cash equivalent	—	19,048	5,475	24,523
Current liabilities				
Trade and other payables	(844,431)	(286,052)	(362,243)	(1,492,726)
Tax payables	—	(3,011)	(3,543)	(6,554)
Lease liabilities	—	(20,105)	(19,563)	(39,668)
Non-current liabilities				
Lease liabilities	—	—	(16,441)	(16,441)
Deferred tax liabilities (Note 31)	—	(8,890)	—	(8,890)
Deferred income	—	(1,280)	—	(1,280)
Net (liabilities)/assets	(529,431)	344,362	316,722	131,653

Goodwill arising on acquisition:

	Total
	RMB'000
Consideration transferred	231,000
Non-controlling interest	84,000
Less: recognised amounts of net assets acquired	(131,653)
Goodwill arising on acquisition	183,347

Goodwill arose in the business combination because the cost of the combination included a premium paid to acquire the Target Companies. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Target Companies. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot be reliably measured.

Net cash outflow on acquisition of Target Companies

	Total
	RMB'000
Cash consideration paid	(231,000)
Less: cash and cash equivalents balances acquired	24,523
Net cash outflow	(206,477)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2021 is RMB47,276,000 and RMB203,654,000 respectively attributable to the additional business generated by the Target Companies. Revenue for the year ended 31 December 2021 includes RMB790,933,000 and RMB1,236,558,000 generated from Tianjin Nano and Jiangsu Beiterui Nano respectively.

Had the acquisition been completed on 1 January 2021, revenue for the year ended 31 December 2021 of the Group would have been RMB4,544,861,000, and profit for the year ended 31 December 2021 of the Group would have been RMB483,228,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the "pro-forma" revenue and profit of the Group had the Target Companies been acquired at the beginning of the current year, the directors of the Company calculated depreciation of property, plant and equipment at the date of acquisition.

(b) Acquisition of Lopal Times

On 28 November 2022, the Company acquired 70% equity interest of Lopal Times at total consideration of RMB1. Lopal Times is principally engaged in sales of Chemical product, new material technology research and development, non-metallic mineral manufacturing and new material technology promotion services. As at the acquisition date, the collective carrying amount of total assets and total liabilities acquired before share by the non-controlling interest amounted to RMB362,312,000 and RMB338,322,000, respectively, and the non-controlling interest amounted to RMB25,396,000.

Net cash inflow on acquisition of Lopal Times

	RMB'000
Cash consideration paid	(—)*
Less: cash and cash equivalents balances acquired	144,650
Net cash inflow	144,650

* *Less than RMB1,000*

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2022 is RMB449,000 attributable to the additional business generated by Lopal Times. No revenue for the year ended 31 December 2022 is generated from Lopal Times.

Had the acquisition been completed on 1 January 2022, revenue for the year ended 31 December 2022 of the Group would have been RMB14,071,643,000, and profit for the year ended 31 December 2022 of the Group would have been RMB1,027,964,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

36. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of the Company

The Company's share option scheme (the "**Scheme**") was adopted pursuant to a resolution in writing passed by all the shareholders of the Company on 20 November 2020 for the primary purpose of recognising and acknowledging the contribution of the eligible participants had or may have made to the Group. Under the Scheme, the board of directors of the Company may grant options to eligible participants, including employees, directors of the Company and its subsidiaries and consultants, to subscribe for shares of the Company. The Scheme will expire on 7 November 2024.

On 16 December 2020, the Company granted 5,700,000 share options, comprised (i) 895,000 share options to the directors of the Company and (ii) 4,805,000 share options to certain eligible participants including members of the senior management and employees of the Company, to subscribe for the ordinary shares of the Company at RMB26.56 per share.

On 16 April 2021, the Company issued capitalisation shares to all shareholders at 0.4 share for each existing share from share capital reserve. The number of share option was adjusted from 5,700,000 to 7,980,000.

On 8 November 2021, the Company granted 420,000 share options to the directors of the Company, to subscribe for the ordinary shares of the Company at RMB54.82 per share.

On 22 September 2023, the Company granted 6,130,000 shares options, comprised (i) 1,250,000 share options to the directors of the Company and (ii) 4,790,000 share options to certain eligible participants including members of the senior management and employees of the Company, to subscribe for the ordinary shares of the Company at RMB11.92 per share.

Vesting of the share options is conditional upon the fulfilment of certain performance targets as set out in the respective offer letters to the grantees including financial targets of the Group and individual performance targets for certain periods.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 6,006,000, 4,354,000, 6,040,000 and 5,680,000 respectively, representing approximately 1.25%, 0.77%, 1.07% and 1.01% of the shares of the Company in issue at that date.

Details of the share options are as follows:

Date of grant	Number of share options granted	Exercisable period	Exercise Price
16 December 2020.	2,394,000 (Note)	16.12.2021 to 15.2.2022	RMB26.56 per share
	2,394,000 (Note)	16.12.2022 to 15.2.2023	
	3,192,000 (Note)	16.12.2023 to 15.2.2024	
	7,980,000		
8 November 2021	210,000 (Note)	8.11.2022 to 7.11.2023	RMB54.82 per share
	210,000 (Note)	8.11.2023 to 7.11.2024	
	420,000		
22 September 2023	3,020,000 (Note)	22.9.2024 to 21.9.2025	RMB11.92 per share
	3,020,000 (Note)	22.9.2025 to 21.9.2026	
	6,040,000		

Note: The options are vested upon the fulfilment of certain performance targets to the grantees including financial targets of the Group and individual performance targets for certain periods.

The following table discloses movement of the Company's share options held by eligible directors and employees for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024:

Date of grant	Exercise price	Outstanding at 1 January 2021	Capitalisation issue during the year	Granted during the year	Forfeited during the year	Outstanding at 31 December 2021
16 December 2020	RMB18.85	5,700,000	2,280,000	—	(2,394,000)	5,586,000
8 November 2021	RMB54.82	—	—	420,000	—	420,000
		5,700,000	2,280,000	420,000	(2,394,000)	6,006,000
Exercisable at the end of the year		—	—	—	—	—
Weighted average exercise price (RMB).		26.56	26.56	54.82	26.56	21.37

Date of grant	Exercise price	Outstanding at 1 January 2022	Capitalisation issue during the year	Granted during the year	Forfeited during the year	Outstanding at 31 December 2022
16 December 2020	RMB18.66	5,586,000	—	—	(1,651,723)	3,934,277
8 November 2021	RMB54.63	420,000	—	—	—	420,000
		6,006,000	—	—	(1,651,723)	4,354,277
Exercisable at the end of the year		—	—	—	—	1,352,677
Weighted average exercise price (RMB).		21.37	—	—	18.85	22.13

Date of grant	Exercise price	Outstanding at 1 January 2023	Capitalisation issue during the year	Granted during the year	Forfeited during the year	Outstanding at 31 December 2023
16 December 2020	RMB18.66	3,934,277	—	—	(3,934,277)	—
8 November 2021	RMB54.63	420,000	—	—	(420,000)	—
22 September 2023	RMB11.92	—	—	6,040,000	—	6,040,000
		4,354,277	—	6,040,000	(4,354,277)	6,040,000
Exercisable at the end of the year		1,353,000	—	—	—	—
Weighted average exercise price (RMB)		22.13	—	11.92	22.13	11.92

Date of grant	Exercise price	Outstanding at 1 January 2024	Capitalisation issue during the period	Granted during the period	Forfeited during the period	Outstanding at 30 June 2024
22 September 2023	RMB11.92	6,040,000	—	—	(360,000)	5,680,000
Exercisable at the end of the period		—	—	—	—	—
Weighted average exercise price (RMB)		11.92	—	—	—	11.92

The fair value of the share options of total RMB61,595,000, RMB8,915,000 and RMB26,379,000 granted during the years ended 31 December 2020, 2021 and 2023, respectively. The inputs into the model were as follows:

Grant date	16/12/2020	08/11/2021	22/09/2023
Share price on the date of grant	RMB28.41	RMB55.82	RMB12.65
Exercise price	RMB26.56	RMB54.82	RMB11.92
Expected volatility	55.05%	63.43%	55.25%
Contractual life	4 years	3 years	3 years
Risk-free rate	2.95%	2.58%	2.29%
Expected dividend yield	1.20%	1.20%	1.20%

Expected volatility was determined by using the historical price volatilities of Company's share price as at the date of valuation.

The Group had recognised a charge of RMB4,432,000, RMB2,682,000 and RMB4,664,000 in the staff costs for directors and employees, for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 in relation to share options granted by the Company.

Equity-settled share award scheme of the Company

On 5 March 2018, the Company's share award scheme (the "**Share Award Scheme**") was adopted pursuant to a resolution passed on 19 December 2017 for the primary purpose of providing incentives to directors and eligible employees of the Company (the "**Awardees**"). Under the Share Award Scheme, 3,720,000 shares of the Company were granted to the Awardees and the board of directors of the Company have right to further grant 210,000 shares of the Company to eligible employees within 12 months from the resolution passed (collectively referred to as the "**Awarded Shares**"). The Awardees are required to paid RMB7.90 per Awarded Share at the date of grant. Subject to the acceptance of the Awardees, that the Awardees remain as employees of the Company on the vesting date of the Awarded Shares and fulfill certain conditions under the Share Award Scheme, the Awarded Shares shall be vested as below:

Date of grant	Vesting period
5 March 2018	5 March 2018 to 4 March 2022

The following table discloses movements of the Awarded Shares under the Share Award Scheme during the Track Record Period:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	'000	'000	'000	'000
Awarded Shares under restriction at 1 January . . .	1,438	—	—	—
Release from restriction during the year	(1,421)	—	—	—
Forfeited during the year.	(17)	—	—	—
Awarded Shares under restriction at 31 December/30 June	—	—	—	—

The fair value of the Awarded Shares was based on the average 20 days of transferred price immediately before date of grant. No other feature of the Awarded Shares was incorporated into the measurement of the fair values.

The Company recognised all the share award expenses over the service condition period prior to the Track Record Period and no share award expense was recognised during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, in respect of the Awarded Shares granted.

Date of grant	Number of restricted shares released	Vesting period
05/03/2018	—	05/03/2018 to 04/03/2020
	1,468,800	05/03/2020 to 04/03/2021
	1,421,280	05/03/2021 to 04/03/2022
	2,890,080	

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
At FVTOCI	92,450	92,450	141,450	141,450
At FVTPL	431	30,738	59,527	841,126
At amortised cost	2,094,963	5,277,860	6,050,785	5,062,653
Derivative financial instruments	—	—	950	56
	2,187,844	5,401,048	6,252,712	6,045,285
Financial liabilities				
At FVTPL	345,000	345,000	451,250	853,032
At amortised cost	3,069,439	8,178,987	12,458,453	12,049,381
Derivative financial instruments	—	—	4,062	3,434
	3,414,439	8,523,987	12,913,765	12,905,847

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
At FVTOCI	80,000	80,000	129,000	129,000
At FVTPL	431	30,738	59,527	380,776
At amortised cost	1,357,049	1,999,331	3,021,696	2,146,386
	1,437,480	2,110,069	3,210,223	2,656,162
Financial liabilities				
At amortised cost	1,362,442	1,688,610	3,093,038	2,902,773

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade and bills receivables, deposits and other receivables, restricted and pledged bank deposits, cash and cash equivalents, trade and bills payables, other payables, bank borrowings and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

The Group and the Company currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

No sensitivity analysis on currency risk is presented as the management of the Group considered that there would not be a significant change of prevailing exchange rate and the exposure of currency rate risk of the Group and the Company is insignificant.

Interest rate risk

The Group's interest rate risk arises primarily from cash at banks, bank borrowings and lease liabilities. Bank balances and deposits at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's bank balances and deposits are placed with banks and the management of the Group manages this risk by placing deposits at various maturities and interest rate terms. The Group is also exposed to fair value interest rate risk for fixed rate bank borrowings and lease liabilities. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the market rates from bank balances. The Group currently does not hedge its exposure to cash flow and fair value interest rate risk.

No sensitivity analysis is presented since the management of the Group consider the exposure of cash flow interest rate risk arising from variable-rate bank balances and term deposits is insignificant.

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, other receivables, restricted and pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Group assesses the potential customer's credit quality and defines credit limits by customer and the credit limits assigned to each customer is regularly reviewed by the management of the Group. Follow-up actions are taken by the Group to recover overdue debts if any. The Group only accepts bills issued or guaranteed by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the endorsed bills is insignificant. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has concentration of credit risk as 49%, 35%, 27% and 32% and 69%, 75%, 74% and 69% of the total gross trade receivables was due from the Group's largest customer and the five largest customers as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. There is no other significant concentration risk during the year.

Trade receivables

For trade receivables, the management of the Group assesses the collectability of the trade receivables regularly and on a case-by-case basis for the determination of any loss allowance for the trade receivables and by taking into account the customers' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions.

Certain customers of the Group which has a significant outstanding trade receivables and balances due to the Group with gross carrying amount of RMB6,680,000, RMB10,317,000, RMB8,344,000 and RMB9,021,000 in aggregate as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, was assessed for allowance for credit losses individually. The management assessed for the allowance for credit losses for lifetime by estimating default rate taking into account historical and forward looking information. As at 31 December 2021, 2022 and 2023 and 30 June 2024, allowance for expected credit losses of RMB5,779,000, RMB9,390,000, RMB8,344,000 and RMB9,021,000, respectively, was made on the trade receivables due from these customers. During the years ended 31 December 2021 and 2022 and the six months ended 30 June 2024, impairment losses on trade receivables due from these customers amounted to RMB697,000, RMB3,611,000 and RMB677,000, respectively and during the year ended 31 December 2023, reversal of impairment losses on trade receivables due from these customers amounted to RMB1,046,000 are provided and included in the consolidated profit or loss. In this regard, the directors of the Company are in the opinion that the provision of loss allowance is sufficient and not excessive.

For the remaining debtors, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL, as the Group's historical credit loss experience does not indicate significant different loss patterns for different customer segments and the allowance for credit losses based on the past due status is not further distinguished between the Group's customer bases.

The following table provides information about the Group's exposure to credit risk within lifetime ECL for trade receivables due from customers, which are assessed based on provision matrix and individually assessed as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively:

	As at 31 December 2021				As at 31 December 2022				As at 31 December 2023				As at 30 June 2024			
	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount	Expected loss rate	Gross carrying amount	Loss allowance	Net carrying amount
	%	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000
Less than 1 year	5.00%	896,216	(44,808)	851,408	5.00%	2,224,215	(111,211)	2,113,004	5.00%	2,275,484	(113,774)	2,161,710	5.00%	1,609,405	(80,470)	1,528,935
1 to 2 years	10.00%	2,133	(213)	1,920	10.00%	7,444	(744)	6,700	10.00%	13,605	(1,360)	12,245	10.00%	21,927	(2,193)	19,734
2 to 3 years	20.00%	3,260	(652)	2,608	20.00%	385	(77)	308	20.00%	900	(180)	720	20.00%	850	(170)	680
3 to 4 years	50.00%	2,318	(1,159)	1,159	50.00%	124	(62)	62	50.00%	364	(182)	182	50.00%	317	(158)	159
4 to 5 years	50.00%	2	(1)	1	56.00%	9	(5)	4	50.00%	115	(58)	57	50.00%	126	(63)	63
Over 5 years	100.00%	462	(462)	—	100.00%	61	(61)	—	100.00%	70	(70)	—	100.00%	106	(106)	—
		904,391	(47,295)	857,096		2,232,238	(112,160)	2,120,078		2,290,538	(115,624)	2,174,914		1,632,731	(83,160)	1,549,571
Individually evaluated customers		6,680	(5,779)	901		10,317	(9,390)	927		8,344	(8,344)	—		9,021	(9,021)	—
Balance as at		911,071	(53,074)	857,997		2,242,555	(121,550)	2,121,005		2,298,882	(123,968)	2,174,914		1,641,752	(92,181)	1,549,571

Note: The management of the Group determined the ECL rates for portfolio of trade receivables due from customers with reference to past-due status of such balances by estimating their default rates taking into account historical information (e.g. historical flow rate of receivables moving into the next aging bucket in the subsequent period, actual historical loss, etc.) and forward-looking information.

The management of the Group reviewed the portfolio of customers contributing the trade receivables balances for the respective past-due time band throughout the Track Record Period and noted that the majority of the balances of the respective past-due time band were due from similar portfolio of customers. The management of the Group further assessed these customers' financial condition, current creditworthiness, past settlement history, business relationship with the Group and other factors such as current market conditions throughout the Track Record Period, and considered that the credit risk for the same portfolio of customers remains approximately the same throughout the Track Record Period. Accordingly, the same ECL rates were adopted for the same past-due time band throughout the Track Record Period.

Movements in the allowance for expected credit losses in respect of the trade receivables during the track record period are as follows:

	Lifetime ECL (Not credit impaired)	Lifetime ECL (Credit impaired)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2021	13,685	5,082	18,767
Addition from acquisition of subsidiaries	15,729	—	15,729
Impairment loss recognised	17,881	697	18,578
At 31 December 2021 and 1 January 2022	47,295	5,779	53,074
Impairment loss recognised	64,887	3,611	68,498
Written-off	(22)	—	(22)
At 31 December 2022 and 1 January 2023	112,160	9,390	121,550
Impairment loss recognised/(reversed)	5,234	(1,046)	4,188
Written-off	(1,770)	—	(1,770)
At 31 December 2023 and 1 January 2024	115,624	8,344	123,968
Impairment loss (reversed)/recognised	(32,464)	677	(31,787)
At 30 June 2024	83,160	9,021	92,181

Other receivables

The Group measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group has exposed to credit risk on other receivables. As part of the Group's credit risk management, the Group assessed the expected credit losses for other receivables of RMB3,700,000, RMB2,116,000, RMB15,028,000 and reversal of impairment losses of RMB725,000 were recognised in profit or loss for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, respectively. The management of the Group considers the probability of default based on the financial position of the debtors and the economic environment of the debtors operate. The credit risk on the remaining balances are insignificant as the probability of default is considered minimal after assessing the counterparties' financial background and creditability.

Movement in the loss allowance account in respect of other receivables during the Track Record Period is as follows:

	RMB'000
At 1 January 2021	911
Impairment loss recognised	3,700
Written-off	(2,509)
At 31 December 2021 and 1 January 2022	2,102
Impairment loss recognised	2,116
At 31 December 2022 and 1 January 2023	4,218
Impairment loss recognised	15,028
At 31 December 2023 and 1 January 2024	19,246
Reversal of impairment loss recognised	(725)
At 30 June 2024	18,521

Bills receivable

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the Group has exposed to credit risk on bills receivable. As part of the Group's credit risk management, the Group assessed the expected credit losses for bills receivable of RMB856,000 and RMB2,054,000 were recognised in profit or loss for the year ended 31 December 2021 and the six months ended 30 June 2024, and reversal of RMB252,000 and RMB250,000 were recognised in profit or loss for the years ended 31 December 2022 and 2023, respectively. The management of the Group considers the historical data, current and forecast of the economic environment of the debtors operate. The credit risk on the bills receivable are insignificant as the probability of default is considered minimal after assessing the counterparties' financial background and creditability.

Movement in the loss allowance account in respect of bills receivable during the Track Record Period is as follows:

	RMB'000
At 1 January 2021	—
Impairment loss recognised	856
At 31 December 2021 and 1 January 2022	856
Reversal of impairment loss recognised	(252)
At 31 December 2022 and 1 January 2023	604
Reversal of impairment loss recognised	(250)
At 31 December 2023 and 1 January 2024	354
Impairment loss recognised	2,054
At 30 June 2024	2,408

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies or state-owned banks in the PRC.

Transferred financial assets that are derecognised in their entirety

At 31 December 2021, 2022 and 2023 and 30 June 2024, the Group, endorsed certain bills receivables accepted by banks in the PRC (the "**derecognised bills**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB1,936,359,000, RMB10,837,018,000, RMB3,013,822,000 and RMB3,836,228,000, respectively. The derecognised bills had a maturity of one to six months at the end of the reporting period. In accordance with the Law of Negotiable Instruments in the PRC, the holders of the derecognised bills have a right of recourse against the Group if the PRC banks default (the "**continuing involvement**"). In the opinion of the directors, the Group has transferred substantially all risks and rewards relating to the derecognised bills. Accordingly, it has derecognised the full carrying amounts of the derecognised bills and the associated trade payables. The maximum exposure to loss from the Group's continuing involvement in the derecognised bills and the undiscounted cash flows to repurchase these derecognised bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group's continuing involvement in the derecognised bills are not significant.

During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the continuing involvement, both during the Track Record Period or cumulatively. The endorsement has been made evenly throughout the year.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities, derivative financial instruments and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average interest rate	On demand and/or less than 1 year	1 to 3 years	More than 3 years	Total contractual undiscounted cash flow	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021						
Trade and other payables	—	919,653	—	—	919,653	919,653
Bank and other borrowings	3.87%	1,129,765	513,273	639,484	2,282,522	2,148,604
Lease liabilities	4.53%	168,484	195,472	—	363,956	346,182
		2,217,902	708,745	639,484	3,566,131	3,414,439
At 31 December 2022						
Trade and other payables	—	2,240,148	—	—	2,240,148	2,240,148
Bank and other borrowings	2.57%	4,107,091	782,137	1,061,989	5,951,217	5,625,846
Lease liabilities	4.18%	307,120	295,403	85,824	688,347	657,993
		6,654,359	1,077,540	1,147,813	8,879,712	8,523,987
At 31 December 2023						
Trade and other payables	—	2,892,838	—	—	2,892,838	2,892,838
Bank and other borrowings	2.89%	7,470,248	305,104	1,222,259	8,997,611	8,926,695
Lease liabilities	4.11%	318,131	131,301	826,195	1,275,627	1,090,170
		10,681,217	436,405	2,048,454	13,166,076	12,909,703
Derivative financial instruments — gross settlement						
Future contract	—	33,879	—	—	33,879	4,062
At 30 June 2024						
Trade and other payables	—	2,424,899	—	—	2,424,899	2,424,899
Bank and other borrowings	2.79%	6,234,591	1,586,314	2,081,902	9,902,807	9,477,553
Lease liabilities	4.06%	248,270	200,608	846,078	1,294,956	1,114,394
		8,907,760	1,786,922	2,927,980	13,622,662	13,016,846
Derivative financial instruments — gross settlement						
Future contract	—	38,814	—	—	38,814	3,434

(c) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes the bank borrowings and lease liabilities disclosed in Notes 28 and 29 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The directors of the Company review the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the maturity of lease liabilities as well as new share issues and increase of banking facilities or redemption of existing debt.

(d) Fair value measurements of financial instruments

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period based on discounted cash flow analysis.

Some of the Group's financial assets and financial liability are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liability are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021				
Asset				
Financial assets at FVTOCI	—	—	92,450	92,450
Financial assets at FVTPL	431	—	—	431
Total assets	431	—	92,450	92,881
Liability				
Other borrowing at FVTPL	—	—	345,000	345,000
At 31 December 2022				
Asset				
Financial assets at FVTOCI	—	—	92,450	92,450
Financial assets at FVTPL	738	—	30,000	30,738
Total assets	738	—	122,450	123,188
Liability				
Other borrowing at FVTPL	—	—	345,000	345,000
At 31 December 2023				
Assets				
Financial assets at FVTOCI	—	—	141,450	141,450
Financial assets at FVTPL	522	—	59,005	59,527
Derivative financial instruments	950	—	—	950
Total assets	1,472	—	200,455	201,927
Liabilities				
Other borrowing at FVTPL	—	—	451,250	451,250
Derivative financial instruments	4,062	—	—	4,062
Total liabilities	4,062	—	451,250	455,312
At 30 June 2024				
Assets				
Financial assets at FVTOCI	—	—	141,450	141,450
Financial assets at FVTPL	247	—	840,879	841,126
Derivative financial instruments	56	—	—	56
Total assets	303	—	982,329	982,632
Liabilities				
Other borrowing at FVTPL	—	—	853,032	853,032
Derivative financial instruments	3,434	—	—	3,434
Total liabilities	3,434	—	853,032	856,466

The following table presents the changes in level 3 instruments of financial assets at FVTOCI and FVTPL as at 31 December 2021, 2022 and 2023 and 30 June 2024.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at FVTOCI (Note (i))				
At the beginning of the year/period	80,000	92,450	92,450	141,450
Acquisition of subsidiary (Note 35)	12,450	—	—	—
Additions	—	—	49,000	—
At the end of the year/period	92,450	92,450	141,450	141,450
Financial assets at FVTPL (Note (i))				
At the beginning of the year/period	80,000	—	30,000	59,005
Additions	2,026,014	5,207,000	11,703,100	5,614,000
Disposals	(2,115,075)	(5,194,370)	(11,721,211)	(4,826,862)
Gains/(losses) from changes in fair value of financial assets at FVTPL	9,061	17,370	47,116	(5,264)
At the end of the year/period	—	30,000	59,005	840,879

The following table presents the changes in level 3 instruments of other borrowing at FVTPL as at 31 December 2021, 2022 and 2023 and 30 June 2024.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Other borrowing at FTVPL (Note (ii))				
At the beginning of the year/period	—	345,000	345,000	451,250
Additions	345,000	—	—	385,427
Loss from changes in fair value of other borrowing	—	—	106,250	16,355
At the end of the year/period	345,000	345,000	451,250	853,032

Notes:

(i) The fair values of unlisted equity instruments at FVTOCI and FVTPL as at 31 December 2021, 2022 and 2023 and 30 June 2024 have been arrived with reference to the valuation carried out on the dates by Jones Lang LaSalle (Beijing) Consultants Ltd., an independent qualified professional valuer not connected to the Group.

	RMB'000	Valuation techniques	Key unobservable input(s) Discount for lack of marketability ("DLOM")	Relationship of unobservable inputs to fair values
Financial assets				
Unlisted equity instruments at FVTOCI				
— Anhui Tomorrow New Energy Technology Co., Ltd.				
At 31 December 2021	80,000	Market approach	15.8%	5% increase/decrease in DLOM would result in decrease/increase in fair value
At 31 December 2022	80,000	Adjusted recent transaction	N/A	N/A
At 31 December 2023	80,000	Adjusted recent transaction	N/A	N/A
At 30 June 2024	80,000	Adjusted recent transaction	N/A	N/A
— Huanggang Linli New Energy Technology Co. Ltd.				
At 31 December 2021	12,450	Market approach	15.8%	5% increase/decrease in DLOM would result in decrease/increase in fair value
At 31 December 2022	12,450	Market approach	15.7%	5% increase/decrease in DLOM would result in decrease/increase in fair value
At 31 December 2023	12,450	Market approach	15.7%	5% increase/decrease in DLOM would result in decrease/increase in fair value
At 30 June 2024	12,450	Adjusted recent transaction	N/A	N/A
— Yiwei Automobile Technology Co., Ltd				
At 31 December 2023	49,000	Market approach	15.7%	5% increase/decrease in DLOM would result in decrease/increase in fair value
At 30 June 2024	49,000	Market approach	15.7%	5% increase/decrease in DLOM would result in decrease/increase in fair value

	RMB'000	Valuation techniques	Key unobservable input(s) Discount for lack of marketability ("DLOM")	Relationship of unobservable inputs to fair values
Unlisted fund investment at FVTPL — 高騰海外權益5號私募證券投資基金				
At 31 December 2023	59,005	Adjusted net asset	N/A	An increase/decrease in the fair value of the assets of the investee would result in an increase/decrease in the fair value measurement of the unlisted fund investment An increase/decrease in the fair value of liability of the investee would result in a decrease/increase in the fair value measurement of the unlisted fund investment
At 30 June 2024	40,129	Adjusted net asset	N/A	An increase/decrease in the fair value of the assets of the investee would result in an increase/decrease in the fair value measurement of the unlisted fund investment An increase/decrease in the fair value of liability of the investee would result in a decrease/increase in the fair value measurement of the unlisted fund investment

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the fair value of financial assets at FVTPL amounting to RMB431,000,000, RMB30,738,000, RMB59,527,000 and RMB800,750,000, respectively, is determined by the spot rate quoted by the issuer of the financial products. These wealth management products are structured fixed deposits with financial institutions with maturities within one year. Details are disclosed in Note 21(c).

If the fair values of the financial assets at FVTPL held by the Group had been 5% higher/lower, the profit/(loss) before taxation for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 would have been approximately RMB22,000,000, RMB1,537,000, RMB2,976,000 and RMB40,038,000, higher/lower respectively.

(ii) The fair values of other borrowings at FVTPL as at 31 December 2021, 2022 and 2023 and 30 June 2024 have been arrived at on the basis of a valuation carried out on the dates by Jones Lang LaSalle (Beijing) Consultants Ltd., an independent qualified professional valuer not connected to the Group.

	RMB'000	Valuation techniques	Key unobservable input(s) Weighted average cost of capital ("WACC")	Relationship of unobservable inputs to fair values
Financial liability				
Other borrowing at FVTPL				
At 31 December 2021	345,000	Binomial model	12.78%	5% increase/decrease in WACC would result in decrease/increase in fair value
At 31 December 2022	345,000	Binomial model	11.52%	5% increase/decrease in WACC would result in decrease/increase in fair value
At 31 December 2023	451,250	Binomial model	11.13%	5% increase/decrease in WACC would result in decrease/increase in fair value
At 30 June 2024	853,032	Binomial model	10.59%	5% increase/decrease in WACC would result in decrease/increase in fair value

If the fair values of the financial liability at FVTPL held by the Group had been 5% higher/lower, the profit/(loss) before taxation for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024 would have been approximately RMB17,250,000, RMB17,250,000, RMB22,563,000 and RMB42,652,000, higher/lower respectively.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2024.

38. RECONCILIATION OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities:

	Bank and other borrowings	Lease liabilities
	RMB'000 (Note 28)	RMB'000 (Note 29)
At 1 January 2021	427,613	—
Net financing cash flows	1,333,399	(13,571)
Non-cash transactions		
Acquisition of subsidiaries	—	56,109
Finance cost recognised	42,592	3,644
New leases entered	—	300,000
Recognition of financial liability arising from put option held by non-controlling interests (Note 28(b))	345,000	—
At 31 December 2021 and 1 January 2022	2,148,604	346,182
Net financing cash flows	3,356,251	(235,758)
Non-cash transactions		
Finance cost recognised	118,406	21,316
New leases entered	—	526,253
Purchase of property, plant and equipment	2,585	—
At 31 December 2022 and 1 January 2023	5,625,846	657,993
Net financing cash flows	2,972,335	(407,539)
Finance cost recognised	191,345	50,761
Loss from changes in fair value of other borrowing at fair value through profit or loss	106,250	—
New leases entered	—	788,955
Purchase of property, plant and equipment	30,919	—
At 31 December 2023 and 1 January 2024	8,926,695	1,090,170
Net financing cash flows	36,090	(180,111)
Finance cost recognised	97,044	23,549
Loss from changes in fair value of other borrowing at fair value through profit or loss	16,355	—
Recognition of financial liability arising from put option held by non-controlling interests (Note 28(c))	385,427	—
New leases entered	—	18,433
Early termination of leases	—	(7,647)
Purchase of property, plant and equipment	15,942	170,000
At 30 June 2024	9,477,553	1,114,394

39. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between the Group and its related parties during the Track Record Period. In the opinion of the directors of the Company, the related party transactions were carried out at terms negotiated between the Group and the respective related parties.

(a) Name and relationship with related parties

The following companies are related parties of the Group that had balances and/or transactions with the Group during the Track Record Period.

Name of related parties	Relationship with the Group
泰州市暢能瑞商貿有限公司 Taizhoushi Changnengrui Trading Co., Ltd. ("**Taizhoushi Changnengrui**")	The entity is controlled or jointly controlled by the Company's main investors, key managers, or family members who are closely related.
南京威樂佳潤滑油有限公司 Nanjing Weilejia Lubricating Oil Co., Ltd. ("**Nanjing Weilejia**")	The entity is controlled or jointly controlled by the Company's main investors, key managers, or family members who are closely related.
南通聚途商貿有限公司 Nantong Jutu Trading Co., Ltd. ("**Nantong Jutu**")	The entity is controlled or jointly controlled by the Company's main investors, key managers, or family members who are closely related.
泰州市恒安商貿有限公司 Taizhoushi Hengan Trading Co., Ltd. ("**Taizhoushi Hengan**")	The entity is controlled or jointly controlled by the Company's main investors, key managers, or family members who are closely related.
南京瑞福特化工有限公司 Nanjing Ruifute Chemical Co., Ltd. ("**Nanjing Ruifute**")	The entity is controlled or jointly controlled by the Company's main investors, key managers, or family members who are closely related.
湖北豐鋰新能源科技有限公司 Huibei Fengli New Energy Technology Co., Ltd. ("**Hubei Fengli**")	Associate of the Company

(b) Significant related party transactions

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue from sales of products and provision of services					
Nanjing Weilejia	5,300	5,762	6,947	3,564	3,337
Taizhoushi Changnengrui	14,331	8,695	9,051	5,517	6,501
Nanjing Ruifute	2,312	8	—	—	—
Taizhoushi Hengan	4,020	3,731	4,547	2,518	3,080
Nantong Jutu	1,335	1,468	1,586	977	790
	27,298	19,664	22,131	12,576	13,708
Purchase					
Hubei Fengli	—	197,875	158,935	81,973	80,256

(c) Significant balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances with related parties at 31 December 2021, 2022 and 2023 and 30 June 2024 as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Trade and other receivables (Note (i))				
Taizhoushi Changnengrui	150	319	1	935
Nanjing Ruifute	—	1	—	1
Hubei Fengli	—	—	44	91
Nantong Jutu	—	—	—	49
	150	320	45	1,076
Trade and other payable (Note (i))				
Hubei Fengli	—	54,253	28,715	45,034
Nanjing Weilejia	25	1	1	1
Taizhoushi Hengan	10	4	14	10
	35	54,258	28,730	45,045
Contract liabilities (Note (i))				
Nanjing Ruifute	4	4	4	4
Nanjing Weilejia	5	66	14	71
Taizhoushi Changnengrui	8	519	366	319
Taizhoushi Hengan	624	257	27	3
Nantong Jutu	100	93	—	1
	741	939	411	398

Notes:

(i) The balances with related parties and an associate are trade in nature, unsecured, interest-free and repayable on demand.

(ii) As disclosed in Note 28 to the Historical Financial Information, Mr. Shi and Mrs. Shi provided personal guarantees to banks in respect of the Group's and the Company's bank borrowings as at 31 December 2021, 2022 and 2023 and 30 June 2024. Those personal guarantees would be released upon the full settlement of such bank borrowings according to the repayment terms.

(d) Key management personnel compensations

The compensations paid or payable to key management personnel (including chief executive officer and directors of the Company and other senior executives of the Group) for employee services are show below:

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	17,783	12,800	8,318	3,803	6,451
Retirement benefit expense	427	301	552	372	294
Social security costs, housing benefits and other employee benefits	410	631	582	96	296
Share-based compensation	—	1,588	945	349	2,543
	18,620	15,320	10,397	4,620	9,584

40. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material NCI:

Name of entities	Proportion of ownership interests and voting rights held by NCI				Profit/(loss) allocated to NCI				Accumulated NCI			
	At 31 December			At 30 June	At 31 December			At 30 June	At 31 December			At 30 June
	2021	2022	2023	2024	2021	2022	2023	2024	2021	2022	2023	2024
					RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Jiangsu Ruilifeng	30%	30%	30%	30%	36,608	17,303	19,224	10,097	212,998	219,885	233,397	239,073
Changzhou Liyuan	33.04%	20.40%	20.40%	27.13%	48,706	260,214	(296,219)	(68,637)	308,137	642,010	345,430	476,374

Summarised financial information in respect of Jiangsu Ruilifeng and Changzhou Liyuan are set out below. The summarised financial information below represents amounts before intragroup eliminations.

Jiangsu Ruilifeng New Energy Technology Co., Ltd.

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	264,259	220,038	233,790	217,767
Non-current assets	129,292	244,213	267,623	258,133
Current liabilities	(28,567)	(88,585)	(103,873)	(65,512)
Non-current liabilities	(1,746)	(1,142)	(953)	(1,629)

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	349,338	299,608	371,965	171,865	177,235
Total expense	(293,252)	(270,905)	(340,096)	(160,331)	(160,893)
Profit and total comprehensive income for the year/period	56,086	28,703	31,869	11,534	16,342
Net cash flows from/(used in) operating activities	8,633	(5,498)	29,095	5,698	47,098
Net cash flows used in investing activities	(26,259)	(75,735)	(10,292)	(7,219)	(15,388)
Net cash flows (used in)/from financing activities	(20,168)	32,113	(21,714)	(10,774)	(34,818)
Net decrease in cash and cash equivalents	(37,794)	(49,120)	(2,911)	(12,295)	(3,108)

Changzhou Liyuan

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	1,892,533	7,030,132	4,411,544	4,220,238
Non-current assets	1,133,439	3,067,863	4,662,277	4,735,347
Current liabilities	(1,461,320)	(5,756,982)	(5,944,551)	(5,293,544)
Non-current liabilities	(632,033)	(1,193,905)	(1,435,986)	(1,904,951)

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	1,894,931	12,286,569	6,808,275	2,858,267	2,658,749
Total expense	(1,669,812)	(11,294,544)	(8,260,327)	(3,660,831)	(2,980,943)
Profit/(loss) for the year/period	225,119	992,025	(1,452,052)	(802,564)	(322,194)
Total comprehensive income/(expense) for the year/period	225,119	992,025	(1,453,937)	(802,564)	(324,119)
Net cash flows (used in)/from operating activities	(603,447)	(3,284,208)	987,747	(923,377)	(287,064)
Net cash flows used in investing activities	(1,066,068)	(425,897)	(752,020)	(266,699)	(397,020)
Net cash flows from/(used in) financing activities	1,756,529	4,002,300	(297,605)	1,413,376	524,967
Net increase/(decrease) in cash and cash equivalents	87,014	292,195	(61,878)	223,300	(159,117)

41. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Changzhou Liyuan

(a) Deemed partial disposal of interests in subsidiaries without loss of control

During the year ended 31 December 2021, Changzhou Liyuan, a subsidiary of the Company, entered into a capital contribution agreement with the Investors A, the Investors A agreed to contribute RMB345,000,000 and obtained 20% equity interests of Changzhou Liyuan. After that, the Group effective equity interests in Chanzhou Liyuan were diluted from 88.00% to 69.96%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB117,070,000 and an increase in non-controlling interests of approximately RMB227,930,000.

	2021
	RMB'000
Initial measurement amount of non-controlling interest recognised upon completion of capital contribution	(227,930)
Capital contributed by non-controlling interest	345,000
Adjustment to consolidated equity recognised	117,070

During the year ended 31 December 2023, the Company has entered into share transfer agreement with Changzhou Liyuan, a partially owned subsidiary of the Company, the Company agreed to sell 100% equity interest of LBM NEW ENERGY (AP) PTE. LTD., a wholly owned subsidiary of the Company, for the consideration of RMB2,346,000. After that, the Group's effective equity interest in LBM NEW ENERGY (AP) PTE. LTD. were diluted from 100% to 79.60%. As a result, the Group recognise increased in equity attribute to owners of the Company of RMB119,000, and decreased in NCI in RMB119,000.

	2023
	RMB'000
Carrying amount of equity obtained by non-controlling interest	(119)
Capital contributed by non-controlling interest	—
Excess of consideration received recognised within equity	(119)

During the six months ended 30 June 2024, Changzhou Liyuan, a subsidiary of the Company, entered into capital contribution agreements with the Investors B, the Investors B agreed to contribute RMB385,427,000 in Changzhou Liyuan and obtained 20% equity interests of Changzhou Liyuan. After that, the Group's effective equity interests in Chanzhou Liyuan were diluted from 79.60% to 72.87%. As a result, the Group recognised an increase in equity attributable to owners of the Company of approximately RMB185,301,000 and an increase in non-controlling interests of approximately RMB200,126,000.

	Six months ended 30 June
	2024
	RMB'000
Initial measurement amount of non-controlling interest recognised upon completion of capital contribution	(200,126)
Capital contributed by non-controlling interest	385,427
Adjustment to consolidated equity recognised	185,301

(b) Acquisition of additional interests in subsidiaries without change in control

During the year ended 31 December 2022, the Group acquired additional equity interests in Changzhou Liyuan for a consideration of approximately RMB1,290,000,000. After that, the Group's effective equity interests in Changzhou Liyuan increased from 66.96% to 79.60%. The carrying amount of the non-controlling interest in this subsidiary on the date of acquisition was approximately RMB1,202,564,000. The Group recognised a decrease in non-controlling interest of approximately RMB1,290,000,000 and an increase in equity attributable to owners of the Company of approximately RMB87,436,000.

	2022
	RMB'000
Carrying amount of non-controlling interest acquired	1,202,564
Consideration paid to non-controlling interest	(1,290,000)
Excess of consideration paid recognised within equity	(87,436)

42. PLEDGE OF ASSETS

The Group's bank borrowings had been secured by the Group's assets and the carrying amounts of the respective assets are as follows:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	306,272	834,571	581,883	1,373,136
Right-of-use assets	11,920	60,784	59,516	63,427
Trade and other receivables	100,000	909,317	140,504	163,392
Pledge bank deposits	19,499	500,308	350,726	87,604
	437,691	2,304,980	1,132,629	1,687,559

As at 31 December 2021, 2022 and 2023 and 30 June 2024, bank borrowings were pledged by 100% equity interest of subsidiaries with a carrying amount of investments in subsidiaries of RMB844,431,000.

43. SUBSEQUENT EVENT

On 6 March 2024, the Company (as the purchaser) entered into sale and purchase agreements with Lopal International Holdings Co., Ltd (龍蟠國際控股有限公司) (the "**Vendors**"), related party to the Group, to acquire 100% equity interest of Shandong Meiduo Technology Company Limited (山東美多科技有限公司) ("**Shandong Meiduo**") at consideration of RMB100,539,000 which shall be satisfied by cash payment. Up to the date of these consolidated financial statements are authorised to issue, the transaction is not yet completed.

Since early October 2024, the main lithium-mica concentrate provider of Lopal Times, has suspended its supply to the Group considering lithium carbonate market conditions. The Group has utilized this opportunity to initiate a comprehensive maintenance overhaul at Lopal Times starting in early October 2024. Such activities are expected to last for one month. Upon completion of the overhaul, the Group plan to engage in discussions with the lithium mica concentrate provider regarding subsequent production arrangements, including the potential resumption of the lithium carbonate processing operations. The lithium-mica concentrate provider has contractual obligations to fulfill the requirements for lithium-mica concentrate or to otherwise negotiate alternative cooperation methods with the Group, as outlined under several agreements including the Lopal Times Transfer Agreement. As such, The directors of the Company believe that such temporary adjustments will not have a material impact on the long-term business operations.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2024.

The following is the text of a report set out on pages IB-1 to IB-38, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong.

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ACCOUNTANTS' REPORT ON TIANJIN BEITERUI NANO HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU LOPAL TECH. CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND HALCYON CAPITAL LIMITED

Introduction

We report on the historical financial information of Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. ("**Tianjin Beiterui Nano**") set out on pages IB-3 to IB-38, which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Tianjin Beiterui Nano for the five months ended 31 May 2021 (the "**Pre-acquisition Period**"), the statements of financial position of Tianjin Beiterui Nano as at 31 May 2021, and material accounting policy information and other explanatory information (together, the "**Tianjin Beiterui Nano Historical Financial Information**"). The Tianjin Beiterui Nano Historical Financial Information set out on pages IB-3 to IB-38 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Jiangsu Lopal Tech. Co., Ltd. (the "**Company**") dated 22 October 2024 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Tianjin Beiterui Nano Historical Financial Information

The directors of Tianjin Beiterui Nano are responsible for the preparation of the Tianjin Beiterui Nano Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Tianjin Beiterui Nano Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Tianjin Beiterui Nano Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Tianjin Beiterui Nano Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("**HKSIR 200**") "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Tianjin Beiterui Nano Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Tianjin Beiterui Nano Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Tianjin Beiterui Nano Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Tianjin Beiterui Nano Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Tianjin Beiterui Nano Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Tianjin Beiterui Nano Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Tianjin Beiterui Nano Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Tianjin Beiterui Nano as at 31 May 2021 and of the financial performance and cash flows of Tianjin Beiterui Nano for the Pre-acquisition Period in accordance with the basis of preparation set out in Note 2 to the Tianjin Beiterui Nano Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Tianjin Beiterui Nano Historical Financial Information, no adjustments to the Tianjin Beiterui Nano Underlying Financial Statements as defined on page IB-3 have been made.

Dividends

No dividends have been paid by Tianjin Beiterui Nano in respect of the Pre-acquisition Period.

Yours faithfully,

Moore CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 22 October 2024

I. THE TIANJIN BEITERUI NANO HISTORICAL FINANCIAL INFORMATION

Preparation of the Tianjin Beiterui Nano Historical Financial Information

Set out below is the Tianjin Beiterui Nano Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Tianjin Beiterui Nano for the Pre-acquisition Period, on which the Tianjin Beiterui Nano Historical Financial Information is based, have been prepared in accordance with IFRS Accounting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Tianjin Beiterui Nano Underlying Financial Statements**").

The Tianjin Beiterui Nano Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Five months ended 31 May 2021
		RMB'000
Revenue	6	222,507
Cost of sales		(165,824)
Gross profit		56,683
Other income, gains and losses	7	1,164
Impairment losses on financial assets		(2,612)
Selling and distribution expenses		(56)
Administrative expenses		(2,393)
Research and development expenses		(16,604)
Finance costs	8	(616)
Profit before taxation	9	35,566
Income tax expense	10	(2,478)
Profit and total comprehensive income for the period		33,088

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 May 2021
		RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	14	72,893
Right-of-use assets	15	12,334
Financial assets at fair value through other comprehensive income	16	12,450
Deferred tax assets	24	2,922
Prepayments, deposits and other receivables	18	78
Total non-current assets		100,677
CURRENT ASSETS		
Inventories	17	85,930
Trade and other receivables	18	398,784
Cash and cash equivalents	19	19,048
Total current assets		503,762
CURRENT LIABILITIES		
Trade and other payables	20	285,537
Tax payable		3,011
Lease liabilities	21	20,105
Contract liabilities	22	515
Deferred income	23	556
Total current liabilities		309,724
NET CURRENT ASSETS		194,038
TOTAL ASSETS LESS CURRENT LIABILITIES		294,715
NON-CURRENT LIABILITIES		
Deferred income	23	724
Total non-current liabilities		724
Net assets		293,991
EQUITY		
Share capital	25	100,000
Reserves	26	193,991
Total equity		293,991

STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 25)	(Note 26)		
At 1 January 2021	100,000	16,090	144,813	260,903
Profit and total comprehensive income for the period	—	—	33,088	33,088
Appropriation to statutory reserve	—	3,309	(3,309)	—
At 31 May 2021	100,000	19,399	174,592	293,991

STATEMENT OF CASH FLOWS

	Notes	Five months ended 31 May 2021
		RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		35,566
Adjustments for:		
Finance costs	8	616
Bank interest income	7	(6)
Depreciation of property, plant and equipment	14	5,071
Depreciation of right-of-use assets	15	296
Impairment losses on trade receivables	9	2,571
Impairment losses on other receivables	9	41
Impairment losses on inventories	9	12
Operating cash flows before movements in working capital		44,167
Increase in inventories		(59,175)
Decrease in trade and other receivables		135,221
Decrease in trade and other payables		(31,350)
Decrease in contract liabilities		(1,875)
Decrease in deferred income		(661)
Cash flow from operating activities		86,327
Income taxes paid		—
Net cash flow from operating activities		86,327
CASH FLOWS FROM INVESTING ACTIVITIES		
Bank interest income		6
Purchase of property, plant and equipment		(409)
Purchase of financial assets at fair value through other comprehensive income		(12,450)
Net cash flows used in investing activities		(12,853)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment to immediate holding company		(64,617)
Net cash flows used in financing activities		(64,617)
NET INCREASE IN CASH AND CASH EQUIVALENTS		8,857
Cash and cash equivalents at beginning of period	19	10,191
CASH AND CASH EQUIVALENTS AT END OF PERIOD	19	19,048

II. NOTES TO THE TIANJIN BEITERUI NANO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Tianjin Beiterui Nano is a company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on 18 December 2015. The registered address of the office of Tianjin Beiterui Nano is No. 9 Xingbao Road, Baodi Jiuyuan Industrial Park, Tianjin, PRC.

Tianjin Beiterui Nano is principally engaged in research, development, production and sales of battery materials.

The Tianjin Beiterui Nano Historical Financial Information is presented in RMB, which is also the functional currency of Tianjin Beiterui Nano.

2. BASIS OF PREPARATION OF THE TIANJIN BEITERUI NANO HISTORICAL FINANCIAL INFORMATION

The Tianjin Beiterui Nano Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by Tianjin Beiterui Nano in the preparation of the Tianjin Beiterui Nano Historical Financial Information throughout the Pre-acquisition Period.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSS

For the purpose of preparing and presenting the Tianjin Beiterui Nano Historical Financial Information for the Pre-acquisition Period, Tianjin Beiterui Nano has consistently adopted the accounting policies which includes all the International Accounting Standards ("**IASs**"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for Tianjin Beiterui Nano's financial year beginning on 1 January 2024, throughout the Pre-acquisition Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

IFRS 18	Presentation and Disclosures in Financial Statements[5]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[5]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2026
[5] Effective for annual periods beginning on or after 1 January 2027

The directors of Tianjin Beiterui Nano anticipate that the application of all new and amendments to IFRSs will have no material impact on the Tianjin Beiterui Nano Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Tianjin Beiterui Nano Historical Financial Information has been prepared in accordance with all IFRSs issued by the IASB. In addition, the Tianjin Beiterui Nano Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Tianjin Beiterui Nano Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Tianjin Beiterui Nano takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Tianjin Beiterui Nano Historical Financial Information is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets" ("**IAS 36**").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4.1. Revenue from contracts with customers

Tianjin Beiterui Nano recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Tianjin Beiterui Nano's performance as Tianjin Beiterui Nano performs;
- Tianjin Beiterui Nano's performance creates or enhances an asset that the customer controls as Tianjin Beiterui Nano performs; or
- Tianjin Beiterui Nano's performance does not create an asset with an alternative use to Tianjin Beiterui Nano and Tianjin Beiterui Nano has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents Tianjin Beiterui Nano's right to consideration in exchange for goods or services that Tianjin Beiterui Nano has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Tianjin Beiterui Nano's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Tianjin Beiterui Nano's obligation to transfer goods or services to a customer for which Tianjin Beiterui Nano has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from sales of goods

Tianjin Beiterui Nano sells lithium iron phosphate cathode materials and other goods directly to customers in accordance with the contracts entered with the customers. Control is passed when the products have been accepted by the customer. The normal credit term is within 90 days effective from the date when the goods are accepted by the customers. When the customer pays in advance for the orders, the transaction price received by Tianjin Beiterui Nano is recognised as a contract liability until the goods have been delivered to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, Tianjin Beiterui Nano determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. Tianjin Beiterui Nano is a principal) or to arrange for those goods or services to be provided by the other party (i.e. Tianjin Beiterui Nano is an agent).

Tianjin Beiterui Nano is a principal if it controls the specified good or service before that good or service is transferred to a customer.

Tianjin Beiterui Nano is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, Tianjin Beiterui Nano does not control the specified good or service provided by another party before that good or service is transferred to the customer. When Tianjin Beiterui Nano acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4.2. Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, Tianjin Beiterui Nano assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Tianjin Beiterui Nano as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, Tianjin Beiterui Nano allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Tianjin Beiterui Nano; and
- an estimate of costs to be incurred by Tianjin Beiterui Nano in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which Tianjin Beiterui Nano is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When Tianjin Beiterui Nano obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Tianjin Beiterui Nano presents right-of-use assets as a separate line item on the statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, Tianjin Beiterui Nano recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Tianjin Beiterui Nano uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by Tianjin Beiterui Nano under residual value guarantees;
- the exercise price of a purchase option if Tianjin Beiterui Nano is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects Tianjin Beiterui Nano exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Tianjin Beiterui Nano remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Tianjin Beiterui Nano presents lease liabilities as a separate line item on the statement of financial position.

Lease modifications

Tianjin Beiterui Nano accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, Tianjin Beiterui Nano remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Tianjin Beiterui Nano accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, Tianjin Beiterui Nano allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4.3. Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency of Tianjin Beiterui Nano (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4.4. Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

4.5. Government grants

Government grants are not recognised until there is reasonable assurance that Tianjin Beiterui Nano will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which Tianjin Beiterui Nano recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that Tianjin Beiterui Nano should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Tianjin Beiterui Nano with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains and losses".

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

4.6. Employee benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of Tianjin Beiterui Nano participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Tianjin Beiterui Nano and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, Tianjin Beiterui Nano has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of Tianjin Beiterui Nano in independently administered funds managed by the PRC government.

Tianjin Beiterui Nano's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of Tianjin Beiterui Nano in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. Tianjin Beiterui Nano contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. Tianjin Beiterui Nano's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

4.7. Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Tianjin Beiterui Nano's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where Tianjin Beiterui Nano is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Tianjin Beiterui Nano expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which Tianjin Beiterui Nano recognises the right-of-use assets and the related lease liabilities, Tianjin Beiterui Nano first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, Tianjin Beiterui Nano applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. Tianjin Beiterui Nano recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.8. Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than assets under construction as described below. Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets in functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with Tianjin Beiterui Nano's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Tianjin Beiterui Nano makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Plant and machinery	5–10 years
Motor vehicles	5–10 years
Other equipment	5 years
Leasehold improvements	5–10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.9. Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, Tianjin Beiterui Nano reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, Tianjin Beiterui Nano estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, Tianjin Beiterui Nano compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.10. Cash and cash equivalents

Cash and cash equivalents presented on the statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of Tianjin Beiterui Nano's cash management.

4.11. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.12. Provisions

Provisions are recognised when Tianjin Beiterui Nano has a present obligation (legal or constructive) as a result of a past event, it is probable that Tianjin Beiterui Nano will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of lithium iron phosphate cathode material are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle Tianjin Beiterui Nano's obligation.

4.13. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables and contract assets arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset Tianjin Beiterui Nano may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Tianjin Beiterui Nano manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Equity instruments designated as at fair value through other comprehensive income ("**FVTOCI**")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when Tianjin Beiterui Nano's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income, gains and losses" line item in profit or loss.

Impairment of financial assets

Tianjin Beiterui Nano performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Tianjin Beiterui Nano's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Tianjin Beiterui Nano always recognises lifetime ECL for trade receivables and bills receivables.

For all other instruments, Tianjin Beiterui Nano measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case Tianjin Beiterui Nano recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Tianjin Beiterui Nano compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Tianjin Beiterui Nano considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Tianjin Beiterui Nano presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Tianjin Beiterui Nano has reasonable and supportable information that demonstrates otherwise.

Tianjin Beiterui Nano regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount become past due.

Definition of default

For internal credit risk management, Tianjin Beiterui Nano considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Tianjin Beiterui Nano, in full (without taking into account any collaterals held by Tianjin Beiterui Nano).

Irrespective of the above, Tianjin Beiterui Nano considers that default has occurred when a financial asset is more than 90 days past due unless Tianjin Beiterui Nano has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

Tianjin Beiterui Nano writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under Tianjin Beiterui Nano's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Tianjin Beiterui Nano uses a practical expedient in estimating ECL on trade and bills receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to Tianjin Beiterui Nano in accordance with the contract and the cash flows that Tianjin Beiterui Nano expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, Tianjin Beiterui Nano takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Tianjin Beiterui Nano measures ECL for the remaining trade and bills receivables and contract assets on an individual basis.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Tianjin Beiterui Nano recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the gains/(losses) from changes in fair value of financial assets at FVTPL.

Derecognition of financial assets

Tianjin Beiterui Nano derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which Tianjin Beiterui Nano has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Tianjin Beiterui Nano are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that Tianjin Beiterui Nano manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Tianjin Beiterui Nano's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/others upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income, gains and losses" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Derecognition of financial liabilities

Tianjin Beiterui Nano derecognises financial liabilities when, and only when, Tianjin Beiterui Nano's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.14. Related parties

A person or a close member of that person's family is related to Tianjin Beiterui Nano if that person:

(i) has control or joint control over Tianjin Beiterui Nano;

(ii) has significant influence over Tianjin Beiterui Nano; or

(iii) is a member of key management personnel of Tianjin Beiterui Nano or Tianjin Beiterui Nano's parent. Or

An entity is related to Tianjin Beiterui Nano if any of the following conditions apply:

(i) The entity and Tianjin Beiterui Nano are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of Tianjin Beiterui Nano or an entity related to Tianjin Beiterui Nano.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Tianjin Beiterui Nano Historical Financial Information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually. In addition, Tianjin Beiterui Nano uses practical expedient in estimating ECL in trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration Tianjin Beiterui Nano's historical defaults rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the aggregate of the net amounts received and receivable from customers during the Pre-acquisition Period. There is no seasonality and cyclicality of the operations of Tianjin Beiterui Nano. The performance obligation in contracts has an original expected duration of one year or less.

Revenue during the Pre-acquisition Period are as follows:

	Five months ended 31 May 2021
	RMB'000
Revenue from contracts with customers under IFRS 15	
Sales of lithium iron phosphate cathode material	222,375
Others	132
	222,507
Timing of revenue recognition within the scope of IFRS 15	
At a point in time	222,507

The major customers which contributed more than 10% of the total revenue for the five months ended 31 May 2021 are listed as below:

	Five months ended 31 May 2021
	RMB'000
Customer A	75,456
Customer B	103,958
Customer C	32,160

(b) Segment

For the purpose of resource allocation and performance assessment, Tianjin Beiterui Nano's chief executive officer, being the chief operating decision maker, reviews the results when making decisions about allocating resources and assessment performance of Tianjin Beiterui Nano and hence, Tianjin Beiterui Nano has only one reportable segment and no further analysis of this single segment is presented.

All the revenue from Tianjin Beiterui Nano during the Pre-acquisition Period was attributable to customers established in the PRC, which is the place of domicile of Tianjin Beiterui Nano's operating and Tianjin Beiterui Nano's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

7. OTHER INCOME, GAINS AND LOSSES

	Five months ended 31 May 2021 RMB'000
Interest income on bank deposits	6
Government grants (Note)	907
Others	251
	1,164

Note: Included in the amount are government grants received by Tianjin Beiterui Nano amounting to RMB246,000 for the five months ended 31 May 2021, representing operating subsidies and various industry-specific subsidies granted by the government authorities to reward Tianjin Beiterui Nano's effort for technological innovation. There are no unfulfilled conditions relating to such government subsidies recognised.

8. FINANCE COSTS

	Five months ended 31 May 2021 RMB'000
Interest expenses on:	
— Bank borrowings	195
— Lease liabilities	421
	616

9. PROFIT BEFORE TAXATION

Tianjin Beiterui Nano's profit before taxation is arrived at after charging/(crediting):

	Five months ended 31 May 2021
	RMB'000
Auditor's remuneration (Note)	—
Cost of inventories sold	138,384
Impairment losses on inventories	12
Impairment losses on trade receivables	2,571
Impairment losses on other receivables	41
Depreciation of property, plant and equipment (Note 14)	5,071
Depreciation of right-of-use assets (Note 15)	296
Staff costs (including directors', chief executives', and supervisors' remuneration):	
Wages, salaries and bonuses	6,337
Retirement benefit expense	634
Social security costs, housing benefits and other employee benefits	1,364
	8,335

Note: The auditor's remuneration was born by the immediate holding company of Tianjin Beiterui Nano for the five months ended 31 May 2021.

10. INCOME TAX EXPENSE

	Five months ended 31 May 2021
	RMB'000
PRC Enterprise Income Tax	
— Current tax	2,819
— Deferred tax (Note 24)	(341)
	2,478

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate is 25% unless subject to tax exemption set out below.

Tianjin Beiterui Nano was accredited as a "High and New Technology Enterprise" in 2020, and therefore Tianjin Beiterui Nano was entitled to a preferential income tax rate of 15% for the five months ended 31 May 2021, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

The tax expense for the five months ended 31 May 2021 can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Five months ended 31 May 2021
	RMB'000
Profit before taxation	35,566
Tax at the statutory tax rate of 15%	5,335
Tax effect of expenses that are not deductible for tax purposes	103
Utilisation of deductible temporary differences previously not recognised	(1,117)
Effects of additional tax deduction for eligible research and development expenses	(1,843)
Income tax expense for the period	2,478

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' EMOLUMENTS

Mr. Huang Youyuan is the chief executive of Tianjin Beiterui Nano and his emolument disclosed below included those for services rendered by him as the chief executive of Tianjin Beiterui Nano.

There were no fees and other emoluments payable to executive directors, Mr. Huang Youyuan, Mr. Huang Yingfang and Mr. Zhang Xiaofeng, and supervisor Mr. Cui Lide during the Pre-acquisition Period.

There was no arrangement under which a director, supervisor or the chief executive waived or agreed to waive any remuneration during the Pre-acquisition Period.

12. FIVE HIGHEST PAID EMPLOYEES

The individuals whose emoluments were the top 5 highest in Tianjin Beiterui Nano for the five months ended 31 May 2021 were not directors of Tianjin Beiterui Nano. Details of the emoluments of the individuals during the Pre-acquisition Period are as follows:

	Five months ended 31 May 2021
	RMB'000
Wages, salaries and bonuses	510
Retirement benefit expenses	37
Social security costs, housing benefits and other employee benefits	27
	574

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Five months ended 31 May 2021
Nil to HK$1,000,000	5

During the Pre-acquisition Period, no emoluments were paid by Tianjin Beiterui Nano to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining Tianjin Beiterui Nano or as compensation for loss of office.

13. DIVIDENDS

No dividend has been paid or declared by Tianjin Beiterui Nano during the Pre-acquisition Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Plant and machinery	Motor vehicles	Other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2021 (Unaudited)	889	106,777	1,124	4,147	14,966	127,903
Additions	46	127	236	—	—	409
Disposals	—	—	—	—	(97)	(97)
Transfers	(274)	274	—	—	—	—
At 31 May 2021	661	107,178	1,360	4,147	14,869	128,215
ACCUMULATED DEPRECIATION						
At 1 January 2021 (Unaudited)	—	40,911	585	2,422	6,333	50,251
Depreciation provided for the period	—	3,976	88	318	689	5,071
At 31 May 2021	—	44,887	673	2,740	7,022	55,322
CARRYING AMOUNT						
At 31 May 2021	661	62,291	687	1,407	7,847	72,893

15. RIGHT-OF-USE ASSETS

	Leasehold properties
	RMB'000
CARRYING AMOUNT	
At 1 January 2021 (Unaudited)	12,630
Depreciation charge	(296)
At 31 May 2021	12,334

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 May 2021
	RMB'000
Unlisted equity investments, at fair value	
— Huanggang Linli New Energy Technology Co., Ltd. ("**Huanggang Linli**")	12,450

17. INVENTORIES

	As at 31 May 2021
	RMB'000
Raw materials	56,828
Work in progress	1,233
Finished goods	27,869
	85,930

The impairment losses on inventories of approximately RMB12,000 was recognised for the five months ended 31 May 2021.

18. TRADE AND OTHER RECEIVABLES

	As at 31 May 2021
	RMB'000
Trade receivables	293,000
Bills receivable	97,208
Other receivables	8,654
	398,862
Analysis for reporting purposes:	
Non-current portion	78
Current portion	398,784
	398,862

Tianjin Beiterui Nano's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 90 days. Tianjin Beiterui Nano seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Tianjin Beiterui Nano does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables net of allowance for expected credit losses presented based on revenue recognition date.

	As at 31 May 2021
	RMB'000
Within 1 year	293,000

All bills received by Tianjin Beiterui Nano are with a maturity period of less than one year.

19. CASH AND CASH EQUIVALENTS

	As at 31 May 2021
	RMB'000
Bank balances and cash	
Cash on hand	2
Cash at banks	19,046
	19,048

20. TRADE AND OTHER PAYABLES

	As at 31 May 2021
	RMB'000
Trade payables	224,453
Bills payables	48,005
Other payables	13,079
	285,537

The following is an aged analysis of trade payables as at 31 May 2021, presented based on the invoice date are as follows:

	As at 31 May 2021
	RMB'000
Within 1 year	224,453

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

The bills payables are guaranteed by banks in the PRC and have maturities of 3 to 6 months.

21. LEASE LIABILITIES

	As at 31 May 2021
	RMB'000
Lease liabilities payable:	
Within one year	20,105
	20,105
Less: Amounts for settlement within 12 months shown under current liabilities	(20,105)
Amounts due for settlement after 12 months shown under non-current liabilities	—

The weighted average incremental borrowing rates applied to lease liabilities at 4.9% as at 31 May 2021.

22. CONTRACT LIABILITIES

Tianjin Beiterui Nano recognised the following revenue-related contract liabilities:

	As at 31 May 2021
	RMB'000
Sales of lithium iron phosphate cathode material	515

As at 1 January 2021, contract liabilities amounted to RMB2,390,000.

Tianjin Beiterui Nano receives certain amount of the contract values as receipt in advances upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognised until the customer obtains control of the goods.

All contract liabilities are expected to be recognised as income within one year.

23. DEFERRED INCOME

	RMB'000
At 1 January 2021 (Unaudited)	1,941
Recognised in statement of profit or loss	(661)
At 31 May 2021	1,280

	As at 31 May 2021
	RMB'000
Analysis for reporting purposes:	
Non-current portion	724
Current portion	556
	1,280

Deferred income mainly represents the PRC local government grants received from relevant PRC authorities for compensate Tianjin Beiterui Nano's development costs and fixed asset investments. Government grants received for compensate for Tianjin Beiterui Nano's development costs which has not yet been undertaken are included in deferred income and recognised as income on a systematic basis of over the periods that the cost, which it is intended to compensate, are expensed. Government grants received relates to assets invested were credited to deferred income and are recognised as income over the expected useful lives of the relevant assets.

24. DEFERRED TAX ASSETS

The following are the Tianjin Beiterui Nano's major deferred tax assets recognised and movements thereon during the Pre-acquisition Period:

	Impairment of assets	Accrued expenses	Tax losses	Deferred income	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (Unaudited)	1,643	590	57	291	2,581
Credited/(charged) to profit or loss	370	127	(57)	(99)	341
At 31 May 2021	2,013	717	—	192	2,922

25. SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Registered, issued and fully paid ordinary shares with par value of RMB1.00 each share		
At 1 January 2021 (Unaudited) and 31 May 2021	100,000,000	100,000

26. RESERVES

The amounts of Tianjin Beiterui Nano's reserves and the movements therein are presented in the statement of changes in equity of the Tianjin Beiterui Nano Historical Financial Information.

Statutory reserve

In accordance with the relevant laws and regulations in the PRC, Tianjin Beiterui Nano are required to appropriate 10% of the annual statutory net profit, after offsetting any prior years' losses to the statutory reserve fund before distributing the net profit. When the respective balance of the statutory reserve fund reaches 50% of the share capital of Tianjin Beiterui Nano, any further appropriation is at the discretion of shareholders of Tianjin Beiterui Nano. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the respective remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital of Tianjin Beiterui Nano.

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 May 2021
	RMB'000
Financial assets	
Unlisted equity instrument at fair value through other comprehensive income	12,450
Trade and other receivables — amortised cost	393,046
Cash and cash equivalents — amortised cost	19,048
	424,544
Financial liabilities	
Financial liabilities included in trade and other payables	283,315
Lease liabilities	20,105
	303,420

Financial risk management objectives and policies

Tianjin Beiterui Nano's major financial instruments include financial assets at fair value through other comprehensive income, trade and other receivables, cash and cash equivalents, trade and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Tianjin Beiterui Nano manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk and impairment assessment

At the end of the reporting period, Tianjin Beiterui Nano's maximum exposure to credit risk which will cause a financial loss to Tianjin Beiterui Nano due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

Credit risk refers to the risk that Tianjin Beiterui Nano's counterparties default on their contractual obligations resulting in financial losses to Tianjin Beiterui Nano. Tianjin Beiterui Nano's credit risk exposures are primarily attributable to trade and other receivables and cash and cash equivalents. Tianjin Beiterui Nano does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Movements in the allowance for expected credit losses in respect of the trade receivables during the Pre-acquisition Period are as follows:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 May 2021				
ECL assessed collectively based on debtors' aging				
Within 1 year	5.52%	235,351	12,991	222,360
ECL assessed individually		70,640	—	70,640
		305,991	12,991	293,000

Movement in lifetime ECL that has been recognised for trade receivables, under the simplified approach is as follows:

	RMB'000
At 1 January 2021 (Unaudited)	10,420
Impairment loss under expected credit loss model, net of reversal	2,571
At 31 May 2021	12,991

Other receivables

Tianjin Beiterui Nano measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, Tianjin Beiterui Nano apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Movement in the loss allowance account in respect of other receivables during the Pre-acquisition Period is as follows:

	RMB'000
At 1 January 2021 (Unaudited)	84
Impairment loss recognised	41
At 31 May 2021	125

Cash and cash equivalents

Credit risk on cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies or state-owned banks in the PRC.

Liquidity risk

In the management of the liquidity risk, Tianjin Beiterui Nano monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Tianjin Beiterui Nano's operations and mitigate the effects of fluctuations in cash flows.

The following table details Tianjin Beiterui Nano's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which Tianjin Beiterui Nano can be required to pay.

	Weighted average interest rate	On demand and/or less than 1 year	1 to 2 years	Total contractual undiscounted cash flow	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 May 2021					
Trade and other payables	0.01%	283,346	—	283,346	283,315
Lease liabilities	4.90%	21,000	—	21,000	20,105
		304,346	—	304,346	303,420

Capital management

Tianjin Beiterui Nano manages its capital to ensure that Tianjin Beiterui Nano will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Tianjin Beiterui Nano's overall strategy remains unchanged during the Pre-acquisition Periods.

The capital structure of Tianjin Beiterui Nano consists of net debt, which includes the lease liabilities disclosed in Note 21, net of cash and cash equivalents and equity attributable to owners of Tianjin Beiterui Nano, comprising issued share capital, retained profits and other reserves.

The directors of Tianjin Beiterui Nano review the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of Tianjin Beiterui Nano, Tianjin Beiterui Nano will balance its overall capital structure through the maturity of lease liabilities as well as new share issues and increase of banking facilities or redemption of existing debt.

Fair value measurements of financial instruments

The management of Tianjin Beiterui Nano considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Tianjin Beiterui Nano Historical Financial Information approximate their fair values at the end of each reporting period based on discounted cash flow analysis.

Some of Tianjin Beiterui Nano's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Level 3
	RMB'000
At 31 May 2021	
Financial assets at fair value through other comprehensive income	12,450

The following table presents the changes in level 3 instruments of financial assets at fair value through other comprehensive income as at 31 May 2021.

	As at 31 May 2021
	RMB'000
Fair value through other comprehensive income (Note)	
At the beginning of the period	—
Additions	12,450
At the end of the period	12,450

Note: The fair values of unlisted equity instruments at fair value through other comprehensive income as at 31 May 2021 is assessed by the management of Tianjin Beiterui Nano with reference to its recent transaction prices.

28. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between Tianjin Beiterui Nano and its related parties during the Pre-acquisition Period. In the opinion of the directors of Tianjin Beiterui Nano, the related party transactions were carried out at terms negotiated between Tianjin Beiterui Nano and the respective related parties.

Name and relationship with related parties

The following companies are related parties of Tianjin Beiterui Nano that had balances and/or transactions with Tianjin Beiterui Nano during the Pre-acquisition Period.

Name of related parties	Relationship with Tianjin Beiterui Nano
BTR Nano Tech Co., Ltd. ("**BTR Nano Tech**")	The immediate holding company
BTR New Material Group ("**BTR New Material**")	The intermediate holding company
BTR (Jiangsu) New Material Technology Co., Ltd. ("**BTR (Jiangsu) New Material**")	A fellow subsidiary
BTR (Jiangsu) New Energy Material Co., Ltd. ("**BTR (Jiangsu) New Energy**")	A fellow subsidiary
Jiangsu BTR NANO Technology Co., Ltd. ("**Jiangsu Beiterui Nano**")	A fellow subsidiary
Tianjin BTR New Energy Technology Co., Ltd. ("**Tianjin BTR**")	A fellow subsidiary

Significant related party transactions

	Five months ended 31 May 2021 RMB'000
Revenue from sales of products	
BTR Nano Tech	713
BTR (Jiangsu) New Material	11,468
BTR New Material	7
Jiangsu Beiterui Nano	63,268
	75,456
Purchase	
BTR Nano Tech	290
BTR (Jiangsu) New Material	89,325
Jiangsu Beiterui Nano	181,377
	270,992
Interest expenses	
BTR New Material	94
BTR Nano Tech	211
	305

Significant balances with related parties

As disclosed in the statement of financial position, Tianjin Beiterui Nano had outstanding balances with related parties at 31 May 2021 as follows:

	As at 31 May 2021 RMB'000
Trade receivables from (Note (a))	
BTR (Jiangsu) New Material	9,236
Jiangsu Beiterui Nano	70,202
	79,438
Other receivables from (Note (b))	
BTR (Jiangsu) New Material	2,509
	2,509
	81,947
Trade payables to (Note (a))	
BTR Nano Tech	32
BTR (Jiangsu) New Material	2,894
Jiangsu Beiterui Nano	150,477
	153,403
Other payables to (Note (c))	
BTR Nano Tech	711
	711
	154,114

Notes:

(a) All balances are trade in nature, unsecured, interest-free and with credit period from one to three months.

(b) All balances are trade in nature, unsecured, interest-free and repayable on demand.

(c) All balance are non-trade in nature, unsecured, repayable on demand and bearing fixed interest rate of 4.00% to 4.35% per annum.

Key management personnel compensations

No compensation paid or payable to key management personnel (including chief executive officer, directors of Tianjin Beiterui Nano and supervisors of Tianjin Beiterui Nano) for employee services during the Pre-acquisition Period.

29. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Tianjin Beiterui Nano in respect of any period subsequent to 30 June 2024.

The following is the text of a report set out on pages IC-1 to IC-36, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong.

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大華馬施雲會計師事務所有限公司

ACCOUNTANTS' REPORT ON JIANGSU BEITERUI NANO HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU LOPAL TECH. CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND HALCYON CAPITAL LIMITED

Introduction

We report on the historical financial information of Jiangsu Beiterui Nano Technology Co., Ltd. ("**Jiangsu Beiterui Nano**") set out on pages IC-3 to IC-36, which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Jiangsu Beiterui Nano for the period from 28 January 2021 (date of incorporation) to 31 May 2021 (the "**Pre-acquisition Period**"), the statement of financial position of Jiangsu Beiterui Nano as at 31 May 2021, and material accounting policy information and other explanatory information (together, the "**Jiangsu Beiterui Nano Historical Financial Information**"). The Jiangsu Beiterui Nano Historical Financial Information set out on pages IC-3 to IC-36 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Jiangsu Lopal Tech Co., Ltd. (the "**Company**") dated 22 October 2024 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Jiangsu Beiterui Nano Historical Financial Information

The directors of Jiangsu Beiterui Nano are responsible for the preparation of the Jiangsu Beiterui Nano Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Jiangsu Beiterui Nano Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Jiangsu Beiterui Nano Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Jiangsu Beiterui Nano Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("**HKSIR 200**") "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Jiangsu Beiterui Nano Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Jiangsu Beiterui Nano Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Jiangsu Beiterui Nano Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Jiangsu Beiterui Nano Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Jiangsu Beiterui Nano Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Jiangsu Beiterui Nano Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Jiangsu Beiterui Nano Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Jiangsu Beiterui Nano as at 31 May 2021 and of the financial performance and cash flows of Jiangsu Beiterui Nano for the Pre-acquisition Period in accordance with the basis of preparation set out in Note 2 to the Jiangsu Beiterui Nano Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Jiangsu Beiterui Nano Historical Financial Information, no adjustments to the Jiangsu Beiterui Nano Underlying Financial Statements as defined on page IC-3 have been made.

Dividends

No dividends have been paid by Jiangsu Beiterui Nano in respect of the Pre-acquisition Period.

Yours faithfully,

Moore CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 22 October 2024

I. THE JIANGSU BEITERUI NANO HISTORICAL FINANCIAL INFORMATION

Preparation of the Jiangsu Beiterui Nano Historical Financial Information

Set out below is the Jiangsu Beiterui Nano Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Jiangsu Beiterui Nano for the Pre-acquisition Period, on which the Jiangsu Beiterui Nano Historical Financial Information is based, have been prepared in accordance with IFRS Accounting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Jiangsu Beiterui Nano Underlying Financial Statements**").

The Jiangsu Beiterui Nano Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 28 January 2021 to 31 May 2021
		RMB'000
Revenue	6	268,848
Cost of sales		(236,541)
Gross profit		32,307
Other income, gains and losses	7	495
Impairment losses on financial assets		(2,902)
Selling and distribution expenses		(20)
Administrative expenses		(2,696)
Research and development expenses		(4,907)
Finance costs	8	(1,265)
Profit before taxation	9	21,012
Income tax expense	10	(4,290)
Profit and total comprehensive income for the period		16,722

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 May 2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	14	314,665
Right-of-use assets	15	30,724
Deferred tax assets	22	838
Prepayments, deposits and other receivables	17	3,166
Total non-current assets		349,393
CURRENT ASSETS		
Inventories	16	103,256
Trade and other receivables	17	260,388
Cash and cash equivalents	18	5,475
Total current assets		369,119
CURRENT LIABILITIES		
Trade and other payables	19	360,896
Tax payable		3,543
Lease liabilities	20	19,563
Contract liabilities	21	1,347
Total current liabilities		385,349
NET CURRENT LIABILITIES		(16,230)
TOTAL ASSETS LESS CURRENT LIABILITIES		333,163
NON-CURRENT LIABILITY		
Lease liabilities	20	16,441
Net assets		316,722
EQUITY		
Share capital	23	300,000
Reserves	24	16,722
Total equity		316,722

STATEMENT OF CHANGES IN EQUITY

	Share capital	Statutory reserve	Retained profits	Total
	RMB'000 (Note 23)	RMB'000	RMB'000	RMB'000
Issue of share upon incorporation	300,000	—	—	300,000
Profit and total comprehensive income for the period	—	—	16,722	16,722
Appropriation to statutory reserve	—	1,672	(1,672)	—
At 31 May 2021	300,000	1,672	15,050	316,722

STATEMENT OF CASH FLOWS

	Notes	Period from 28 January 2021 to 31 May 2021
		RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation		21,012
Adjustments for:		
Finance costs	8	1,265
Interest income on bank deposit	7	(2)
Depreciation of property, plant and equipment	14	6,744
Depreciation of right-of-use assets	15	4,851
Impairment losses on trade receivables	9	2,891
Impairment losses on other receivables	9	11
Impairment losses on inventories	9	85
Operating cash flows before movements in working capital		36,857
Increase in inventories		(103,341)
Increase in trade and other receivables		(266,456)
Increase in trade and other payables		269,741
Increase in contract liabilities		1,347
Cash used in operations		(61,852)
Income tax paid		(1,585)
Net cash flows used in operating activities		(63,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received		2
Purchase of property, plant and equipment		(321,409)
Net cash flows used in investing activities		(321,407)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceed from issue of shares		300,000
Advances from immediate holding company		90,319
Net cash flows from financing activity		390,319
NET INCREASE IN CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS AT END OF PERIOD	18	5,475

II. NOTES TO THE JIANGSU BEITERUI NANO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Jiangsu Beiterui Nano is a company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on 28 January 2021. The registered address of the office of Jiangsu Beiterui Nano is No. 519, Jiangdong Avenue, Jintan District, Changzhou, PRC.

Jiangsu Beiterui Nano is principally engaged in research, development, production and sales of battery materials.

The Jiangsu Beiterui Nano Historical Financial Information is presented in RMB, which is also the functional currency of Jiangsu Beiterui Nano.

2. BASIS OF PREPARATION OF THE JIANGSU BEITERUI NANO HISTORICAL FINANCIAL INFORMATION

The Jiangsu Beiterui Nano Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by Jiangsu Beiterui Nano in the preparation of the Jiangsu Beiterui Nano Historical Financial Information throughout the Pre-acquisition Period.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSS

For the purpose of preparing and presenting the Jiangsu Beiterui Nano Historical Financial Information for the Pre-acquisition Period, Jiangsu Beiterui Nano has consistently adopted the accounting policies which includes all the International Accounting Standards ("**IASs**"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for Jiangsu Beiterui Nano's financial year beginning on 1 January 2024, throughout the Pre-acquisition Period.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

IFRS 18	Presentation and Disclosures in Financial Statements[5]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[5]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2026
5 Effective for annual periods beginning on or after 1 January 2027

The sole director of Jiangsu Beiterui Nano anticipates that the application of all new and amendments to IFRSs will have no material impact on the Jiangsu Beiterui Nano Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Jiangsu Beiterui Nano Historical Financial Information has been prepared in accordance with all IFRSs issued by the IASB. In addition, the Jiangsu Beiterui Nano Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Jiangsu Beiterui Nano Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Jiangsu Beiterui Nano takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Jiangsu Beiterui Nano Historical Financial Information is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets" ("**IAS 36**").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4.1. Revenue from contracts with customers

Jiangsu Beiterui Nano recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by Jiangsu Beiterui Nano's performance as Jiangsu Beiterui Nano performs;
- Jiangsu Beiterui Nano's performance creates or enhances an asset that the customer controls as Jiangsu Beiterui Nano performs; or
- Jiangsu Beiterui Nano's performance does not create an asset with an alternative use to Jiangsu Beiterui Nano and Jiangsu Beiterui Nano has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents Jiangsu Beiterui Nano's right to consideration in exchange for goods or services that Jiangsu Beiterui Nano has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents Jiangsu Beiterui Nano's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents Jiangsu Beiterui Nano's obligation to transfer goods or services to a customer for which Jiangsu Beiterui Nano has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from sales of goods

Jiangsu Beiterui Nano sells lithium iron phosphate cathode materials and other goods directly to customers in accordance with the contracts entered with the customers. Control is passed when the products have been accepted by the customer. The normal credit term is within 90 days effective from the date when the goods are accepted by the customers. When the customer pays in advance for the orders, the transaction price received by Jiangsu Beiterui Nano is recognised as a contract liability until the goods have been delivered to the customer.

Principal versus agent

When another party is involved in providing goods or services to a customer, Jiangsu Beiterui Nano determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. Jiangsu Beiterui Nano is a principal) or to arrange for those goods or services to be provided by the other party (i.e. Jiangsu Beiterui Nano is an agent).

Jiangsu Beiterui Nano is a principal if it controls the specified good or service before that good or service is transferred to a customer.

Jiangsu Beiterui Nano is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, Jiangsu Beiterui Nano does not control the specified good or service provided by another party before that good or service is transferred to the customer. When Jiangsu Beiterui Nano acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4.2. Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, Jiangsu Beiterui Nano assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Jiangsu Beiterui Nano as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, Jiangsu Beiterui Nano allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by Jiangsu Beiterui Nano; and
- an estimate of costs to be incurred by Jiangsu Beiterui Nano in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which Jiangsu Beiterui Nano is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When Jiangsu Beiterui Nano obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

Jiangsu Beiterui Nano presents right-of-use assets as a separate line item on the statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, Jiangsu Beiterui Nano recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, Jiangsu Beiterui Nano uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by Jiangsu Beiterui Nano under residual value guarantees;
- the exercise price of a purchase option if Jiangsu Beiterui Nano is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects Jiangsu Beiterui Nano exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Jiangsu Beiterui Nano remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Jiangsu Beiterui Nano presents lease liabilities as a separate line item on the statement of financial position.

Lease modifications

Jiangsu Beiterui Nano accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, Jiangsu Beiterui Nano remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Jiangsu Beiterui Nano accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, Jiangsu Beiterui Nano allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

4.3. Foreign currencies

In preparing the financial statements, transactions in currencies other than the functional currency of Jiangsu Beiterui Nano (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

4.4. Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

4.5. Employee benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of Jiangsu Beiterui Nano participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Jiangsu Beiterui Nano and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, Jiangsu Beiterui Nano has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of Jiangsu Beiterui Nano in independently administered funds managed by the PRC government.

Jiangsu Beiterui Nano's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of Jiangsu Beiterui Nano in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. Jiangsu Beiterui Nano contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. Jiangsu Beiterui Nano's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

4.6. Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Jiangsu Beiterui Nano's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where Jiangsu Beiterui Nano is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Jiangsu Beiterui Nano expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which Jiangsu Beiterui Nano recognises the right-of-use assets and the related lease liabilities, Jiangsu Beiterui Nano first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, Jiangsu Beiterui Nano applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. Jiangsu Beiterui Nano recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.7. Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than assets under construction as described below. Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets in functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with Jiangsu Beiterui Nano's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Jiangsu Beiterui Nano makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Plant and machinery	5–10 years
Motor vehicles	5–10 years
Other equipment	5 years
Leasehold improvements	5–10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.8. Impairment on property, plant and equipment and right-of-use assets

At the end of the reporting period, Jiangsu Beiterui Nano reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, Jiangsu Beiterui Nano estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, Jiangsu Beiterui Nano compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.9. Cash and cash equivalents

Cash and cash equivalents presented on the statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of Jiangsu Beiterui Nano's cash management.

4.10. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.11. Provisions

Provisions are recognised when Jiangsu Beiterui Nano has a present obligation (legal or constructive) as a result of a past event, it is probable that Jiangsu Beiterui Nano will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of lithium iron phosphate cathode material are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle Jiangsu Beiterui Nano's obligation.

4.12. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables and contract assets arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset Jiangsu Beiterui Nano may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that Jiangsu Beiterui Nano manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

Jiangsu Beiterui Nano performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Jiangsu Beiterui Nano's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Jiangsu Beiterui Nano always recognises lifetime ECL for trade receivables and bills receivables.

For all other instruments, Jiangsu Beiterui Nano measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case Jiangsu Beiterui Nano recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Jiangsu Beiterui Nano compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Jiangsu Beiterui Nano considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Jiangsu Beiterui Nano presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Jiangsu Beiterui Nano has reasonable and supportable information that demonstrates otherwise.

Jiangsu Beiterui Nano regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount become past due.

Definition of default

For internal credit risk management, Jiangsu Beiterui Nano considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Jiangsu Beiterui Nano, in full (without taking into account any collaterals held by Jiangsu Beiterui Nano).

Irrespective of the above, Jiangsu Beiterui Nano considers that default has occurred when a financial asset is more than 90 days past due unless Jiangsu Beiterui Nano has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

Jiangsu Beiterui Nano writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under Jiangsu Beiterui Nano's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Jiangsu Beiterui Nano uses a practical expedient in estimating ECL on trade and bills receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to Jiangsu Beiterui Nano in accordance with the contract and the cash flows that Jiangsu Beiterui Nano expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, Jiangsu Beiterui Nano takes into consideration the following characteristics when formulating the grouping:

- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Jiangsu Beiterui Nano measures ECL for the remaining trade and bills receivables and contract assets on an individual basis.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Jiangsu Beiterui Nano recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the gains/(losses) from changes in fair value of financial assets at FVTPL.

Derecognition of financial assets

Jiangsu Beiterui Nano derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Jiangsu Beiterui Nano are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Jiangsu Beiterui Nano manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Jiangsu Beiterui Nano's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/others upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income, gains and losses" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Derecognition of financial liabilities

Jiangsu Beiterui Nano derecognises financial liabilities when, and only when, Jiangsu Beiterui Nano's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.13. Related parties

A person or a close member of that person's family is related to Jiangsu Beiterui Nano if that person:

(i) has control or joint control over Jiangsu Beiterui Nano;

(ii) has significant influence over Jiangsu Beiterui Nano; or

(iii) is a member of key management personnel of Jiangsu Beiterui Nano or Jiangsu Beiterui Nano's parent. Or

An entity is related to Jiangsu Beiterui Nano if any of the following conditions apply:

(i) The entity and Jiangsu Beiterui Nano are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of Jiangsu Beiterui Nano or an entity related to Jiangsu Beiterui Nano.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Jiangsu Beiterui Nano Historical Financial Information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision of ECL for trade receivables

Trade receivables with credit-impaired are assessed for ECL individually. In addition, Jiangsu Beiterui Nano uses practical expedient in estimating ECL in trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration Jiangsu Beiterui Nano's historical defaults rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the aggregate of the net amounts received and receivable from customers during the Pre-acquisition Period. There is no seasonality and cyclicality of the operations of Jiangsu Beiterui Nano. The performance obligation in contracts has an original expected duration of one year or less.

Revenue during the Pre-acquisition Period is as follows:

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Revenue from contracts with customers under IFRS 15	
Sales of LFP cathode materials	260,531
Others	8,317
	268,848
Timing of revenue recognition within the scope of IFRS 15	
At a point in time	268,848

The major customers which contributed more than 10% of the total revenue for the period from 28 January 2021 to 31 May 2021 are listed as below:

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Customer A	183,154
Customer B	30,467
Customer C	27,284

(b) Segment

For the purpose of resource allocation and performance assessment, Jiangsu Beiterui Nano's chief executive officer, being the chief operating decision maker, reviews the results when making decisions about allocating resources and assessment performance of Jiangsu Beiterui Nano and hence, Jiangsu Beiterui Nano has only one reportable segment and no further analysis of this single segment is presented.

All the revenue from Jiangsu Beiterui Nano during the Pre-acquisition Period was attributable to customers established in the PRC, which is the place of domicile of Jiangsu Beiterui Nano's operating and Jiangsu Beiterui Nano's non-current assets are substantially located in the PRC, accordingly, no analysis of geographical segment is presented.

7. OTHER INCOME, GAINS AND LOSSES

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Interest income on bank deposit	2
Others	493
	495

8. FINANCE COSTS

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Interest expenses on:	
— Other payables	836
— Lease liabilities	429
	1,265

9. PROFIT BEFORE TAXATION

Jiangsu Beiterui Nano's profit before taxation is arrived at after charging:

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Auditor's remuneration (Note)	—
Cost of inventories sold	201,520
Impairment losses on inventories (Note 16)	85
Impairment losses on trade receivables (Note 25)	2,891
Impairment losses on other receivables (Note 25)	11
Depreciation of property, plant and equipment (Note 14)	6,744
Depreciation of right-of-use assets (Note 15)	4,851
Staff costs (including director's, chief executive's and supervisor's remuneration):	
Wages, salaries and bonuses	6,070
Retirement benefit expense	774
Social security costs, housing benefits and other employee benefits	430
	7,274

Note: The auditor's remuneration was born by the immediate holding company for the period ended 31 May 2021.

10. INCOME TAX EXPENSES

	Period from 28 January 2021 to 31 May 2021
	RMB'000
PRC Enterprise Income Tax	
— Current tax	5,128
Deferred tax (Note 22)	(838)
	4,290

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate is 25%.

The tax charge for the period from 28 January 2021 to 31 May 2021 can be reconciled to the profit before taxation per the statement of profit or loss and other comprehensive income as follows:

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Profit before taxation	21,012
Tax at the statutory tax rate of 25%	5,253
Tax effect of expenses that are not deductible for tax purposes	(43)
Effects of additional tax deduction for eligible research and development expenses	(920)
Income tax expense for the period	4,290

11. DIRECTOR'S, CHIEF EXECUTIVE'S AND SUPERVISOR'S EMOLUMENTS

Mr. Xi Xiaobing is the chief executive of Jiangsu Beiterui Nano and his emolument disclosed below included those for services rendered by him as the chief executive of Jiangsu Beiterui Nano.

There were no fees and other emoluments payable to executive director, Mr. Xi Xiaobing, and supervisor, Ms. Wu Xiaozhen, during the Pre-acquisition Period.

Mr. Xi Xiaobing was appointed as executive director of Jiangsu Beiterui Nano with effect from 28 January 2021.

Ms. Wu Xiaozhen was appointed as supervisor of Jiangsu Beiterui Nano with effect from 28 January 2021.

12. FIVE HIGHEST PAID EMPLOYEES

The individuals whose emoluments were the top 5 highest in Jiangsu Beiterui Nano for the period from 28 January 2021 to 31 May 2021 were not director of Jiangsu Beiterui Nano. Details of the emoluments of the individuals during the Pre-acquisition Period are as follows:

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Wages, salaries and bonuses	324
Retirement benefit expenses	39
Social security costs, housing benefits and other employee benefits	59
	422

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Period from 28 January 2021 to 31 May 2021
Nil to HK$1,000,000	5

During the Pre-acquisition Period, no emoluments were paid by Jiangsu Beiterui Nano to any of the director or the five highest paid individuals (including director and employees) as an inducement to join or upon joining Jiangsu Beiterui Nano or as compensation for loss of office.

13. DIVIDENDS

No dividend has been paid or declared by Jiangsu Beiterui Nano during the Pre-acquisition Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Plant and machinery	Motor vehicles	Other equipment	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
Additions	41,119	270,459	776	5,143	3,912	321,409
Transfers	(6,137)	6,137	—	—	—	—
At 31 May 2021	34,982	276,596	776	5,143	3,912	321,409
ACCUMULATED DEPRECIATION						
Depreciation provided for the period	—	6,171	40	200	333	6,744
At 31 May 2021	—	6,171	40	200	333	6,744
CARRYING AMOUNT						
At 31 May 2021	34,982	270,425	736	4,943	3,579	314,665

15. RIGHT-OF-USE ASSETS

	Leasehold properties
	RMB'000
CARRYING AMOUNT	
Addition	35,575
Depreciation charge	(4,851)
At 31 May 2021	30,724

16. INVENTORIES

	As at 31 May 2021
	RMB'000
Raw materials	55,434
Work in progress	12,168
Finished goods	35,654
	103,256

The impairment losses on inventories of RMB85,000 was recognised for the five months ended 31 May 2021.

17. TRADE AND OTHER RECEIVABLES

	As at 31 May 2021
	RMB'000
Trade receivables	203,787
Bills receivable	20,858
Other receivables	38,909
	263,554
Analysis for reporting purposes:	
Non-current portion	3,166
Current portion	260,388
	263,554

Jiangsu Beiterui Nano's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 90 days. Jiangsu Beiterui Nano seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Jiangsu Beiterui Nano does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

The following is an aged analysis of trade receivables net of allowance for expected credit losses presented based on revenue recognition date.

	As at 31 May 2021
	RMB'000
Within 1 year	203,787

Bills receivable have an average original maturity period of 180 days.

18. CASH AND CASH EQUIVALENTS

	As at 31 May 2021
	RMB'000
Bank balances and cash	
Cash on hand	7
Cash at banks	5,468
	5,475

19. TRADE AND OTHER PAYABLES

	As at 31 May 2021
	RMB'000
Trade payables	267,537
Other payables (Note)	93,359
	360,896

Note: As at 31 May 2021, the other payables included a balance of RMB90,319,000 due to immediate holding company, bear interest rate of from 4.00% to 4.35% per annum, unsecured and repayable on demand.

The following is an aged analysis of trade payables as at 31 May 2021, presented based on the invoice date.

	As at 31 May 2021
	RMB'000
Within 1 year	267,537

The trade payables are non-interest-bearing and are normally settled on terms from 30 days to 60 days.

20. LEASE LIABILITIES

	As at 31 May 2021
	RMB'000
Lease liabilities payable:	
Within one year	19,563
Within a period of more than one year but not more than two years	16,441
	36,004
Less: Amounts for settlement within 12 months shown under current liabilities	(19,563)
Amounts due for settlement after 12 months shown under non-current liabilities	16,441

The weighted average incremental borrowing rates applied to lease liabilities at 5% as at 31 May 2021.

21. CONTRACT LIABILITIES

Jiangsu Beiterui Nano recognised the following revenue-related contract liabilities:

	As at 31 May 2021
	RMB'000
Sales of LFP cathode materials	1,347

Jiangsu Beiterui Nano receives certain amount of the contract values as receipt in advances upon receiving the purchase orders from customers. The receipt in advance results in contract liabilities being recognised until the customer obtains control of the goods.

All contract liabilities are expected to be recognised as income within one year.

22. DEFERRED TAX ASSETS

The following are the Jiangsu Beiterui Nano's major deferred tax assets recognised and movements thereon during the Pre-acquisition Period:

	Impairment of assets	Accrued expenses	Lease liabilities/ right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Credited to profit or loss	747	43	48	838
At 31 May 2021	747	43	48	838

23. SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Registered, issued and fully paid ordinary shares with par value of RMB1.00 each share		
Issue of shares (Note)	300,000,000	300,000
At 31 May 2021	300,000,000	300,000

Note: Jiangsu Beiterui Nano was incorporated in January 2021 with initial authorised share capital of RMB300,000,000 divided into 300,000,000 shares with par value of RMB1 each.

24. RESERVES

The amounts of Jiangsu Beiterui Nano's reserves and the movements therein are presented in the statement of changes in equity of the Jiangsu Beiterui Nano Historical Financial Information.

Statutory reserve

In accordance with the relevant laws and regulations in the PRC, Jiangsu Beiterui Nano are required to appropriate 10% of the annual statutory net profit, after offsetting any prior years' losses to the statutory reserve fund before distributing the net profit. When the respective balance of the statutory reserve fund reaches 50% of the share capital of Jiangsu Beiterui Nano, any further appropriation is at the discretion of shareholders of Jiangsu Beiterui Nano. The statutory reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the respective remaining balance of the statutory reserve fund after such issue is not less than 25% of registered capital of Jiangsu Beiterui Nano.

25. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 May 2021
	RMB'000
Financial assets	
At amortised cost	264,954
Financial liabilities	
At amortised cost	360,896
Lease liabilities	36,004
	396,900

Financial risk management objectives and policies

Jiangsu Beiterui Nano's major financial instruments include trade and other receivables, cash and cash equivalents, trade and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Jiangsu Beiterui Nano manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk and impairment assessment

At the end of the reporting period, Jiangsu Beiterui Nano's maximum exposure to credit risk which will cause a financial loss to Jiangsu Beiterui Nano due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

Credit risk refers to the risk that Jiangsu Beiterui Nano's counterparties default on their contractual obligations resulting in financial losses to Jiangsu Beiterui Nano. Jiangsu Beiterui Nano's credit risk exposures are primarily attributable to trade and other receivables and cash and cash equivalents. Jiangsu Beiterui Nano does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables

Jiangsu Beiterui Nano measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which perform impairment assessment under ECL model on trade balance individually or based on provision matrix.

Movements in the allowance for expected credit losses in respect of the trade receivables during the Pre-acquisition Period are as follows:

	Weighted average loss rate	Gross carrying amount	Loss allowance	Net carrying amount
		RMB'000	RMB'000	RMB'000
As at 31 May 2021				
ECL assessed collectively based on debtor's ageing				
Within 1 year	5.52%	52,383	2,891	49,492
ECL assessed individually		154,295	—	154,295
		206,678	2,891	203,787

Movement in lifetime ECL that has been recognised for trade receivables, under the simplified approach is as follows:

	RMB'000
Impairment loss under expected credit loss model, net of reversal	2,891
At 31 May 2021	2,891

Other receivables

Jiangsu Beiterui Nano measures the loss allowance equal to 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, Jiangsu Beiterui Nano apply lifetime ECL based on aging for classes with different credit risk characteristics and exposures. Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Movement in the loss allowance account in respect of other receivables during the Pre-acquisition Period is as follows:

	RMB'000
Impairment loss under expected credit loss model	11
At 31 May 2021	11

Cash and cash equivalents

Credit risk on cash and cash equivalents is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies or state-owned banks in the PRC.

Liquidity risk

In the management of the liquidity risk, Jiangsu Beiterui Nano monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Jiangsu Beiterui Nano's operations and mitigate the effects of fluctuations in cash flows.

The following table details Jiangsu Beiterui Nano's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which Jiangsu Beiterui Nano can be required to pay.

	Weighted average interest rate	On demand and/or less than 1 year	1 to 3 years	Total contractual undiscounted cash flow	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 May 2021					
Trade and other payables	1.18	365,412	—	365,412	360,896
Lease liabilities.	5.00	20,681	16,638	37,319	36,004
		386,093	16,638	402,731	396,900

Capital management

Jiangsu Beiterui Nano manages its capital to ensure that Jiangsu Beiterui Nano will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Jiangsu Beiterui Nano's overall strategy remains unchanged during the Pre-acquisition Period.

The capital structure of Jiangsu Beiterui Nano consists of net debt, which includes the lease liabilities disclosed in Note 20, net of cash and cash equivalents and equity attributable to owners of Jiangsu Beiterui Nano, comprising issued share capital, retained profits and other reserves.

The sole director of Jiangsu Beiterui Nano reviews the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the sole director of Jiangsu Beiterui Nano, Jiangsu Beiterui Nano will balance its overall capital structure through the maturity of lease liabilities as well as new share issues and increase of banking facilities or redemption of existing debt.

Fair value measurements of financial instruments

The management of Jiangsu Beiterui Nano considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Jiangsu Beiterui Nano Historical Financial Information approximate their fair values at the end of each reporting period based on discounted cash flow analysis.

26. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between Jiangsu Beiterui Nano and its related parties during the Pre-acquisition Period. In the opinion of the sole director of Jiangsu Beiterui Nano, the related party transactions were carried out at terms negotiated between Jiangsu Beiterui Nano and the respective related parties.

Name and relationship with related parties

The following companies are related parties of Jiangsu Beiterui Nano that had balances and/or transactions with Jiangsu Beiterui Nano during the Pre-acquisition Period.

Name of related parties	Relationship with Jiangsu Beiterui Nano
BTR (Jiangsu) New Material Technology Co., Ltd. ("**BTR (Jiangsu) New Material**")	The immediate holding company
BTR New Material Group ("**BTR New Material**")	The intermediate holding company
Beiterui (Tianjin) Nano Material Manufacturing Co., Ltd. ("**Tianjin Beiterui Nano**")	A fellow subsidiary
BTR Nano Tech Co., Ltd. ("**BTR Nano Tech**")	A fellow subsidiary
BTR (Jiangsu) New Energy Material Co., Ltd. ("**BTR (Jiangsu) New Energy**")	A fellow subsidiary
Tianjin BTR New Energy Technology Co., Ltd. ("**Tianjin BTR**")	A fellow subsidiary

Significant related party transactions

	Period from 28 January 2021 to 31 May 2021
	RMB'000
Revenue from sales of products	
Tianjin Beiterui Nano	181,377
BTR (Jiangsu) New Material	1,269
BTR New Material	504
BTR Nano Tech	4
	183,154
Purchase	
Tianjin Beiterui Nano	63,268
BTR (Jiangsu) New Material	47,575
	110,843
Purchase of property, plant and equipment	
BTR (Jiangsu) New Material	260,218
Purchase of right-of-use assets	
BTR (Jiangsu) New Energy	5,089
Other service fee	
BTR (Jiangsu) New Material	14,942
Interest expenses	
BTR (Jiangsu) New Material	1,265

Significant balances with related parties

As disclosed in the statement of financial position, Jiangsu Beiterui Nano had outstanding balances with related parties at 31 May 2021 as follows:

	As at 31 May 2021
	RMB'000
Trade receivables from (Note (a))	
Tianjin Beiterui Nano	150,477
BTR (Jiangsu) New Material	1,434
BTR New Material	570
	152,481
Trade payables to (Note (a))	
Tianjin Beiterui Nano	70,202
BTR (Jiangsu) New Material	64,884
BTR (Jiangsu) New Energy	1,908
	136,994
Other payables to (Note (b))	
BTR (Jiangsu) New Material	90,319
Lease liabilities payable to	
BTR (Jiangsu) New Material	36,004
	263,317

Notes:

(a) All balances are trade in nature, unsecured, interest-free and with credit period from one to three months.

(b) As at 31 May 2021, the balance of RMB85,000,000 is non-trade in nature and bearing fixed interest rate of 5% per annum, unsecured and repayable on demand. The remaining balances with related parties are non-trade in nature, unsecured, interest-free and repayable on demand.

Key management personnel compensations

No compensation paid or payable to key management personnel (including sole director of Jiangsu Beiterui Nano and supervisor of Jiangsu Beiterui Nano) for employee services during the Pre-acquisition Period.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Jiangsu Beiterui Nano in respect of any period subsequent to 30 June 2024.

The following is the text of a report set out on pages ID-1 to ID-32, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Moore CPA Limited, Certified Public Accountants, Hong Kong.

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ACCOUNTANTS' REPORT ON SHANDONG MEIDUO HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF JIANGSU LOPAL TECH. CO., LTD., GUOTAI JUNAN CAPITAL LIMITED AND HALCYON CAPITAL LIMITED

Introduction

We report on the historical financial information of Shandong Meiduo Technology Company Limited ("**Shandong Meiduo**") set out on pages ID-4 to ID-32, which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Shandong Meiduo for the period from 20 September 2022 (date of incorporation) to 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2024 (the "**Pre-acquisition Periods**"), the statements of financial position of Shandong Meiduo as at 31 December 2022 and 2023 and 30 June 2024, and material accounting policy information and other explanatory information (together, the "**Shandong Meiduo Historical Financial Information**"). The Shandong Meiduo Historical Financial Information set out on pages ID-4 to ID-32 forms an integral part of this report, which has been prepared for inclusion in the prospectus of Jiangsu Lopal Tech. Co., Ltd. (the "**Company**") dated 22 October 2024 (the "**Prospectus**") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Shandong Meiduo Historical Financial Information

The directors of Shandong Meiduo are responsible for the preparation of the Shandong Meiduo Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Shandong Meiduo Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Shandong Meiduo Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Shandong Meiduo Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("**HKSIR 200**") "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants

("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Shandong Meiduo Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Shandong Meiduo Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Shandong Meiduo Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Shandong Meiduo Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Shandong Meiduo Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Shandong Meiduo Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Shandong Meiduo Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Shandong Meiduo as at 31 December 2022 and 2023 and 30 June 2024 and of the financial performance and cash flows of Shandong Meiduo for the Pre-acquisition Periods in accordance with the basis of preparation set out in Note 2 to the Shandong Meiduo Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of Shandong Meiduo which comprises the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of Shandong Meiduo for the six months ended 30 June 2023, and other explanatory information (the "**Stub Period Comparative Financial Information**"). The directors of Shandong Meiduo are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2 to the Shandong Meiduo Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2 to the Shandong Meiduo Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Shandong Meiduo Historical Financial Information, no adjustments to the Shandong Meiduo Underlying Financial Statements as defined on page ID-4 have been made.

Dividends

No dividends have been paid by Shandong Meiduo in respect of the Pre-acquisition Periods.

Yours faithfully,

Moore CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 22 October 2024

I. THE SHANDONG MEIDUO HISTORICAL FINANCIAL INFORMATION

Preparation of the Shandong Meiduo Historical Financial Information

Set out below is the Shandong Meiduo Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Shandong Meiduo for the Pre-acquisition Periods, on which the Shandong Meiduo Historical Financial Information is based, have been prepared in accordance with IFRS Accounting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by Moore CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Shandong Meiduo Underlying Financial Statements**").

The Shandong Meiduo Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	—	—	—	—
Other income, gains and losses	7	1	882	165	57
Administrative expenses		(8)	(1,706)	(67)	(1,376)
Research and development expenses		—	(425)	(37)	(94)
(Loss)/profit before taxation	8	(7)	(1,249)	61	(1,413)
Income tax expense	9	—	—	—	—
(Loss)/profit and total comprehensive (expense)/ income for the period/year		(7)	(1,249)	61	(1,413)

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	609	90,708	120,756
Intangible assets	14	—	51	44
Prepayments, deposits and other receivables	16	6,780	15,487	13,666
Total non-current assets		7,389	106,246	134,466
CURRENT ASSETS				
Inventories	15	—	24	542
Bills and other receivables	16	21	14,869	25,338
Pledged bank deposits	17	5,798	1,005	6,016
Cash and cash equivalents	17	13,607	27,810	28,692
Total current assets		19,426	43,708	60,588
CURRENT LIABILITIES				
Bills and other payables	18	6,822	101,210	46,538
Other borrowings	19	—	—	20,439
Total current liabilities		6,822	101,210	66,977
NET CURRENT ASSETS/(LIABILITIES)		12,604	(57,502)	(6,389)
NON-CURRENT LIABILITY				
Other borrowings	19	—	—	30,746
Net assets		19,993	48,744	97,331
EQUITY				
Share capital	20	20,000	50,000	100,000
Accumulated losses		(7)	(1,256)	(2,669)
Total equity		19,993	48,744	97,331

STATEMENTS OF CHANGES IN EQUITY

	Share capital	(Accumulated losses)/ retained profits	Total
	RMB'000 (Note 20)	RMB'000	RMB'000
Capital contribution upon incorporation (Note 20)	20,000	—	20,000
Loss and total comprehensive expense for the period	—	(7)	(7)
At 31 December 2022	20,000	(7)	19,993
Capital contribution (Note 20)	30,000	—	30,000
Loss and total comprehensive expense for the year	—	(1,249)	(1,249)
At 31 December 2023	50,000	(1,256)	48,744
Capital contribution (Note 20)	50,000	—	50,000
Loss and total comprehensive expense for the period	—	(1,413)	(1,413)
At 30 June 2024	100,000	(2,669)	97,331
(Unaudited)			
At 1 January 2023	20,000	(7)	19,993
Capital contribution (Note 20)	30,000	—	30,000
Profit and total comprehensive income for the period	—	61	61
At 30 June 2023 (unaudited)	50,000	54	50,054

STATEMENTS OF CASH FLOWS

	Notes	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before taxation		(7)	(1,249)	61	(1,413)
Adjustments for:					
Interest income	7	(1)	(880)	(165)	(48)
Depreciation of property, plant and equipment	13	—	70	—	59
Amortisation of intangible assets	14	—	14	—	7
Operating cash flows before movements in working capital		(8)	(2,045)	(104)	(1,395)
Increase in inventories		—	(24)	—	(518)
Increase in bills and other receivables		(6,800)	(23,620)	(28,191)	(8,648)
Increase/(decrease) in bills and other payables		6,821	59,934	128,703	(54,702)
Net cash flows from/(used in) operating activities		13	34,245	100,408	(65,263)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest income received	7	1	880	165	48
Purchase of property, plant and equipment		(609)	(55,715)	(52,538)	(29,892)
(Placement)/withdrawal of pledged bank deposits		(5,798)	4,793	(67,633)	(5,011)
Net cash flows used in investing activities		(6,406)	(50,042)	(120,006)	(34,855)
CASH FLOWS FROM FINANCING ACTIVITY					
Addition of other borrowings	24	—	—	—	51,000
Proceed from capital contributed from a shareholder		20,000	30,000	30,000	50,000
Net cash flows from financing activity		20,000	30,000	30,000	101,000
Net increase in cash and cash equivalents		13,607	14,203	10,402	882
Cash and cash equivalents at beginning of the period/year		—	13,607	13,607	27,810
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR, REPRESENTING BANK BALANCES AND CASH	17	13,607	27,810	24,009	28,692

II. NOTES TO THE SHANDONG MEIDUO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shandong Meiduo is a company with limited liability established in the People's Republic of China (hereafter, the "**PRC**") on 20 September 2022. The registered address of the office of Shandong Meiduo is 88 meters south of the intersection of Beihuan Road and Leize Avenue, Chenwang Street, Juancheng County, Heze City, Shandong Province.

Shandong Meiduo is principally engaged in the business of NEV battery recycling and cascade using and energy storage technology service, the products of which are extensively used in LFP and cathode materials for ternary batteries.

The Shandong Meiduo Historical Financial Information is presented in RMB, which is also the functional currency of Shandong Meiduo.

2. BASIS OF PREPARATION OF THE SHANDONG MEIDUO HISTORICAL FINANCIAL INFORMATION

The Shandong Meiduo Historical Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB. All IFRSs effective for the accounting period commencing from 1 January 2024, together with the relevant transitional provisions, have been early adopted by Shandong Meiduo in the preparation of the Shandong Meiduo Historical Financial Information throughout the Pre-acquisition Periods.

3. ADOPTION OF NEW AND AMENDMENTS TO IFRSS

For the purpose of preparing and presenting the Historical Financial Information for the Pre-acquisition Periods, Shandong Meiduo has consistently adopted the accounting policies which includes all the International Accounting Standards ("**IASs**"), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for Shandong Meiduo's financial year beginning on 1 January 2024, throughout the Pre-acquisition Periods.

New and amendments to IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

IFRS 18	Presentation and Disclosures in Financial Statements[5]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[5]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 16	Lease liability in a Sale and Leaseback[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1	Non-current Liabilities with Covenants[1]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[1]
Amendments to IAS 21	Lack of Exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1 January 2026
[5] Effective for annual periods beginning on or after 1 January 2027

The directors of Shandong Meiduo anticipate that the application of all new and amendments to IFRSs will have no material impact on the Shandong Meiduo Historical Financial Information in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Shandong Meiduo Historical Financial Information has been prepared in accordance with all IFRSs issued by the IASB. In addition, the Shandong Meiduo Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The Shandong Meiduo Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Shandong Meiduo takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Shandong Meiduo Historical Financial Information is determined on such a basis, except for leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets" ("**IAS 36**").

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

4.1. Employee benefits

Pension obligation

In accordance with the rules and regulations in the PRC, the PRC based employees of Shandong Meiduo participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which Shandong Meiduo and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, Shandong Meiduo has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of Shandong Meiduo in independently administered funds managed by the PRC government.

Shandong Meiduo's contributions to the aforesaid defined contribution retirement schemes are expensed as incurred.

Housing funds, medical insurances and other social insurances

Employees of Shandong Meiduo in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. Shandong Meiduo contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. Shandong Meiduo's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

4.2. Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Shandong Meiduo's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where Shandong Meiduo is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Shandong Meiduo expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which Shandong Meiduo recognises the right-of-use assets and the related lease liabilities, Shandong Meiduo first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, Shandong Meiduo applies IAS 12 "Income Taxes" requirements to the lease liabilities and the related assets separately. Shandong Meiduo recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4.3. Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than assets under construction as described below. Property, plant and equipment are stated in the statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets in functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with Shandong Meiduo's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When Shandong Meiduo makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, as follows:

Motor vehicles	5–10 years
Other equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.4. Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

4.5. Impairment on property, plant and equipment

At the end of the reporting period, Shandong Meiduo reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, Shandong Meiduo estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, Shandong Meiduo compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.6. Cash and cash equivalents

Cash and cash equivalents presented on the statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above and form an integral part of Shandong Meiduo's cash management.

4.7. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4.8. Provisions

Provisions are recognised when Shandong Meiduo has a present obligation (legal or constructive) as a result of a past event, it is probable that Shandong Meiduo will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of lithium iron phosphate cathode material are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle Shandong Meiduo's obligation.

4.9. Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade and bills receivables and contract assets arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset Shandong Meiduo may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Shandong Meiduo manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

Shandong Meiduo performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on Shandong Meiduo's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

Shandong Meiduo always recognises lifetime ECL for trade receivables and bills receivables.

For all other instruments, Shandong Meiduo measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case Shandong Meiduo recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Shandong Meiduo compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, Shandong Meiduo considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, Shandong Meiduo presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless Shandong Meiduo has reasonable and supportable information that demonstrates otherwise.

Shandong Meiduo regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount become past due.

Definition of default

For internal credit risk management, Shandong Meiduo considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including Shandong Meiduo, in full (without taking into account any collaterals held by Shandong Meiduo).

Irrespective of the above, Shandong Meiduo considers that default has occurred when a financial asset is more than 90 days past due unless Shandong Meiduo has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

Write-off policy

Shandong Meiduo writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under Shandong Meiduo's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Shandong Meiduo uses a practical expedient in estimating ECL on trade and bills receivables and contract assets using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to Shandong Meiduo in accordance with the contract and the cash flows that Shandong Meiduo expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, Shandong Meiduo takes into consideration the following characteristics when formulating the grouping:

- past-due status;

- nature, size and industry of debtors; and

- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Shandong Meiduo measures ECL for the remaining trade and bills receivables and contract assets on an individual basis.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Shandong Meiduo recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables, contract assets and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the net foreign exchange gains/(losses);
- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "Other income, gains and losses" line item as part of the gains/(losses) from changes in fair value of financial assets at FVTPL.

Derecognition of financial assets

Shandong Meiduo derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which Shandong Meiduo has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Shandong Meiduo are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is designated as FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that Shandong Meiduo manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Shandong Meiduo's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/others upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including other borrowings, trade and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the "Other income, gains and losses" line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

Derecognition of financial liabilities

Shandong Meiduo derecognises financial liabilities when, and only when, Shandong Meiduo's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.10. Related parties

A person or a close member of that person's family is related to Shandong Meiduo if that person:

(i) has control or joint control over Shandong Meiduo;

(ii) has significant influence over Shandong Meiduo; or

(iii) is a member of key management personnel of Shandong Meiduo or Shandong Meiduo's parent. Or

An entity is related to Shandong Meiduo if any of the following conditions apply:

(i) The entity and Shandong Meiduo are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of Shandong Meiduo or an entity related to Shandong Meiduo.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. MATERIAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Shandong Meiduo Historical Financial Information requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision of ECL for bills receivables

Bills receivables are assessed for ECL individually. The management of Shandong Meiduo makes periodic individual assessment on the recoverability of bills receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of Shandong Meiduo believes that there are no significant increase in credit risk of these amounts since initial recognition and Shandong Meiduo provided impairment based on 12m ECL. As at 31 December 2022 and 2023 and 30 June 2024, the carrying amount of bills receivables are RMBNil, RMB5,353,000 and RMB10,435,000, respectively. During the period from 20 September 2022 to 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2024, no impairment losses on bills receivables were recognised.

6. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the aggregate of the net amounts received and receivable from customers during the Pre-acquisition Periods. The performance obligation is part of a contract that has an original expected duration of one year or less.

Shandong Meiduo did not generate any revenue during the period from 20 September 2022 to 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2023 and 2024.

7. OTHER INCOME, GAINS AND LOSSES

An analysis of other income, gains and losses is as follows:

	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income	1	880	165	48
Others	—	2	—	9
	1	882	165	57

8. (LOSS)/PROFIT BEFORE TAXATION

Shandong Meiduo's (loss)/profit before taxation is arrived at after charging:

	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Auditor's remuneration	—	—	—	—
Depreciation of property, plant and equipment (Note 13)	—	70	—	59
Amortisation of intangible assets (Note 14)	—	14	—	7
Staff costs (including director's, chief executive's and supervisor's remuneration):				
Wages, salaries and bonuses	440	5,731	1,487	4,936
Retirement benefit expense	5	385	153	259
Social security costs, housing benefits and other employee benefits	6	498	152	450
	451	6,614	1,792	5,645

9. INCOME TAX EXPENSES

No provision for EIT has been made as Shandong Meiduo did not have any estimated assessable profits for the period from 20 September 2022 to 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2023 and 2024.

Under the EIT Law and the Implementation Regulation of the EIT Law, Shandong Meiduo is subject to the tax rate of 25% on the estimated assessable profits for the period from 20 September 2022 to 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2023 and 2024.

The tax charge for the Pre-acquisition Periods can be reconciled to the (loss)/profit before taxation per the statement of profit or loss and other comprehensive income as follows:

	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/profit before taxation	(7)	(1,249)	61	(1,413)
Tax at the statutory tax rate of 25%	(2)	(312)	15	(353)
Utilisation of tax losses previously not recognised	—	—	(2)	—
Tax effect of tax losses not recognised	2	312	—	353
Others	—	—	(13)	—
Income tax expense	—	—	—	—

As at 31 December 2022 and 2023 and 30 June 2023 and 2024, the Company has unused tax losses of RMB7,000, RMB1,256,000, RMBnil and RMB2,669,000, respectively available for offset against future profits. No deferred tax assets has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

10. DIRECTOR'S, CHIEF EXECUTIVE'S AND SUPERVISOR'S EMOLUMENTS

Mr. Shi Junfeng is the chief executive of Shandong Meiduo and his emolument disclosed below included those for services rendered by him as the chief executive of Shandong Meiduo.

There were no fees and other emoluments payable to executive director, Mr. Shi Junfeng, and supervisor, Mr. Lu Congjiang during the Pre-acquisition Periods.

Mr. Shi Junfeng was appointed as executive director of Shandong Meiduo with effect from 20 September 2022.

Mr. Lu Congjiang was appointed as executive director of Shandong Meiduo with effect from 20 September 2022.

11. FIVE HIGHEST PAID EMPLOYEES

The individuals whose emoluments were the top 5 highest in Shandong Meiduo for the period from 20 September 2022 to 31 December 2022, the year ended 31 December 2023 and the six months ended 30 June 2023 and 2024 were not director of Shandong Meiduo. Details of the emoluments of the individuals during the Pre-acquisition Periods are as follows:

	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses.	434	1,000	756	786
Retirement benefit expenses	3	81	29	27
Social security costs, housing benefits and other employee benefits	3	25	31	36
	440	1,106	816	849

The number of highest paid employees whose remuneration fell within the following band is as follows:

	Period from 20 September 2022 to 31 December 2022	Year ended 31 December 2023	Six months ended 30 June 2023	Six months ended 30 June 2024
			(Unaudited)	
Nil to HK$1,000,000.	5	5	5	5

During the Pre-acquisition Periods, no emoluments were paid by Shandong Meiduo to any of the director or the five highest paid individuals (including director and employees) as an inducement to join or upon joining Shandong Meiduo or as compensation for loss of office.

12. DIVIDEND

No dividend has been paid or declared by Shandong Meiduo during the Pre-acquisition Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress	Motor vehicles	Other equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
Additions	609	—	—	609
At 31 December 2022 and 1 January 2023	609	—	—	609
Additions	90,169	—	—	90,169
Transfers	(593)	447	146	—
At 31 December 2023 and 1 January 2024	90,185	447	146	90,778
Additions	30,000	—	107	30,107
At 30 June 2024	120,185	447	253	120,885
ACCUMULATED DEPRECIATION				
At 31 December 2022 and 1 January 2023	—	—	—	—
Depreciation provided for the year	—	50	20	70
At 31 December 2023 and 1 January 2024	—	50	20	70
Depreciation provided for the period	—	42	17	59
At 30 June 2024	—	92	37	129
CARRYING AMOUNT				
At 31 December 2022	609	—	—	609
At 31 December 2023	90,185	397	126	90,708
At 30 June 2024	120,185	355	216	120,756

14. INTANGIBLE ASSETS

	Software
	RMB'000
COST	
At 31 December 2022 and 1 January 2023	—
Additions	65
At 31 December 2023, 1 January 2024 and 30 June 2024	65
ACCUMULATED AMORTISATION	
At 31 December 2022 and 1 January 2023	—
Charged for the year	14
At 31 December 2023 and 1 January 2024	14
Charged for the period	7
At 30 June 2024	21
CARRYING AMOUNT	
At 31 December 2022	—
At 31 December 2023	51
At 30 June 2024	44

15. INVENTORIES

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Raw materials	—	24	542

16. BILLS AND OTHER RECEIVABLES

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bills receivables (Note (a))	—	5,353	10,435
Prepayments and other receivables (Note (b))	6,801	25,003	28,569
	6,801	30,356	39,004
Analysis for reporting purposes:			
Non-current portion	6,780	15,487	13,666
Current portion	21	14,869	25,338
	6,801	30,356	39,004

Notes:

(a) All bills received by Shandong Meiduo are with a maturity period of less than one year.

(b) The prepayment and other receivables mainly represent prepayments to purchase of property, plant and equipment amounting to RMB6,780,000, RMB15,487,000 and RMB13,666,000 as at 31 December 2022 and 2023 and 30 June 2024, respectively.

17. BANK BALANCES AND RESTRICTED AND PLEDGED DEPOSITS

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Cash at bank	13,607	27,810	28,692
Pledged bank deposits	5,798	1,005	6,016
	19,405	28,815	34,708

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Pledged bank deposits carry fixed interest rate ranged from 1.30% to 1.50%, 1.75% and 1.2% as at 31 December 2022 and 2023 and 30 June 2024, respectively. Pledged bank deposits represent deposits pledged to financial institutions to secure bills payable and therefore classified as current assets.

18. BILLS AND OTHER PAYABLES

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Bills payable (Note (a))	5,798	1,005	6,016
Other payables (Note (b))	1,024	100,205	40,522
	6,822	101,210	46,538

Notes:

(a) The bills payable are guaranteed by banks in the PRC and have maturities of 6 months.

(b) The other payables mainly represent tender deposits to customers amounting to RMB3,410,000 and RMB2,758,000, amount due to a director and his close family member amounting to RMB61,355,000 and RMBnil and payable to suppliers for acquisition of property, plant and equipment amounting to RMB34,454,000 and RMB34,484,000 as at 31 December 2023 and 30 June 2024, respectively. The amounts due to a director and his close family bear fixed interest rate of 4.6% per annum, unsecured and repayable on demand.

19. OTHER BORROWINGS

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings (Note (a))			
Secured	—	—	21,172
Variable rate borrowing (Note (a))			
Secured	—	—	30,013
	—	—	51,185

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
The carrying amounts of the above other borrowings are repayable (based on scheduled repayment dates set out in the loan agreements):			
Within one year	—	—	20,439
Within a period of more than one year but not exceeding two years	—	—	20,746
Within a period of more than two years but not exceeding five years	—	—	10,000
	—	—	51,185
Less: amounts due within one year shown under current liabilities	—	—	(20,439)
Amounts shown under non-current liabilities	—	—	30,746

Note:

(a) The ranges of effective interest rates (which are also equal to contracted interest rates) on the fixed-rate other borrowings are 4.65% to 4.65% per annum as at 30 June 2024.

The effective interest rate (which is also equal to contracted interest rate) on the variable rate other borrowing is 5-year Loan Prime Rate plus 0.03% per annum as at 30 June 2024.

Other borrowings of RMB51,185,000 as at 30 June 2024 are guaranteed by Mr. Shi.

20. SHARE CAPITAL

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Registered shares capital			
As at 20 September 2022 (date of incorporation), 31 December 2022 and 2023 and 30 June 2024	100,000	100,000	100,000
Issued and fully paid			
At beginning of the period/year	—	20,000	50,000
Capital contribution (Note)	20,000	30,000	50,000
At end of the period/year	20,000	50,000	100,000

Note: Shandong Meiduo was incorporated on 20 September 2022 with registered share capital of RMB100,000,000 and the shareholder has contributed RMB20,000,000 to Shandong Meiduo. For the year ended 31 December 2023 and the six months ended 30 June 2024, the shareholder has contributed RMB30,000,000 and RMB50,000,000 to Shandong Meiduo, respectively.

21. CAPITAL COMMITMENTS

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property and equipment and other intangible assets contracted for but not provided in the Pre-acquisition Financial Information	373,186	256,227	204,946

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Financial assets			
At amortised cost	19,413	34,221	33,456
Financial liabilities			
At amortised cost	6,822	101,210	97,723

Financial risk management objectives and policies

Shandong Meiduo's major financial instruments include bills and other receivables, cash and cash equivalents, bills and other payables and other borrowings. Details of the financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of Shandong Meiduo manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Credit risk and impairment assessment

Shandong Meiduo has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and bills and other receivables included in the statement of financial position represent Shandong Meiduo's maximum exposure to credit risk in relation to its financial assets.

For the bills and other receivables, the management make periodic collective assessments as well as individual assessment on the recoverability of bills and other receivables based on historical settlement records and past experiences. Shandong Meiduo assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. In view of the history of cooperation with debtors and the collection history of these receivables, the management believes that the credit risk inherent in Shandong Meiduo's outstanding bills and other receivables balances are not significant.

As at 31 December 2022 and 2023 and 30 June 2024, cash and cash equivalents were deposited in banks with high credit rating without significant credit risk.

Liquidity risk

In management of the liquidity risk, Shandong Meiduo monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Shandong Meiduo's operations and mitigate the effects of fluctuations in cash flows.

The following table details Shandong Meiduo's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Shandong Meiduo can be required to pay.

	Weighted average interest rate	On demand and/or less than 1 year	1 to 3 years	Total contractual undiscounted cash flow	Total carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022					
Bills and other payables	—	6,822	—	6,822	6,822
At 31 December 2023					
Bills and other payables	2.88%	102,140	—	102,140	101,210
At 30 June 2024					
Bills and other payables	—	46,538	—	46,538	46,538
Other borrowings	4.26%	22,083	31,942	54,025	51,185
		68,621	31,942	100,563	97,723

Capital management

Shandong Meiduo manages its capital to ensure that entities in Shandong Meiduo will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Shandong Meiduo's overall strategy remains unchanged during the Pre-acquisition Periods.

Shandong Meiduo manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, Shandong Meiduo may adjust the return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital as at the ended of 31 December 2022 and 2023 and 30 June 2024.

23. RELATED PARTY TRANSACTIONS

The following significant transactions were carried out between Shandong Meiduo and its related parties during the Pre-acquisition Periods. In the opinion of the sole director of Shandong Meiduo, the related party transactions were carried out at terms negotiated between Shandong Meiduo and the respective related parties.

Significant balances with related parties

As disclosed in the statement of financial position, Shandong Meiduo had outstanding balances with related parties at 31 December 2022 and 2023 and 30 June 2024 as follows:

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Other payables to (Note (a))			
Shi Junfeng	—	50,991	—
Zhu Xianglan	—	10,364	—
	—	61,355	—

Note:

(a) As at 31 December 2023, the balance of RMB59,504,000 is non-trade in nature and bearing fixed interest rate of 4.6% per annum, unsecured and repayable on demand.

Key management personnel compensations

No compensation paid or payable to key management personnel (including sole director of Shandong Meiduo and supervisor of Shandong Meiduo) for employee services during the Pre-acquisition Periods.

24. RECONCILIATION OF LIABILITIES GENERATED FROM FINANCING ACTIVITIES

The table below details changes in the Shandong Meiduo's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Shandong Meiduo's statements of cash flows as cash flows from financing activities:

	Other borrowings
	RMB'000 (Note 19)
At 31 December 2022, 1 January 2023, 31 December 2023 and 1 January 2024	—
Net financing cash flows	51,000
Purchase of property, plant and equipment	185
At 30 June 2024	51,185

25. PLEDGE OF ASSETS

Shandong Meiduo's other borrowings had been secured by the its assets and the carrying amounts of the respective assets are as follows:

	As 31 December		As at 30 June
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	—	—	52,173

26. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Shandong Meiduo in respect of any period subsequent to 30 June 2024.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Moore CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix IA to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix IA to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 30 June 2024 as if it had taken place on 30 June 2024.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of 30 June 2024 or any future dates. It is prepared based on our consolidated net tangible assets as of 30 June 2024 as set out in the Accountants' Report as set out in Appendix IA to this prospectus, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix IA to this prospectus.

	Consolidated net tangible assets attributable to owners of the Company as of 30 June 2024	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000 (note 1)	RMB'000 (note 2)	RMB'000	RMB (note 3)	HKD (note 4)
Based on an Offer Price of HK$4.5 per Share	2,714,155	386,123	3,100,278	4.68	5.14
Based on an Offer Price of HK$7.0 per Share	2,714,155	607,328	3,321,483	5.01	5.51

Notes:

(1) The consolidated net tangible assets attributable to owners of the Company as of 30 June 2024 is extracted from "Appendix IA — Accountants' Report", which is based on the audited consolidated equity attributable to owners of the Company as of 30 June 2024 of approximately RMB3,037,687,000 less goodwill of approximately RMB264,577,000 and other intangible assets of approximately RMB58,955,000 as of 30 June 2024.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$4.5 per Share or HK$7.0 per Share, after deduction of the underwriting fees and other related expenses payable by the Group (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0990 to RMB1.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 662,996,503 Shares (excluding treasury shares) in issue immediately following the completion of the Global Offering and does not take into account of any shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0990 to RMB1.

(5) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2024.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the Company's reporting accountants, Moore CPA Limited, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

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To the Directors of Jiangsu Lopal Tech. Co., Ltd

We have completed our assurance engagement to report on the compilation of pro forma financial information of Jiangsu Lopal Tech. Co., Ltd (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated net tangible assets as at 30 June 2024, and related notes (the "**Unaudited Pro Forma Financial Information**") as set out on pages II-1 to II-2 of the prospectus dated 22 October 2024 issued by the Company (the "**Prospectus**"), in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in notes thereto.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the public offering on the Group's financial position as at 30 June 2024 as if the transaction had taken place at 30 June 2024. As part of this process, information about the Group's financial position as at 30 June 2024 has been extracted by the Directors from the Group's historical financial information for the six months ended 30 June 2024, on which an accountants' report set out in Appendix IA of the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements,* which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the event or transaction on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2024 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Moore CPA Limited
Certified Public Accountants

Pak Chi Yan
Practising Certificate Number: P06923

Hong Kong, 22 October 2024

This Appendix contains a summary of the principal provisions of the Company's Articles of Association. The major objective of this Appendix is to provide potential investors with an overview of the Company's Articles of Association, and therefore it may not contain all the information that may be important to potential investors.

SHARES AND REGISTERED CAPITAL

Shares of the Company shall take the form of registered share certificates. The par value of the shares shall be denominated in RMB.

The shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and the same issuance shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the Shares it/he/she subscribes for.

INCREASE, REDUCTION, REPURCHASE AND TRANSFER OF SHARES

Increase and Reduction of Shares

Based on its operation and development needs, in accordance with the relevant laws and regulations, and subject to the resolutions of the general meeting, the Company may increase its capital by any of the following ways:

(i) public issuance of shares;

(ii) non-public issuance of shares;

(iii) distribution of bonus shares to existing Shareholders;

(iv) conversion of capital reserve into share capital;

(v) other means permitted by laws and administrative regulations and approved by the CSRC.

The Company may reduce its registered capital. The reduction of registered capital shall comply with the Company Law and other relevant regulations as well as the procedures stipulated in the Articles of Association.

Repurchase of Shares

The Company shall not buy back its shares, except in one of the following circumstances:

(i) reduction of the Company's registered capital;

(ii) mergers with another company holding shares of the Company;

(iii) use of shares for employee shareholding scheme or equity incentives;

(iv) Shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to purchase their shares;

(v) use of shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(vi) where it is necessary for the Company to preserve its value and Shareholders' interest.

Where the Company purchases its shares under the circumstances set forth in items (i) and (ii) above, it shall be resolved at a general meeting. Where the Company purchases its shares under the circumstances set forth in items (iii), (v) and (vi) above, a resolution thereon may, pursuant to the securities regulatory rules of the place where the shares of the Company are listed, be resolved at a Board meeting that is attended by more than two-thirds of the Directors. Upon the purchase of its A shares by the Company pursuant to the above provisions, under the circumstance set forth in item (i), such shares shall be cancelled within 10 days from the day of purchase; under the circumstances set forth in items (ii) and (iv), such shares shall be transferred or cancelled within six months; under the circumstances set forth in items (iii), (v) and (vi), the total number of A shares held by the Company shall not exceed 10% of the total issued A shares of the Company, and shall be transferred or cancelled within three years.

Upon the purchase of its H shares by the Company pursuant to the above provisions, such H shares may, at the option of the Company, be cancelled immediately or held as Treasury Shares in accordance with the Hong Kong Listing Rules. In the event that the Directors do not specify that the relevant Shares are to be held as Treasury Shares, such H shares shall be cancelled. The Company shall hold Treasury Shares in a clearly identifiable separate account within the Central Clearing and Settlement System. The Company shall not exercise any right in respect of the Treasury Shares, and no dividend may be declared or paid in respect of a Treasury Share. Treasury Shares may be disposed of by the Company on such terms and conditions as determined by the Directors subject to the Hong Kong Listing Rules.

If the Company purchases its own shares, it shall fulfil its disclosure obligation as required under the securities regulatory rules of the place where shares of the Company are listed.

The Company may purchase its own shares by the centralized trading on the stock exchange or other ways approved by the laws, administrative regulations, the CSRC and other stock exchanges of the place where the Company's shares are listed.

Transfer of Shares

Shares issued prior to the public offering of A shares of the Company shall not be transferred within one year from the date on which the A shares of the Company are listed and traded on the stock exchange(s).

Directors, Supervisors and senior management of the Company shall report to the Company their holdings of shares of the Company and the changes thereof. During their term of office determined upon taking office, the shares transferred by any of them each year shall not exceed 25% of the total shares of the Company held by them. The shares of the Company held by the aforesaid persons shall not be transferred within one year from the date on which the shares of the Company are listed and traded. The above personnel shall not transfer the shares of the Company held by them within 6 months after the expiry of their term of office.

If the shares of the Company are pledged during the restricted transfer period stipulated by laws and administrative regulations, the pledgee shall not exercise the pledge right during the restricted transfer period.

Where Shareholders holding 5% or above shares of the Company, Directors, Supervisors and senior management sell the shares of the Company or other securities with an equity nature within 6 months after purchasing the same, or purchase the shares of the Company or other securities with an equity nature as held within 6 months after selling the same, the earnings arising therefrom shall belong to the Company, and the Board of the Company shall recover such earnings. However, the restriction shall not be applicable to a securities company holding 5% or above of the shares of the Company as a result of its purchase of the remaining unsold shares underwritten by it and other circumstances stipulated by the CSRC. Other listing rules at the place where the shares of the Company are listed shall prevail.

SHAREHOLDERS AND GENERAL MEETINGS

Shareholders

The Company shall establish a register of members with the evidence provided by the securities registration authority. The register of members shall be sufficient evidence of the holding of the shares of the Company by the Shareholders. The original copy of the register of members of H shares listed in Hong Kong shall be kept in Hong Kong for shareholders' inspection. However, the Company may suspend the registration of Shareholders in accordance with the provisions of the applicable laws and regulations and the securities regulatory rules of the place where shares of the Company are listed. Shareholders shall enjoy the rights and assume the obligations according to the class of the shares they hold. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

(i) to receive dividends and other distributions in proportion to the shares they hold;

(ii) to request, convene, hold, attend or appoint a proxy to attend general meetings and exercise the corresponding voting rights in accordance with laws;

(iii) to supervise, present suggestions on or make inquiries about the operations of the Company;

(iv) to transfer, gift or pledge the shares it holds in accordance with laws, administrative regulations and regulations of the Articles of Association;

(v) to inspect and copy the Articles of Association, register of members, record of bondholders, minutes of general meetings, resolutions of Board meetings, resolutions of Supervisory Committee meeting and financial reports;

(vi) in the event of termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion with the number of shares held by them;

(vii) to require the Company to purchase their shares in the event of objection to the resolutions of the general meeting on merger or division of the Company;

(viii) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed and regulations of the Articles of Association.

If any resolution of a general meeting or the Board is in violation of the laws or administrative regulations, Shareholders shall have the right to request the People's court to invalidate the said resolution. If the convening procedures and voting method of the general meetings or Board meetings are in violation of the laws, administrative regulations or the Articles of Association or if the contents of any resolution are in breach of the Articles of Association, Shareholders shall have the right to request the People's court to revoke such resolution within 60 days from the date on which the resolution is approved. However, if the convening procedures or voting methods of the general meetings or Board meetings are only slightly flawed and have no substantial impact on the resolution, this will be an exception. Shareholders who are not notified to attend the general meetings have the right to request the People's Court to revoke the resolution within 60 days from the date they know or should know that the general meeting resolution was made; if they do not exercise the right to revoke within one year from the date the resolution was made, the right to revoke will be extinguished.

Shareholders of the Company shall assume the following obligations:

(i) to abide by the laws, administrative regulations and the Articles of Association;

(ii) to pay capital contribution as per the shares subscribed for and the method of subscription;

(iii) not to return Shares unless prescribed otherwise in laws and regulations;

(iv) not to abuse Shareholders' rights to impair the interests of the Company or other Shareholders; not to abuse the independent status of legal person or Shareholders' limited liabilities to impair the interests of the creditors of the Company;

(v) to assume other obligations prescribed by the laws, administrative regulations and the Articles of Association.

Shareholders of the Company who abuse their Shareholders' rights and thereby cause loss on the Company or other Shareholders shall be liable for loss compensation according to the laws. Where Shareholders of the Company abuse the Company's position as an independent legal person and the limited liabilities of Shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company; if a shareholder uses two or more companies under his control to carry out the above-mentioned acts, each company shall bear joint and several liability for the debts of any one company.

General Provisions for General Meeting

The general meeting is the organ of authority of the Company and shall exercise the following duties and powers in accordance with laws:

(i) to elect and replace Directors or Supervisors and to determine matters relating to the remuneration of the Directors or Supervisors;

(ii) to consider and approve the reports of the Board;

(iii) to consider and approve the reports of the Supervisory Committee;

(iv) to consider and approve the profit distribution plan and loss recovery plans of the Company;

(v) to resolve on the increase or reduction of the registered capital of the Company;

(vi) to resolve on the issue of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(viii) to amend the Articles of Association;

(ix) to resolve on the appointment and dismissal of accounting firms by the Company;

(x) to consider and approve the guarantee issues specified in Article 40 of the Articles of Association;

(xi) to consider matters relating to the purchase and sale by the Company within one year of material assets valued at more than 30% of the audited total assets of the Company as at the most recent period;

(xii) to consider and approve matters relating to changes in the use of proceeds;

(xiii) to consider share incentive scheme and employee shareholding scheme;

(xiv) where the Company purchases its own shares under the circumstances set forth in items (iii), (v) and (vi) of Article 23 Paragraph 1 of the Articles of Association, the general meeting shall authorize the Board to consider;

(xv) to consider other matters to be resolved by the general meeting as required by laws, administrative regulations, departmental rules, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

The general meeting may authorize Board meeting to make resolutions on the issuance of corporate bonds.

The following provision of external guarantees by the Company is subject to the consideration and approval of the general meeting upon the consideration and approval of the Board:

(i) the total amount of the external guarantees provided by the Company and its holding subsidiaries exceeding 50% of the latest audited net assets;

(ii) the total amount of the external guarantees provided by the Company exceeding 30% of the latest audited total assets;

(ii) the amount of the guarantees provided by the Company within one year exceeding 30% of the latest audited total assets;

(iv) any guarantee to be provided to a recipient of such security whose asset to liability ratio is over 70%;

(v) any single guarantee with an amount exceeding 10% of the latest audited net assets;

(vi) any guarantee provided to Shareholders, de facto controllers, and their related parties;

(vii) any guarantees to be considered and approved by the general meeting as required by relevant laws and regulations, listing rules at the place where the shares of the Company are listed and the Articles of Association.

When a guarantee mentioned in item (3) above is considered at the general meeting, it shall be passed by more than two-thirds of the voting rights held by the Shareholders present at the meeting.

When the general meeting is considering a proposal to provide guarantee for any Shareholder, de facto controller and their related parties, the said Shareholder or the Shareholders controlled by the said de facto controller shall be abstained from voting on the proposal, and the proposal shall be subject to approval by more than half of the voting rights of the other attending Shareholders.

The general meetings are classified into annual general meetings and extraordinary general meetings. The annual general meetings shall be convened once a year within six months from the end of the previous fiscal year.

The Company shall convene an extraordinary general meeting within two months from the date of occurrence of any of the following circumstances:

(i) when the number of Directors is less than the statutory minimum quorum provided for in the Company Law or two-thirds of the number specified in the Articles of Association;

(ii) when the uncovered loss of the Company reaches one-third of its total paid-up share capital;

(iii) upon written request(s) by shareholder(s) individually or collectively holding 10% or above of the shares of the Company;

(iv) when the Board deems it necessary;

(v) when the Supervisory Committee proposes such a meeting be held;

(vi) other circumstances required by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

Summoning of General Meetings

The independent Directors shall have the right to propose to the Board to convene an extraordinary general meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the extraordinary general meeting, it shall give the reasons and make an announcement.

The Supervisory Committee shall have the right to propose to the Board in writing to convene an extraordinary general meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an extraordinary general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Supervisory Committee. If the Board does not agree to convene an extraordinary general meeting or fails to give a response within 10 days after the receipt of the proposal, the Supervisory Committee may convene and preside over such meeting on its own.

Shareholders that hold, individually or collectively, 10% or more of the shares in the Company shall have the right to request in writing the Board to convene an extraordinary general meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an extraordinary general meeting within 10 days after the receipt of the proposal and shall respond to the shareholders in writing. If the Board agrees to convene an extraordinary general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the relevant Shareholders. If the Board does not agree to convene an extraordinary general meeting or fails to give a response within 10 days after the receipt of the proposal, the Shareholders that hold, individually or collectively, 10% or more of the Shares of the Company may propose to the Supervisory Committee to convene an extraordinary general meeting. The Supervisory Committee shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, decide whether to convene an extraordinary general meeting within 10 days after the receipt of the proposal and shall respond to the shareholders in writing. If the Supervisory Committee agrees to convene an extraordinary general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the relevant Shareholders. If the Supervisory Committee fails to give the notice convening such meeting within the period specified hereinabove, it shall be deemed to have failed to convene and preside over such meeting. The Shareholders that hold, individually or collectively, 10% or more of the shares in the Company for 90 days or more consecutively may convene and preside over such meeting on their own.

Where the Supervisory Committee or the Shareholder(s) decide to convene a general meeting on its or their own, it or they shall notify the Board in writing and file with the stock exchange(s). Before the announcement of the resolutions of the general meeting is made, the shareholding of the convening shareholder(s) shall not be less than 10%. Upon giving the notice of the general meeting and the announcement of the resolutions of the general meeting, the Supervisory Committee or the convening shareholder(s) shall submit the relevant supporting materials to the stock exchange(s).

Where the Supervisory Committee or the Shareholder(s) convene a general meeting on its or their own, the Board and the secretary to the board shall provide assistance. The Board will provide the register of members as of the date of the share registration.

Any necessary expenses incurred in connection with the convening and holding of the general meeting by the Supervisory Committee or the Shareholder(s) on its or their own shall be borne by the Company.

PROPOSALS AND NOTICES OF GENERAL MEETINGS

The content of proposals shall fall within the functions and powers of the general meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board, the Supervisory Committee or Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company shall have the right to propose resolutions. Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit ad hoc proposals in writing to the convener 10 days before the convening of the general meeting. The ad hoc proposals should have clear agenda and specific matters that need to be resolved. The convener shall give a supplemental notice of the general meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals. The convener shall submit the ad hoc proposals to the general meeting except where the ad hoc proposal violates the provisions of laws, administrative regulations or the Articles of Association, or is not within the scope of the general meeting's authority.

The convener of an annual general meeting shall notify all Shareholders by means of an announcement 21 days before the meeting; the convener of an extraordinary general meeting shall notify all Shareholders by means of an announcement 15 days before the meeting. When calculating the period for giving notice, the day of the meeting shall not be included.

A notice of a general meeting shall include the following:

(i) the time, venue and duration of the meeting;

(ii) matters and proposals submitted to the meeting for consideration;

(iii) a prominent written statement that all Shareholders are entitled to attend general meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;

(iv) the record date of registration of Shareholders entitled to attend the general meeting;

(v) the name and contact method of the regular contact person for the meeting;

(vi) the time and procedure for voting online or through other means.

Notices or supplementary notices of general meetings shall adequately and completely disclose the specific contents of all proposals. Where the opinions of an independent Director are required on the matters to be discussed, such opinions and reasons thereof shall also be disclosed when the notices or supplementary notices of general meetings are served.

CONVENING OF GENERAL MEETINGS

All Shareholders registered on the share right registration date or their proxies shall be entitled to attend the general meetings and exercise voting rights in accordance with relevant laws, regulations and the Articles of Association. Shareholder may attend the general meeting in person, or appoint one or more persons (need not be a shareholder) as proxy(ies) to attend or vote on behalf of such Shareholder.

Individual shareholders attending the meeting in person shall present his or her identity card or other valid license or certificate or stock account card that can prove his or her identity. Proxies appointed to attend the meeting shall present valid proof of their identities and the power of attorney from the appointing shareholder.

Shareholder that is a legal person shall attend the meeting by its legal representative or by proxies appointed by it. If a legal representative attends the meeting, he/she shall present his/her identity card or valid certificate proving his/her qualifications as a legal representative. Where the meeting is attended by proxy, he/she shall present his/her identity card and written power of attorney issued by the legal representative of the corporate shareholder unit in accordance with the law.

Where such Shareholder is a Recognized Clearing House (or its nominees) as defined by the relevant ordinances or regulations enacted in Hong Kong from time to time, it may authorize one or more persons or company representatives as it thinks fit to act as its proxy(ies) or representative(s) at any meeting (including but not limited to general meeting and creditor meeting); however, if more than one person are so authorized, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorized, and be signed by the person authorized by the Recognized Clearing House. The person(s) so authorized will be entitled to attend meetings (without being required to present share certificate, notarized authorization and/or further evidence of formal authorization) to speak and exercise the same power on behalf of the Recognized Clearing House (or its nominees) at the meeting as if such person was an individual shareholder of the Company.

Shareholders shall appoint a proxy in writing, signed by the appointing shareholder or the agent entrusted by him in writing; if the appointing shareholder is a legal person, it shall be affixed with the seal of the legal person or signed by its director or formally appointed agent. The power of attorney issued by a shareholder to appoint a proxy to attend any general meeting shall contain the following:

(i) name of the proxy;

(ii) matters and powers of the proxy, and whether there are voting rights;

(iii) instructions for voting for, against or abstaining from voting on each matter to be considered on the agenda of general meeting;

(iv) the date of issuance and term of validity of the power of attorney.

If the Shareholder does not give specific instructions on authorizing a proxy to attend the general meeting, the power of attorney shall state whether the proxy may vote as he/she thinks fit.

If the power of attorney is sign by other personnel authorized by consignor, the power of attorney for authorized signature or other authorization documents should be certified by a notary. The certificate of authorization or other authorization documents certified by a notary. The power of attorney or other authorization documents upon notarized shall, together with the power of attorney for voting, be placed at the domicile of the Company or such other location as specified in the notice of the meeting. If the consignor is a legal person, its legal representative or any person authorized by resolutions of the Board or other decision-making institutions shall attend the general meeting on behalf of the consignor.

All Directors, Supervisors and secretary to the Board shall attend general meetings of the Company, and the general manager and other senior management shall attend the meeting as non-voting participants. Subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, the aforementioned persons may attend the meeting through the internet, video, telephone or other means with equivalent effect.

A general meeting shall be presided over by chairman of the Board. Where the chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors. A general meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the meeting shall be presided over by a Supervisor jointly elected by more than half of the Supervisors. A general meeting convened by Shareholders shall be presided over by a representative elected by convener(s). Where the host of the meeting violates the rules of procedure and makes it impossible to continue the meeting, with the consent of more than half of the shareholders present at the meeting with voting rights, the general meeting may elect a person to serve as the host of the meeting and continue the meeting.

Voting of General Meetings

Resolutions of a general meeting are divided into ordinary resolutions and special resolutions. Ordinary resolutions of a general meeting shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the general meeting. Special resolutions of a general meeting shall be passed by votes representing more than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the general meeting.

The following matters shall be passed by ordinary resolutions at a general meeting:

(i) work reports of the Board and the Supervisory Committee;

(ii) profit distribution plans and plans for recovery of losses formulated by the Board;

(iii) appointment and dismissal of members of the Board and the Supervisory Committee, their remunerations and methods of payment;

(iv) annual reports of the Company;

(v) matters other than those required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be passed by special resolution.

The following matters shall be passed by special resolutions at a general meeting:

(i) increase or reduction of registered capital of the Company;

(ii) division, spin-off, merger, dissolution and liquidation of the Company;

(iii) the amendment of the Articles of Association;

(iv) the purchase and sale of material assets or amount of guarantee provided by the Company to others within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;

(v) share incentive scheme;

(vi) modification of the dividend policy of the Company;

(vii) other matters as required by the laws, administrative regulations, the securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be passed by a special resolution.

If at any time the company's shares are divided into different classes of shares, and the Company intends to change or abolish the rights of a particular class of shareholders, such change or abolition shall be passed by a special resolution of the affected class of shareholders at a separately convened shareholders' meeting.

Shareholders (including proxies thereof) have the right to speak at general meetings and exercise their voting rights based on the number of voting shares they represent. Each share is entitled to one vote, unless individual shareholders are required to abstain from voting on individual matters in accordance with the securities regulatory rules of the place where the shares of the Company are listed.

When considering the material matters affecting the interests of minority investors at the general meeting, the votes by minority investors shall be counted separately, and the results of such separate vote counting shall be publicly disclosed in a timely manner.

The shares of the Company held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by Shareholders attending a general meeting.

Shareholders who purchase the voting shares of the Company in violation of the provisions of Clause 1 and Clause 2 of Article 63 of the Securities Law shall not exercise the voting right of the shares that exceed the prescribed ratio within 36 months after the purchase, and such number shall not be counted in the total number of voting shares represented by Shareholders attending a general meeting.

The Board, independent Directors and Shareholders who hold more than one percent of voting shares of the Company or investors protection institutes established in accordance with laws, administrative regulations or rules of the CSRC may publicly solicit for the voting shares from Shareholders. Information including the specific voting intention shall be fully disclosed to the Shareholders from whom voting rights are being collected. Consideration or de facto consideration for soliciting Shareholders' voting rights is prohibited. Except for statutory conditions, the Company shall not impose any minimum shareholding limitation for soliciting voting rights.

When a connected transaction is considered at a general meeting, the connected shareholders shall refrain from voting and the number of voting shares that they represent shall not be counted the total number of valid voting shares. Announcement of resolutions of the general meeting shall fully disclose the voting of non-connected shareholders.

Where any Shareholder is, under the Hong Kong Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by the Shareholder (or his/her proxy) in contravention of such requirement or restriction shall not be counted.

BOARD OF DIRECTORS

Directors

Directors of the Company shall be natural persons. A person may not serve as a Director of the Company in case of any of the following circumstances:

(i) the person is without civil conduct capacity or with limited civil conduct capacity;

(ii) the person who has committed an offence of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation if a suspended sentence is pronounced, where less than two years have elapsed since the date of expiration of the probation period;

(iii) the person who is a former director, factory director or manager of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;

(iv) the person who is a former legal representative of a company or enterprise which had its business license revoked and was ordered to shut down due to a violation of the law and who incurred personal liability, where less than three years have elapsed since the date of such revocation of the business license or such order to shut down;

(v) the person is listed as a judgement defaulter by the People's Court because of failure to repay a relatively large amount of due debts;

(vi) the person has been banned by the CSRC from access to the securities market, and the term of prohibition has not expired;

(vii) the person was subject to administrative punishment by the CSRC within the past three years;

(viii) the person was subject to the public censure or, for three times or more, announced criticism by the stock exchange within the past three years;

(ix) the person is publicly deemed by a stock exchange as unsuitable to serve as a director, supervisor and senior management of a listed company;

(x) the person is unable to ensure sufficient time and commitment on the affairs of the Company during the terms of office in order to earnestly perform all the duties as a Director, supervisor and senior management;

(xi) the person is under investigation by judicial authorities on suspicion of committing a crime or under investigation by the CSRC on suspicion of breaching laws or regulations where no definitive conclusion has been reached;

(xii) other contents stipulated by laws, administrative regulations or departmental rules or the listing rules of the place where the shares of the Company are listed.

Directors shall be elected or replaced at the general meeting. Pursuant to the laws, administrative regulations and securities regulatory rules of the place where the shares of the Company are listed, the general meeting may depose any director whose term has not expired by ordinary resolution. If a director is dismissed before the expiration of his term of office without justifiable reasons, the director may request compensation from the company. A Director shall serve a term of three years and may serve consecutive terms if re-elected upon the expiration of their terms in accordance with securities regulatory rules of the place where the shares of the Company are listed.

The term of office of a Director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. A Director shall sign a confidentiality agreement with the Company within three days of his/her appointment and strictly abide by the obligation to keep the business secrets of the Company.

Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such Director shall continue to perform his/her duties as a Director in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

Senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as senior management officers and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

Directors may resign prior to the expiration of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation. Relevant information shall be disclosed by the Board within 2 days. In the event that the resignation of any Director results in the number of members of the Board falling below the statutory minimum requirement, the resigned Directors shall continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

The terms of appointment, nomination and election procedures, functions and powers of independent non-executive Directors shall be implemented in accordance with the laws, the relevant provisions of the CSRC and the stock exchange of the place where the shares of the Company are listed. The number of independent non-executive Directors shall not be less than three and shall not be less than one-third of all Directors, and at least one shall include financial or accounting expertise in compliance with the requirements of Rule 3.10(2) of the Hong Kong Listing Rules. One independent non-executive Director should be permanently resident in Hong Kong. All independent non-executive Directors must possess the independence as provided under Rule 3.13 of the Hong Kong Listing Rules.

Board of Directors

A director is not required to hold shares of the Company.

The Company has established a Board which shall be accountable to the general meetings. Special committees are set up under the Board of the Company, namely Strategy Committee, Audit Committee, Nomination Committee and Remuneration and Evaluation Committee. The Board shall comprise ten Directors, with four independent non-executive Directors and one chairman.

The Board shall exercise the following duties and powers:

(i) to convene general meetings and report its work to the general meetings;

(ii) to implement the resolutions of the general meetings;

(iii) to formulate business operation plans and investment plans of the Company;

(iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;

(v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vi) to draft plans for major acquisitions of the Company, the purchase of Shares of the Company, merger, division, dissolution or change in the form of the Company;

(vii) to determine, to the extent authorized by the general meeting, on such matters as the external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, connected transactions and external donations of the Company;

(viii) to determine the internal management structure of the Company;

(ix) to determine the appointment or dismissal of the manager of the Company or secretary to the Board and decide on their remuneration, rewards and penalties; and based on the nomination of the manager, to determine the appointment or dismissal of the senior management including vice manager(s) and chief financial officer of the Company and determine their remuneration, rewards and penalties;

(x) to formulate the basic management system of the Company;

(xi) to formulate proposals for any amendment of the Articles of Association;

(xii) to manage the information disclosure of the Company;

(xiii) to propose to the general meeting for appointment or replacement of the accounting firms which provide audit services to the Company;

(xiv) to listen to work reports of the manager of the Company and review his/her work;

(xv) to determine the acquisition by the Company of its own shares under the circumstances as provided in items (iii), (v) or (vi) of Article 23 of the Articles of Association;

(xvi) other duties as stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Borrowing Powers

The Articles of Association do not contain any specific provisions regarding Directors' exercise of borrowing powers, but there are relevant provisions regarding Directors' power to determine, to the extent authorized by the general meeting, on such matters as the external investments, purchase or sale of assets, assets mortgage, external guarantee, entrusted wealth management, connected transactions and external donations of the Company.

The Board shall consider the following major transactions within the scope of permissions: (save for the Company's provision of guarantee, being gifted with cash assets and indebtedness for the mere reduction of or exemption from the listed company's obligations):

(i) the total amount of assets involved in the transaction exceeds 10% of the latest audited total assets of the Company; where the total amount of assets involved in the transaction exceeds 50% of the latest audited total assets of the Company, such transaction shall be submitted to the general meeting for consideration; and if such total amount of assets involved in the transaction has both book value and assessed value, the higher shall be used for calculation.

(ii) the transaction consideration (including debts and expenses assumed) exceeds 10% of the latest audited net assets of the Company, and the absolute amount of which exceeds RMB10 million; where the transaction consideration (including debts and expenses assumed) exceeds 50% of the latest audited net assets of the Company, and the absolute amount of which exceeds RMB50 million, such transaction shall be submitted to the general meeting for consideration.

(iii) the profit arising from the transaction exceeds 10% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB1 million; where the profit arising from the transaction exceeds 50% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB5 million, such transaction shall be submitted to the general meeting for consideration.

(iv) the operating revenue generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 10% of the audited operating revenue of the Company in the most recent financial year, and the absolute amount of which exceeds RMB10 million; where the operating revenue generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 50% of the audited operating revenue of the Company in the most recent financial year, and the absolute amount of which exceeds RMB50 million, such transaction shall be submitted to the general meeting for consideration.

(v) the net profit generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 10% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB1 million; where the net profit generated by the subject matter (such as equity interest) of the transaction in the most recent financial year exceeds 50% of the audited net profit of the Company in the most recent financial year, and the absolute amount of which exceeds RMB5 million, such transaction shall be submitted to the general meeting for consideration.

(vi) the net assets involved in the subject matter (such as equity interest) of the transaction exceeds 10% of the latest audited net assets of the listed company, and the absolute amount of which exceeds RMB10 million; where the net assets involved in the subject matter (such as equity interest) of the transaction exceeds 50% of the latest audited net assets of the listed company, and the absolute amount of which exceeds RMB50 million, such transaction shall be submitted to the general meeting for consideration; and if such net assets involved in the transaction has both book value and assessed value, the higher shall be used for calculation.

Transactions between the Company and its controlling subsidiaries or other entities under its control within the scope of consolidated statements, or transactions between the said controlling subsidiaries or other entities under its control, shall be exempted from the requirements of disclosure and fulfillment of the corresponding procedures in accordance with the Articles of Association, unless otherwise provided by the CSRC or the Shanghai Stock Exchange or the Hong Kong Listing Rules.

The chairman of the Board shall be elected or dismissed by more than half of all the Directors. The chairman of the Board shall exercise the following duties and powers:

(i) to convene and preside over Board meetings, and to preside over general meetings;

(ii) to supervise and examine the implementation of resolutions of Board;

(iii) other duties and powers as authorised by the Board.

Where the chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by a Director jointly elected by more than half of the Directors.

The Board shall convene at least two meetings per year, and all Directors and Supervisors shall be notified in writing of each meeting 10 days prior to the meeting. Shareholders representing more than one-tenth of the voting rights, more than one-third of the Directors or the Supervisory Committee may propose to convene an extraordinary meeting of the Board. The chairman of the Board shall convene and preside over the extraordinary meeting of the Board within 10 days from the receipt of the proposal. The Board of Directors shall notify all Directors and Supervisors in writing, by fax or by mail 2 days before convening the extraordinary meeting of the Board. If the notice is not delivered directly, it shall also be confirmed by telephone and recorded accordingly.

The quorum of a Board meeting shall consist of more than one half of all Directors. A resolution of the Board shall be passed by more than half of all Directors. When the Board considers a resolution on the purchase of the shares of the Company within the Board's decision-making authority, the resolution shall be made with the attendance of at least two-thirds of the Directors of the Board and shall be passed by more than half of all Directors. When voting on the resolutions of the Board, each Director shall have one vote.

Where a Director has any connected relationship with the enterprise or individual involved in the matter to be decided at the meeting, he/she shall promptly report it in writing to the Board and shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other Directors. Such a Board meeting may be held only if more than one half of the Directors without a connected relationship are present, and the resolutions made at such a Board meeting shall require adoption by more than one half of the Directors without a connected relationship. If the number of non-connected Directors in presence is less than 3 persons, the matter shall be submitted to the general meeting for consideration. If there are any additional restrictions imposed by laws and regulations and the securities regulatory rules of the place where the shares of the Company are listed on the participation of Directors in the Board meetings and voting, such provisions shall apply.

The voting in respect of a resolution made at a Board meeting shall be: by open ballot or a show of hands. Each Director has the right to one vote. Resolutions of extraordinary meetings of the Board may be adopted by voting through telecommunication (including but not limited to telephone, facsimile etc.), provided that the Directors are allowed to freely express their views and the resolutions shall be signed by the attending Directors.

Directors shall attend Board meetings in person. If any Director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorization and validity period, which shall be signed or officially sealed by the appointing Director. A Director appointed as the representative of another Director to attend the meeting shall exercise the rights of a Director within the scope of authorization. Where a Director does not attend a Board meeting and does not appointed a proxy to attend the meeting on his behalf, he/she shall be deemed to have waived his/her voting right at the meeting.

Managers and other senior management

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company may have deputy general managers as necessary. Deputy general managers shall be nominated by the general manager and appointed or dismissed by the Board, and the deputy general manager shall assist the general manager in his/her work.

The circumstances of disqualification for Directors prescribed in Article 91 of the Articles of Association shall also be applicable to senior management.

The general manager shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The general manager shall report to the Board and exercise the following duties and powers:

(i) to take charge of the production, operation and management of the Company, organize the implementation of the Board, and report to the Board;

(ii) to organize the implementation annual business plans and investment plans of the Company;

(iii) to draft the plans for establishment of the internal management organization of the Company;

(iv) to draft the basic management system of the Company;

(v) to formulate the rules and regulations of the Company;

(vi) to propose to the Board the appointment or dismissal of the deputy general manager and chief financial officer of the Company;

(vii) to determine the appointment or dismissal of management personnel other than those whose appointment or dismissal shall be determined by the Board;

(viii) other duties and powers as may be conferred by the Articles or by the Board.

The Company shall have a secretary to the Board, who is responsible for preparing for general meeting and Board meetings, maintaining documents and managing Shareholders' information, as well as handling information disclosure matters.

The senior management of the Company shall perform their duties faithfully, and safeguard the best interests of the Company and all Shareholders. If the senior management of the Company fails to perform their duties faithfully or violates their fiduciary duties, causing damage to the interests of the Company and public Shareholders, they shall be liable for compensation in accordance with the laws.

SUPERVISORY COMMITTEE

Supervisors

The circumstances of disqualification for Directors prescribed in Article 91 of the Articles of Association shall be applicable to Supervisors. Directors, the general manager and other senior management shall not concurrently serve as Supervisors.

Supervisors shall comply with laws, administrative regulations and the Articles of Association and shall assume the duties of honesty and due diligence towards the Company. Supervisors shall not receive brides or other illegal income in abuse of the position or authority, or embezzle the company assets.

A Supervisor shall serve for a term of 3 years and may serve consecutive terms if re-appointed upon expiry of a term.

Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Supervisor, or in the event that the resignation of the Supervisor during his/her term of office results in the number of members of the Supervisory Committee falling below the statutory minimum requirement, such Supervisor shall continue to perform his/her duties as a Supervisor in accordance with the laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Supervisor assumes the office.

If circumstances stated in Article 178 of the Company Law occur on the part of a Supervisor during term of office, and if a Supervisor during term of office is subject to market debarment measures by the CSRC prohibiting the person from acting as a director, supervisor and senior management of a listed company, the period of which has not yet expired, the Supervisory Committee of the Company shall, from the date of occurrence of the relevant circumstances, immediately stop the relevant Supervisor from performing his/her duties and recommend to the general meeting that the Supervisor be replaced.

Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee comprises three Supervisors. It shall have one chairman, who shall be elected by more than half of all the Supervisors. The chairman of the Supervisory Committee shall convene and preside over Supervisory Committee meetings. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the Supervisory Committee meetings shall be convened or presided over by a Supervisor jointly elected by more than half of the Supervisors.

The Supervisory Committee shall include representatives of Shareholders and a proper proportion of employee representatives of the Company. The proportion of employee representatives shall be no less than one third of the Supervisors appointed. The employee representatives of the Supervisory Committee shall be elected at the employee representatives' meeting, employee meeting or otherwise democratically.

The Supervisory Committee shall exercise the following duties and powers:

(i) to review the periodic reports of the Company prepared by the Board and express its written opinion;

(ii) to check the financial condition of the Company;

(iii) to monitor the performance of duties in the Company by Directors and senior management and propose dismissal of Directors and senior management who have violated laws, administrative regulations, the Articles of Association or the resolutions of general meetings;

(iv) to require Directors and the senior management to make corrections if their conduct has damaged the interests of the Company;

(v) to propose the convening of extraordinary general meetings and, in the event that the Board fails to perform the obligations to convene and preside over the general meetings in accordance with Company Law, to convene and preside over the general meetings;

(vi) to propose proposals to the general meetings;

(vii) to attend Board meetings;

(viii) to file lawsuit against Directors and senior management in accordance with Article 189 of the Company Law;

(ix) in case of any irregularity identified in the operations of the Company, investigations may be conducted, and if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;

(x) The Supervisory Committee may require directors and senior management to submit reports on the performance of their duties. Directors and senior management shall truthfully provide the Supervisory Committee with relevant information and materials and shall not hinder the Supervisory Committee or Supervisors from exercising their powers.

The Supervisory Committee shall convene at least one meeting every six months. Supervisors may propose to convene an extraordinary Supervisor Committee meeting. Resolutions of the Supervisory Committee shall be passed by more than half of the Supervisors.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial Accounting System

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations and requirements of relevant PRC authorities.

The Company shall report and disclose its annual reports to the CSRC and the stock exchange(s) within four months from the ending date of each fiscal year, and report and disclose its interim report to the delegated authority of the CSRC and the stock exchange(s) within two months from the end of the first half of each fiscal year. The aforementioned annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations and regulations of the CSRC and the stock exchange(s).

The Company shall not keep accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Profit distribution

When distributing after-tax profits of the year, the Company shall set aside 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision. Subject to a resolution passed at a general meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of statutory reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. No profit shall be distributed in respect of the shares of the Company which are held by the Company. If the Company distributes profits to Shareholders in violation of the Articles of Association, the Shareholders must refund to the Company the profits distributed in violation of the provision. If losses are caused to the company, the shareholders and responsible Directors, Supervisors, and senior management shall bear liability for compensation.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. When using the reserve fund to make up for the loss, the discretionary reserve fund and statutory reserve fund should be used first; if the loss still cannot be made up, the capital reserve fund may be used in accordance with regulations. When the statutory reserve fund is capitalized, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalization.

The Company may distribute profits in the form of cash, shares or a combination of both, or in any other manner permitted by laws and regulations. The Company shall prioritize the use of cash dividends for profit distribution. Based on the cash flow position, business growth, net asset size per share and other real and reasonable factors, the Company may adopt the method of distributing share dividends for profit distribution.

Internal audit

The Company shall implement an internal audit system which is equipped with dedicated audit personnel to conduct internal audits for supervision of financial income and expenditure and economic activities of the Company.

The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board. The head of audit shall be accountable and report to the Board.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has complied with the Securities Law for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of general meetings. The Board shall not appoint accounting firm before the approval of the general meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm shall be determined by the general meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 30 days in advance; when the general meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation.

An accounting firm proposing to resign shall state at a general meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company.

In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall publish an announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Other listing rules at the place where the shares of the Company are listed shall prevail.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly.

Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall publish an announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. Other listing rules at the place where the shares of the Company are listed shall prevail.

Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company reduces its registered capital, it shall prepare a balance sheet and property list.

The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall publish an announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 30 days as of the date of such resolution. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts. Other listing rules at the place where the shares of the Company are listed shall prevail.

When the Company reduces its registered capital, it shall reduce the amount of its contributions or shares in proportion to the contributions or shares held by Shareholders, except otherwise provided by law or the Articles of Association.

The registered capital of the Company after the reduction shall not be less than the statutory minimum amount.

Where there is a merger or division of the Company, the Company shall, in accordance with the laws, apply for change in its registration with the company registration authority for any changes of its registered information caused thereby. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration of incorporation in accordance with the laws.

Where there is an increase or reduction in the registered capital, the Company shall, in accordance with the laws, apply for change in registration with the company registration authority.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of any of the following events:

(1) expiry of the term of business provided in the Articles of Association or other cause of dissolution as specified therein;

(2) a resolution on dissolution is passed by general meeting;

(3) dissolution is required due to the merger or division of the Company;

(4) the business license of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;

(5) the Company suffers significant hardships in operation and management that cannot be resolved through other means, and its continuation may cause substantial loss in Shareholders' interests, Shareholders representing 10% or above of the total voting rights of the Company may plead the people's court to dissolve the Company.

If the above-mentioned event (1) and (2) occur and the property has not yet been distributed to the Shareholders, the Company may continue to exist by amending the Articles of Association or resolution of the general meeting. Amendments to the Articles of Association or resolution of the general meeting pursuant to the preceding paragraph shall be subject to the approval of Shareholders representing two-thirds or above of the voting rights present at the general meetings.

Where the Company is dissolved pursuant to sub-paragraph (1), (2), (4) or (5) above, it shall be liquidated. Directors shall be the persons responsible for liquidation of the Company and shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be started. The liquidation committee shall be composed of Directors, except where the Articles of Association provide otherwise or the general meeting resolves to elect other persons. If the liquidation committee is not established to conduct liquidation within the prescribed time limit or the liquidation is not conducted after the liquidation committee is established, the interested parties may apply to the People's Court to designate relevant personnel to form a liquidation committee to conduct liquidation.

As of the date of its establishment, the liquidation committee shall notify the creditors within 10 days and make public announcement on the media that complies with the requirements of the CSRC or National Enterprise Credit Information Publicity System, the website of the Shanghai Stock Exchange (**http://www.sse.com.cn**) and the website of the Hong Kong Stock Exchange (**www.hkexnews.hk**) within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee. Other listing rules at the place where the shares of the Company are listed shall prevail.

Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims.

The liquidation committee shall not pay off any debts to any creditors during period of credit declaration.

After checking the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation by general meeting or the people's court. The remaining properties of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs, taxes and debts of the Company, shall be distributed to the shareholders in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The assets of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding article.

If the liquidation committee, after checking the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the people's court for bankruptcy liquidation. After the People's Court accepts the bankruptcy application, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the People's Court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the general meeting or the people's court for confirmation, and submit the report to the company registration authority to apply for de-registration of the Company.

Where the Company is declared bankruptcy in accordance with law, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

(1) after amendments are made to the Company Law or other relevant laws, administrative regulations and regulatory rules at the place where the shares of the Company are listed, any term contained in the Articles of Association become inconsistent with the said amendments;

(2) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;

(3) the general meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the general meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved change shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of the general meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of Our Company

Our Company was incorporated in the PRC as a limited liability company on March 11, 2003 and was converted to a joint stock liability company with limited liability on January 23, 2014 under the PRC Company Law.

We have established a principal place of business in Hong Kong at 46/F, Hopewell Centre,183 Queen's Road East, Wan Chai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on August 22, 2023. Ms. Cheung Lai Ha has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong, whose correspondence address is the same as our principal place of business in Hong Kong.

As our Company was incorporated in the PRC, our corporate structure and Articles of Association are subject to the relevant PRC Law. A summary of the relevant PRC Law and of the Articles of Association is set out in "Regulatory Overview" and Appendix III, respectively.

2. Changes in the Share Capital of Our Company

When our Company was converted into a joint stock liability company with limited liability under the PRC Company Law, our initial registered capital was RMB156,000,000, divided into 156,000,000 Shares with a nominal value of RMB1.00 each.

Assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised, upon completion of the Global Offering, our issued share capital will increase to RMB665,078,903, made up of 565,078,903 A Shares and 100,000,000 H Shares fully paid up or credited as fully paid up, representing 84.96% and 15.04% of our registered share capital, respectively. For further details, see "Share Capital" in this prospectus.

Save as disclosed above, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

3. The Shareholders' Resolutions of Our Company

At the extraordinary general meeting of our Company held on October 9, 2023, the following resolutions, among other things, were duly passed:

(i) the issue by our Company of H Shares with a nominal value of RMB1.00 each and such H Shares be listed on the Hong Kong Stock Exchange;

(ii) the number of H Shares to be issued shall be up to 113,015,000, and the grant of the Over-allotment Option in respect of no more than 15% of the number of H Shares issued pursuant to the Global Offering;

(iii) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the Global Offering, the issue and listing of H Shares on the Hong Kong Stock Exchange; and

(iv) subject to the completion of the Global Offering, the conditional adoption of the revised Articles of Association, which shall become effective on the Listing Date.

4. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in Note 1 to Part II of the Accountants' Report, the text of which is set out in Appendix IA. Save for the subsidiaries mentioned in the Accountants' Report, we do not have any other subsidiaries.

The following subsidiaries have been incorporated within the two years immediately preceding the date of this prospectus:

Name of Subsidiary	Place of Incorporation	Date of Incorporation
Jiangsu Lopal New Material Technology Co., Ltd. (江蘇龍蟠新材料科技有限公司)	PRC	January 4, 2023
Lopal Mining (Hong Kong) Co., Limited (龍蟠礦業(香港)有限公司)	Hong Kong	January 30, 2023
LBM New Energy Singapore Pte. Ltd.	Singapore	February 8, 2023
PT LBM Energi Baru Indonesia	Indonesia	February 22, 2023

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

Changzhou Liyuan

On February 5, 2024, the share capital of Changzhou Liyuan was increased from RMB720,741,131 to RMB735,071,009.

On May 29, 2024, the share capital of Changzhou Liyuan was increased from RMB735,071,009 to RMB778,614,662.

Jiangsu Tianlan Intelligent Equipment Co., Ltd. (江蘇天藍智能裝備有限公司)

On May 4, 2023, the registered capital of Jiangsu Tianlan Intelligent Equipment Co., Ltd (江蘇天藍智能裝備有限公司) was increased from RMB20,000,000 to RMB200,000,000.

Shandong Liyuan

On September 27, 2024, the sole shareholder of Shandong Liyuan has resolved to increase the registered capital of Shandong Liyuan from RMB160,000,000 to RMB410,000,000. As of the Latest Practicable Date, the said capital increase has not been completed.

Hubei Liyuan

On October 14, 2024, the registered capital of Hubei Liyuan increased from RMB160,000,000 to RMB410,000,000.

Jiangsu Lopal Green Energy Co., Ltd. (江蘇龍蟠綠色能源有限公司)

On September 19, 2024, the registered capital of Jiangsu Lopal Green Energy Co., Ltd. was increased from RMB20,000,000 to RMB100,000,000.

LBM New Energy Singapore Pte. Ltd.

On December 20, 2023, the share capital of LBM New Energy Singapore Pte. Ltd. was increased from US$2,000 to US$7,000.

LBM New Energy (AP) Pte. Ltd.

On January 5, 2024, the share capital of LBM New Energy (AP) Pte. Ltd. was increased from US$3,300,000 to US$3,742,000.

On February 7, 2024, the share capital of LBM New Energy (AP) Pte. Ltd. was further increased from US$3,742,000 to US$54,164,463.

Lopal New Material

On June 21, 2024, the registered capital of Lopal New Material was increased from RMB100,000,000 to RMB145,000,000.

PT LBM Energi Baru Indonesia

On June 3, 2024, the share capital of PT LBM Energi Baru Indonesia was increased from 300,000,000,000 Indonesian Rupiah to 851,873,000,000 Indonesian Rupiah.

Save as disclosed above, there have been no alterations in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

5. 2023 Share Option Scheme

The following is a summary of the principal terms of the 2023 Share Option Scheme approved and adopted by our Shareholders at the extraordinary general meeting held on September 22, 2023 and the details regarding the outstanding options granted under the 2023 Share Option Scheme.

Since no options or awards will be granted by our Company pursuant to the 2023 Share Option Scheme after the Listing, the provisions of Chapter 17 of the Listing Rules do not apply to the terms of the 2023 Share Option Scheme.

(a) Purpose

The purposes of the 2023 Share Option Scheme are as follows:

(i) to align the interests of our Company, Shareholders and employees, facilitate the parties' mutual interests to focus on the long-term development of our Company, thus bring about more attractive and sustainable returns for our Shareholders;

(ii) to improve the corporate governance structure and the long-term and effective incentive mechanisms of our Company to ensure long-term and stable development of our Company;

(iii) to incentivize the management personnel and employees, attract and retain management talents and key personnel, prevent loss of talents, and enhance cohesiveness and competitiveness of our Company.

(b) Who may participate

The scope of the eligible participants of the 2023 Share Option Scheme ("**2023 Eligible Participants**") is determined and approved by our Board, having taken into account the actual situation of our Company, in accordance with the PRC Company Law, the PRC Securities Law, other relevant laws, regulations and regulatory documents and the Articles of Association.

The 2023 Eligible Participants include the directors, senior management, mid-level management and key technical (business) personnel of our Company and shall not include the independent directors, supervisors and any shareholders or actual controllers of over 5% equity interests of our Company, together with their spouses, parents and children.

(c) 2023 Scheme Mandate Limit

The total number of underlying Shares which may be issued upon exercise of all outstanding options granted under the 2023 Share Option Scheme (the "**2023 Scheme Mandate Limit**") shall be 5,295,000 A Shares and shall not be more than 10% of the share capital of our Company in aggregate. The 2023 Scheme Mandate Limit shall be adjusted in the event of any alteration in the capital structure of our Company whilst any option remains exercisable, to proportionally reflect any capitalization of profits or reserves, bonus issue, rights issue, sub-division, consolidation of shares, dividend distribution, etc. of our Company.

(d) Maximum entitlement of a grantee

Any grant of the options to any grantees in respect of all the options granted to such person under all validly subsisting share option schemes of the Company in aggregate shall not exceed 1% of the Shares in issue.

(e) Duration of the 2023 Share Option Scheme

The 2023 Share Option Scheme shall be valid and effective for the period of time commencing from the date of grant of options, i.e. September 22, 2023 (the "**2023 Scheme Effective Date**") and expiring on the day when all options granted to the 2023 Eligible Participants under the 2023 Share Option Scheme are exercised or cancelled, which shall in any event be no later than the date which is 36 months after the 2023 Scheme Effective Date.

(f) Lock-up

The A Shares to be issued to the grantees pursuant to the exercise of the options are subject to lock-up restrictions in accordance with the PRC Company Law, the PRC Securities Law and other relevant laws and regulations and the Articles of Association, in particular, where the grantee is a director or a member of the senior management of our Company, the number of Shares which may be transferred by the grantee each year during his/her tenure of office shall not exceed 25% of the total number of the Shares held by him/her, and the grantee shall not transfer any Shares held by him/her within six months after his/her resignation from the positions held in our Group.

(g) Transferability of options

The options granted to the 2023 Eligible Participants shall not be transferred or used as guarantee or for repayment of debts during the vesting period.

(h) Outstanding options granted under the 2023 Share Option Scheme

As of the Latest Practicable Date, a total of 162 2023 Eligible Participants have been granted outstanding options under the 2023 Share Option Scheme to subscribe for 5,295,000 A Shares in aggregate, representing 0.80% of the total issued Shares immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised). All the outstanding options under the 2023 Share Option Scheme were granted on September 22, 2023 and our Company will not grant any further options under the 2023 Share Option Scheme after the Listing. No consideration was payable for the grant of the options.

Assuming full vesting and exercise of all outstanding options under the 2023 Share Option Scheme, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised) will be diluted by a maximum of approximately 0.79%. The maximum dilution effect on our earnings per Share would be approximately 0.79%.

The table below sets out the details of outstanding options granted to our Directors, senior management members and other connected persons of our Company under the 2023 Share Option Scheme as of the Latest Practicable Date:

Name	Position or Connected Relationship	Address	Exercise Price (*RMB per Share*)	Number of A Shares Underlying the Outstanding Options	Date of Grant	Vesting Periods	Exercise Periods	Approximate % of Share Capital of Our Company Immediately after Completion of the Global Offering[(1)]
Shi Yingfei (史瑩飛)	Executive president of Liyuan (Shenzhen) Scientific Research Co., Ltd. Nephew of Mr. Shi	Room 306, Unit 3, Building 29, No. 1 Qiaoxiang Road Qixia District, Nanjing Jiangsu Province PRC	11.92	790,000	September 22, 2023	See Note (2) below	See Note (3) below	0.12%
Shen Zhiyong (沈志勇)	Executive Director and chief financial officer of our Company	Room 302, Unit 1, Building 3 No.18 Yaojia Road Qixia District, Nanjing Jiangsu Province PRC	11.92	690,000	September 22, 2023	See Note (2) below	See Note (3) below	0.10%
Zhang Yi (張羿). .	Executive Director, secretary of our Board and joint company secretary of our Company	Room 304, Unit 2, Building 1 Jinlingjiuyuan Heyuan No. 56 Dashugen Xuanwu District, Nanjing Jiangsu Province PRC	11.92	190,000	September 22, 2023	See Note (2) below	See Note (3) below	0.03%
Lu Zhenya (呂振亞)	Executive Director	Room 1005, Unit 3, Building 5 No. 2 Jinyao Road Qixia District, Nanjing Jiangsu Province PRC	11.92	190,000	September 22, 2023	See Note (2) below	See Note (3) below	0.03%

Name	Position or Connected Relationship	Address	Exercise Price (*RMB per Share*)	Number of A Shares Underlying the Outstanding Options	Date of Grant	Vesting Periods	Exercise Periods	Approximate % of Share Capital of Our Company Immediately after Completion of the Global Offering[(1)]
Qin Jian (秦建) . .	Executive Director and deputy manager of our Company	Room 604, Unit 2, Building 6 Zuoyou Yangguang Community Qixia District, Nanjing Jiangsu Province PRC	11.92	180,000	September 22, 2023	See Note (2) below	See Note (3) below	0.03%
Chen Li (陳麗). . .	Supervisor of Jiangsu Ruilifeng and Zhangjiagang TEEC[(4)]	Room 912, Unit 3, Building 30, Block 12, Tianruncheng, No. 2, Tianhua North Road, Pukou District, Nanjing Jiangsu Province PRC	11.92	105,000	September 22, 2023	See Note (2) below	See Note (3) below	0.02%
Gao Qilin (高啓林)	Assistant to the director of engineering construction center of our Company Nephew of Mr. Shi	No.31, Group 25, Changping Village Daqiao County Jiangdu District, Yangzhou Jiangsu Province PRC	11.92	90,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Sun Liyuan (孫麗媛)	Supervisor of Changzhou Liyuan, Jiangsu Beiterui Nano and Tianjin Beiterui Nano[(5)]	Room 302, Unit 1, Building 73 1–4 Block of Tianrun Cheng Jiangbei New District, Nanjing Jiangsu Province PRC	11.92	80,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Lu Congjiang (呂從江)	Supervisor of Shandong Liyuan[(6)]	Room 802, Building 27, Shunwangfu, Juancheng County, Heze City, Shandong Province, PRC	11.92	70,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Xie Yichao (解一超)	Executive general manager of Lopal Times	Room 906, Building 52, R&F City Phase II, Jiangning District, Nanjing Jiangsu Province PRC	11.92	70,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Zhang Bingying (張炳英)	Supervisor of Shandong Kelas[(7)]	Room 703, Unit 2, Building 2, No. 8 Wenzong Road, Qixia District, Nanjing Jiangsu Province PRC	11.92	50,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Shi Baoshan (石寶山)	Technical consultant of Jiangsu Kelas Elder brother of Mr. Shi	4–3–101, Shangcheng Fengjing Nanyuan Yaohua Street, Qixia District, Nanjing Jiangsu Province PRC	11.92	40,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Zhu Lei (朱磊). . .	General manager of Jiangsu Ruilifeng	12–201, Yangzi Shiqi Village Liuhe District, Nanjing Jiangsu Province PRC	11.92	40,000	September 22, 2023	See Note (2) below	See Note (3) below	0.01%
Chen Xiaomin (陳小民)	Supervisor of Changzhou Liyuan[(8)]	Area A, Huizhi Science and Technology Park No.8 Hengtai Road Qixia District, Nanjing Jiangsu Province PRC	11.92	30,000	September 22, 2023	See Note (2) below	See Note (3) below	0.00%

Name	Position or Connected Relationship	Address	Exercise Price (*RMB per Share*)	Number of A Shares Underlying the Outstanding Options	Date of Grant	Vesting Periods	Exercise Periods	Approximate % of Share Capital of Our Company Immediately after Completion of the Global Offering[(1)]
Yu Xiang (于翔)	Supervisor and head of human resources department of Changzhou Liyuan[(9)]	Room 608, Building 15 Dongcheng Shijia No. 3 Yaochen Road Qixia District, Nanjing Jiangsu Province PRC	11.92	20,000	September 22, 2023	See Note (2) below	See Note (3) below	0.00%
Wu Jiansheng (吳建生)	Manager of administration department of Lopal Times Brother-in-law of Ms. Zhu	No.15 of Wuzhuang 2 Group, Nansha Village Huangqiao County, Taixing Jiangsu Province PRC	11.92	15,000	September 22, 2023	See Note (2) below	See Note (3) below	0.00%

Notes:

(1) The calculation is based on 665,078,903 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised).

(2) The vesting periods are 12 months and 24 months commencing from the grant date of the 2023 Share Option Scheme, i.e. September 22, 2023.

(3) The exercise periods for the relevant options are as follows: 50% of the options shall be exercisable from September 22, 2024 to September 21, 2025, and 50% of the options shall be exercisable from September 22, 2025 to September 21, 2026.

(4) Ms. Chen Li is a mid-level management member of our Group and is not an independent Director or Supervisor. Ms. Chen Li is thus a 2023 Eligible Participant.

(5) Ms. Sun Liyuan is a mid-level management member of our Company and is not an independent Director or Supervisor. Ms. Sun Liyuan is thus a 2023 Eligible Participant.

(6) Mr. Lu Congjiang is a mid-level management member of our Group and is not an independent Director or Supervisor. Mr. Lu Congjiang is thus a 2023 Eligible Participant.

(7) Mr. Zhang Bingying is a mid-level management member of our Group and is not an independent Director or Supervisor. Mr. Zhang Bingying is thus a 2023 Eligible Participant.

(8) Mr. Chen Xiaomin is a mid-level management member of our Company and is not an independent Director or Supervisor. Mr. Chen Xiaomin is thus a 2023 Eligible Participant.

(9) Mr. Yu Xiang is a mid-level management member of the Group and is not an independent Director or Supervisor. Mr. Yu Xiang is thus a 2023 Eligible Participant.

As of the Latest Practicable Date, other than the sixteen individuals who were our Directors, senior management members and/or other connected persons of our Company disclosed above, no options were granted to any Directors, senior management members and/or other connected persons of our Company under the 2023 Share Option Scheme.

Save for the sixteen grantees disclosed above, the remaining 146 grantees who were not our Directors, senior management members or other connected persons of our Company held an aggregate of 2,645,000 options that were still outstanding and unexercised under the 2023 Share Option Scheme as of the Latest Practicable Date, representing 0.40% of the total issued Shares immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised). The table below set out the details of the outstanding options granted to such remaining grantees under the 2023 Share Option Scheme as of the Latest Practicable Date:

Range of Outstanding Shares under Options Granted	Total Number of Grantees	Total Number of Outstanding Shares under Options Granted	Exercise price *(RMB per Share)*	Date of Grant	Vesting Periods	Exercise Periods	Approximate % of Share Capital of Our Company Immediately after Completion of the Global Offering[1]
1 to 10,000 Shares	66	660,000	11.92	September 22, 2023	See Note (2) below	See Note (3) below	0.10%
10,001 to 100,000 Shares.	79	1,825,000	11.92	September 22, 2023	See Note (2) below	See Note (3) below	0.27%
100,001 to 160,000 Shares	1	160,000	11.92	September 22, 2023	See Note (2) below	See Note (3) below	0.02%

Notes:

(1) The calculation is based on 665,078,903 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised).

(2) The vesting periods are 12 months and 24 months commencing from the grant date of the 2023 Share Option Scheme, i.e. September 22, 2023.

(3) 50% of the options shall be exercisable from September 22, 2024 to September 21, 2025, and 50% of the options shall be exercisable from September 22, 2025 to September 21, 2026.

We have applied to the Stock Exchange and SFC, respectively for (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. See "Waivers from Strict Compliance with the Hong Kong Listing Rules and Exemptions from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver and Exemption in Relation to the 2023 Share Option Scheme."

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

(a) the Hong Kong Underwriting Agreement;

(b) a cornerstone investment agreement (基石投資協議) dated October 16, 2024, entered into among our Company, Harvest International Premium Value (Secondary Market) Fund SPC acting on behalf of and for the account of Harvest Oriental SP (the "**Investor**"), Guotai Junan Capital Limited, Guotai Junan Securities (Hong Kong) Limited, Halcyon Capital Limited and Halcyon Securities Limited, pursuant to which, the Investor agreed to subscribe for 20,000,000 Offer Shares at the Offer Price;

(c) the capital increase agreement in relation to Changzhou Liyuan New Energy Technology Co., Ltd. (關於常州鋰源新能源科技有限公司之增資協議) dated May 13, 2024 entered into by and among Kunlun Gongrong Green (Beijing) New Industry Investment Fund Partnership (Limited Partnership) (昆侖工融綠色(北京)新興產業投資基金合夥企業(有限合夥)) ("**Kunlun Gongrong**"), Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司) ("**Jianxin Investment**"), Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保税港區問鼎投資有限公司), Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥企業(有限合夥)), our Company, BTR New Material Group Co., Ltd. (貝特瑞新材料集團股份有限公司), Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥)), Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥)), Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership) (常州金壇泓遠創業投資合夥企業(有限合夥)), Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥)) and Changzhou Liyuan New Energy Technology Co., Ltd. (常州鋰源新能源科技有限公司) ("**Changzhou Liyuan**"), pursuant to which (i) the capital injection by Jianxin Investment was modified to the effect that Jianxin Investment will subscribe registered capital of RMB15,015,440 (instead of RMB14,329,878) in Changzhou Liyuan at the same consideration of RMB100,000,000 and (ii) Kunlun Gongrong agreed to subscribe registered capital of RMB42,858,091 in Changzhou Liyuan by way of capital increase at a consideration of RMB285,426,805.77;

(d) the supplemental agreement to the equity transfer agreement in relation to Shandong Meiduo Technology Co., Ltd. (關於山東美多科技有限公司之股權轉讓協議之補充協議) dated March 7, 2024 entered into by and among Lopal International Holdings Co., Ltd. (龍蟠國際控股有限公司), our Company and Shandong Meiduo Technology Co., Ltd. (山東美多科技有限公司) to amend the completion date of the transfer of all equity interest in Shandong Meiduo Technology Co., Ltd. (山東美多科技有限公司) from Lopal International Holdings Co., Ltd. (龍蟠國際控股有限公司) to our Company;

(e) the equity transfer agreement in relation to Shandong Meiduo Technology Co., Ltd. (關於山東美多科技有限公司之股權轉讓協議) dated March 6, 2024 entered into by and among Lopal International Holdings Co., Ltd. (龍蟠國際控股有限公司), our Company and Shandong Meiduo Technology Co., Ltd. (山東美多科技有限公司), pursuant to which Lopal International Holdings Co., Ltd. (龍蟠國際控股有限公司) agreed to sell, and our Company agreed to purchase, 100% equity interest in Shandong Meiduo Technology Co., Ltd. (山東美多科技有限公司) at the consideration of RMB100,539,200;

(f) the capital increase agreement in relation to Changzhou Liyuan New Energy Technology Co., Ltd. (關於常州鋰源新能源科技有限公司之增資協議) dated December 31, 2023 entered into by and among Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司), Ningbo Meishan Baoshuigang District Wending Investment Co., Ltd. (寧波梅山保税港區問鼎投資有限公司), Fujian Times Mindong New Energy Industry Equity Investment Partnership (Limited Partnership) (福建時代閩東新能源產業股權投資合夥企業(有限合夥)), our Company, BTR New Material Group Co., Ltd. (貝特瑞新材料集團股份有限公司), Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥)), Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥)), Changzhou Jintan Hongyuan Venture Capital Partnership (Limited Partnership) (常州金壇泓遠創業投資合夥企業(有限合夥)), Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥)) and Changzhou Liyuan New Energy Technology Co., Ltd. (常州鋰源新能源科技有限公司), pursuant to which Jianxin Financial Asset Investment Co., Ltd. (建信金融資產投資有限公司) agreed to subscribe registered capital of RMB14,329,878 at the consideration of RMB100,000,000 and the registered capital of Changzhou Liyuan New Energy Technology Co., Ltd. (常州鋰源新能源科技有限公司) was increased from RMB720,741,131 to RMB735,071,009;

(g) the equity transfer agreement in relation to Sichuan Yingda Lithium New Material Co., Ltd. (四川省盈達鋰電新材料有限公司股權轉讓協議) dated February 21, 2023 entered into between Sichuan Liyuan New Material Co., Ltd. (四川鋰源新材料有限公司) and Sichuan Langcheng New Energy Technology Co., Ltd. (四川朗晟新能源科技有限公司), pursuant to which Sichuan Liyuan New Material Co., Ltd. (四川鋰源新材料有限公司) agreed to sell, and Sichuan Langcheng New Energy Technology Co., Ltd. (四川朗晟新能源科技有限公司) agreed to buy equity interests representing RMB23,000,000 paid-up capital of Sichuan Yingda Lithium New Material Co., Ltd. (四川省盈達鋰電新材料有限公司) at an aggregate consideration of RMB38,186,900; and

(h) the equity transfer agreement in relation to Yifeng Times New Energy Materials Co., Ltd. (關於宜豐時代新能源材料有限公司之股權轉讓協議) dated October 28, 2022 entered into by and among our Company, Yichun Times New Energy Resources Co., Ltd. (宜春時代新能源資源有限公司) and Yifeng Times New Energy Materials Co., Ltd. (宜豐時代新能源材料有限公司) (formerly known as Yifeng Times Yongxing New Energy Materials Co., Ltd. (宜豐時代永興新能源材料有限公司) and now known as Yichun Lopal Times Lithium Industry Technology Co., Ltd. (宜春龍蟠時代鋰業科技有限公司)), pursuant to which Yichun Times New Energy Resources Co., Ltd. (宜春時代新能源資源有限公司) agreed to sell, and our Company agreed to purchase, 70% equity interest in Yifeng Times New Energy Materials Co., Ltd. (宜豐時代新能源材料有限公司) (formerly known as Yifeng Times Yongxing New Energy Materials Co., Ltd. (宜豐時代永興新能源材料有限公司) and now known as Yichun Lopal Times Lithium Industry Technology Co., Ltd. (宜春龍蟠時代鋰業科技有限公司)) at the consideration of RMB1.

2. Our Material Intellectual Property Rights

As of the Latest Practicable Date, we had registered or had applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Registered Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which are material to our business:

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
1.	龙 蟠 Long Pan	4	The Company	PRC	5579704	October 20, 2029
2.	龙 蟠 Long Pan	1	The Company	PRC	5579705	July 20, 2025
3.	龙 蟠	1	The Company	PRC	5811140	December 13, 2029
4.	龙 蟠	4	The Company	PRC	5811137	December 6, 2029
5.	龙 蟠	35	The Company	PRC	5811054	March 27, 2030
6.	龙 蟠	37	The Company	PRC	5811071	February 6, 2030
7.		4	The Company	PRC	6142123	February 13, 2030
8.		1	The Company	PRC	6142124	February 20, 2030
9.	LOPAL	1	The Company	PRC	6142139	February 20, 2030
10.	龙蟠1号	4	The Company	PRC	7080092	August 6, 2030
11.	四季通	4	The Company	PRC	7255821	August 27, 2030
12.		4	The Company	PRC	7793435	December 27, 2030
13.	钢 盾	1	The Company	PRC	9609031	September 6, 2032
14.	倍多润 BETTER RUN	4	The Company	PRC	10812317	July 20, 2033

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
15.	龙蟠四季通	1	The Company	PRC	12224540	August 13, 2034
16.	重卡之星	4	The Company	PRC	12635845	October 13, 2034
17.	喜压	1	The Company	PRC	14134328	April 13, 2025
18.	龙蟠科技	1	The Company	PRC	14134417	August 27, 2025
19.	龙蟠科技	4	The Company	PRC	14134245	April 13, 2025
20.	SONIC	1, 4	The Company	PRC	14724563	May 6, 2027
21.	SONiC	4	The Company	PRC	14724161	October 13, 2025
22.	龙蟠钢盾	4	The Company	PRC	17627902	September 27, 2026
23.	轻卡之星	4	The Company	PRC	20129792	July 20, 2027
24.	龙蟠拒蚀	1	The Company	PRC	28431093	November 27, 2028
25.	SONiC	1	The Company	PRC	28512645	December 6, 2028
26.	SONiC	4	The Company	PRC	28506576	December 6, 2028
27.	龙蟠	4	The Company	PRC	29022919	December 20, 2028
28.	龙蟠	1	The Company	PRC	21293726	November 13, 2027
29.	龙蟠	1	The Company	PRC	30967851	August 13, 2029
30.	四季通	37	The Company	PRC	31475467	March 20, 2029
31.	TriSonic	1	The Company	PRC	33676457	May 27, 2029

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
32.	TriSonic	4	The Company	PRC	33676482	May 27, 2029
33.	超速龙	1	The Company	PRC	38939314	February 20, 2030
34.	超速龙	4	The Company	PRC	38933360	February 6, 2030
35.	超速龙	35	The Company	PRC	38934849	February 6, 2030
36.	Lopal	1	The Company	PRC	43598792	October 20, 2030
37.	Lopal	1	The Company	PRC	44826918	December 13, 2030
38.	Lopal	4	The Company	PRC	43603981	October 20, 2030
39.	Lopal	35	The Company	PRC	43609193	October 20, 2030
40.	Lopal	37	The Company	PRC	44825345	December 13, 2030
41.		1	The Company	PRC	43610229	February 20, 2031
42.		37	The Company	PRC	43357965	November 27, 2030
43.		1	The Company	PRC	44829994	February 27, 2031
44.		37	The Company	PRC	44828446	February 6, 2031
45.	龙蟠1号	4	The Company	PRC	44832012	January 13, 2031
46.	龙蟠1号	3	The Company	PRC	52073441	August 13, 2031
47.	钢盾	4	The Company	PRC	32383602	July 13, 2030

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
48.	龙蟠1号	35	The Company	PRC	44817887	December 6, 2030
49.	龙蟠1号	1	The Company	PRC	44819430	December 6, 2030
50.	龙蟠1号	37	The Company	PRC	44829982	January 13, 2031
51.	净威方程式	4	The Company	PRC	53391376	September 6, 2031
52.	能量狮	1	The Company	PRC	53645264	September 27, 2031
53.	净擎虎	1	The Company	PRC	53645292	September 27, 2031
54.	龙蟠润滑油 Lopal	1	The Company	PRC	44830034	October 27, 2031
55.	龙蟠动力豹	1	The Company	PRC	58060801	January 27, 2031
56.	动力豹	1	The Company	PRC	53637091	September 20, 2032
57.	钢盾	4	The Company	PRC	38485186	January 13, 2033
58.	龙蟠防渗宝	4	The Company	PRC	8046208	September 6, 2032
59.	龙蟠	1	The Company	PRC	76136811	June 27, 2034
60.		1	The Company	PRC	67730870	March 6, 2034
61.	龙蟠	4	The Company	PRC	76151164	June 27, 2034
62.	可兰素	1	Jiangsu Kelas	PRC	7559030	November 20, 2030
63.	可兰素	1	Jiangsu Kelas	PRC	17989613	November 6, 2026
64.	可兰素	3	Jiangsu Kelas	PRC	17989884	November 6, 2026
65.	可兰素	4	Jiangsu Kelas	PRC	13583770	February 20, 2025

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
66.	可兰素	4	Jiangsu Kelas	PRC	17995621	December 6, 2026
67.	可兰素	5	Jiangsu Kelas	PRC	14005913	March 13, 2025
68.	可兰素	35	Jiangsu Kelas	PRC	14008779	March 13, 2025
69.	可兰素	37	Jiangsu Kelas	PRC	12224818	August 13, 2034
70.	可兰素	37	Jiangsu Kelas	PRC	17995766	November 13, 2026
71.	Kelas	1	Jiangsu Kelas	PRC	13584528	February 13, 2025
72.	Kelas	1	Jiangsu Kelas	PRC	17989827	January 13, 2027
73.	Kelas	4	Jiangsu Kelas	PRC	13584541	February 13, 2025
74.	Kelas	4	Jiangsu Kelas	PRC	17995628	November 13, 2026
75.	Kelas	5	Jiangsu Kelas	PRC	17995813	January 13, 2027
76.	Kelas	37	Jiangsu Kelas	PRC	13584581	February 13, 2025
77.	Kelas	37	Jiangsu Kelas	PRC	17995652	November 13, 2026
78.		1	Jiangsu Kelas	PRC	13618158	February 27, 2025
79.		4	Jiangsu Kelas	PRC	13618302	August 27, 2025
80.		5	Jiangsu Kelas	PRC	15975178	October 27, 2026
81.		35	Jiangsu Kelas	PRC	15989247	May 20, 2026
82.		37	Jiangsu Kelas	PRC	17990365	January 13, 2027

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
83.		1	Jiangsu Kelas	PRC	14012803	March 13, 2025
84.		1	Jiangsu Kelas	PRC	14012810	June 6, 2025
85.		1	Jiangsu Kelas	PRC	14012799	March 13, 2025
86.		4	Jiangsu Kelas	PRC	14012746	March 13, 2025
87.		4	Jiangsu Kelas	PRC	14012782	March 13, 2025
88.		4	Jiangsu Kelas	PRC	14012789	June 6, 2025
89.	洁劲	1	Jiangsu Kelas	PRC	14706793	June 27, 2025
90.	智蓝	1	Jiangsu Kelas	PRC	14804329	October 13, 2025
91.	净 芯	1	Jiangsu Kelas	PRC	15318275	October 27, 2025
92.	杰效	1	Jiangsu Kelas	PRC	15452249	November 20, 2025
93.	冰畅	1	Jiangsu Kelas	PRC	15644772	December 27, 2025
94.	持 畅	1	Jiangsu Kelas	PRC	17215685	August 27, 2026
95.	持 畅	4	Jiangsu Kelas	PRC	17215770	August 27, 2026
96.		1	Jiangsu Kelas	PRC	16028236	February 27, 2026
97.		4	Jiangsu Kelas	PRC	16028427	March 6, 2026

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
98.		7	Jiangsu Kelas	PRC	16028512	March 6, 2026
99.		37	Jiangsu Kelas	PRC	16029017	March 6, 2026
100.	省畅	1	Jiangsu Kelas	PRC	22261673	January 27, 2028
101.	省畅	4	Jiangsu Kelas	PRC	22262568	January 27, 2028
102.	净芯1号	1	Jiangsu Kelas	PRC	27810172	December 6, 2028
103.	De-Kelas	1	Jiangsu Kelas	PRC	28008409	November 20, 2028
104.	De-Kelas	1	Jiangsu Kelas	PRC	28020406	November 20, 2028
105.	智蓝1号	1	Jiangsu Kelas	PRC	28560046	December 27, 2028
106.	洁劲1号	1	Jiangsu Kelas	PRC	31307025	March 6, 2029
107.	省畅	7	Jiangsu Kelas	PRC	52237757	August 13, 2031
108.	智蓝优加	1	Jiangsu Kelas	PRC	60667291	May 13, 2032
109.	可兰素优加	1	Jiangsu Kelas	PRC	60666806	May 13, 2032
110.	智蓝优+	1	Jiangsu Kelas	PRC	60657212	May 20, 2032
111.	可兰素	1	Jiangsu Kelas	PRC	54233325	March 6, 2032
112.	可兰素1号	1	Jiangsu Kelas	PRC	60121315	December 27, 2032
113.	可蓝素	1	Jiangsu Kelas	PRC	61844490	November 20, 2032
114.	可兰素1号	1	Jiangsu Kelas	PRC	65259630	January 20, 2033

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
115.	3ECARE	1	Shandong Kelas	PRC	10433151	March 20, 2033
116.	尚易	5	Shandong Kelas	PRC	12264953	March 20, 2025
117.	尚易	1	Shandong Kelas	PRC	12265170	August 20, 2034
118.	3ECARE	1	Shandong Kelas	PRC	20134485	July 20, 2027
119.	3ECARE	3	Shandong Kelas	PRC	15281707	February 13, 2026
120.	3ECARE	35	Nanjing Shangyi Environmental Protection Technology Co., Ltd. (南京尚易環保科技有限公司)	PRC	15283885	December 20, 2025
121.	3ECARE	5	Shandong Kelas	PRC	15281789	February 13, 2026
122.	3ECARE	3	Shandong Kelas	PRC	20134772	October 13, 2027
123.	3ECARE	5	Shandong Kelas	PRC	20134824	July 20, 2027
124.	VOC	1	Hubei Green Melon	PRC	16318036	August 13, 2026
125.	绿瓜	5	Hubei Green Melon	PRC	48168558	May 20, 2031
126.	Lvgal	5	Hubei Green Melon	PRC	53642451	August 13, 2032
127.	LVGAL	5	Hubei Green Melon	PRC	49440975	August 13, 2032
128.	绿瓜	3	Hubei Green Melon	PRC	43165120	October 20, 2030
129.	迪克	1	Zhangjiagang TEEC	PRC	39149730	April 6, 2030
130.	迪克	4	Zhangjiagang TEEC	PRC	34620000	October 13, 2029

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
131.	迪克化学	1	Zhangjiagang TEEC	PRC	34616438	March 27, 2030
132.	迪克	1	Zhangjiagang TEEC	PRC	34608764	March 27, 2030
133.	迪克化学	4	Zhangjiagang TEEC	PRC	34601836	October 20, 2029
134.	TEEC	4	Zhangjiagang TEEC	PRC	33450776	May 27, 2029
135.	TEEC	1	Zhangjiagang TEEC	PRC	33442302	May 20, 2029
136.	迪克化学	4	Zhangjiagang TEEC	PRC	39573748	May 6, 2030
137.	海之蓝	4	Zhangjiagang TEEC	PRC	9162741	March 6, 2032
138.		1	Zhangjiagang TEEC	PRC	54050028	October 6, 2031
139.		4	Zhangjiagang TEEC	PRC	54039422	October 6, 2031
140.	LBM	1	Changzhou Liyuan	PRC	57077566	March 27, 2032
141.	锂源	1	Changzhou Liyuan	PRC	50277349	May 27, 2032
142.	LBM	1	Changzhou Liyuan	PRC	66478087	March 27, 2033
143.	LBM	1	Changzhou Liyuan	PRC	66488033	February 6, 2033
144.		1, 4	The Company	Hong Kong	304646827	August 23, 2028
145.	TriSonic	1, 4	The Company	Hong Kong	304682557	September 26, 2028
146.	龍蟠	1, 4	The Company	Hong Kong	305473837	December 8, 2030
147.	超速龍	1	The Company	Hong Kong	305068882	September 25, 2029
148.	超速龍	4	The Company	Hong Kong	305068873	September 25, 2029

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
149.	Kelas	1	Jiangsu Kelas	Hong Kong	304457502	March 12, 2028
150.		1, 4	The Company	Hong Kong	306309603	July 30, 2033
151.	Lopal	1, 4	The Company	Hong Kong	306309612	July 30, 2033
152.	龙蟠科技	1, 4	The Company	Hong Kong	306309621	July 30, 2033
153.	TriSonic	1	The Company	Macau	N/144702(889)	March 22, 2026
154.	TriSonic	4	The Company	Macau	N/144703(886)	March 22, 2026
155.	龍 蟠	1	The Company	Macau	N/158542(641)	January 22, 2027
156.	龍 蟠	4	The Company	Macau	N/158543(434)	January 22, 2027
157.	超速龍	1	The Company	Macau	N/160252(002)	February 27, 2027
158.	超速龍	4	The Company	Macau	N/160253(642)	February 27, 2027
159.	Kelas	1	Jiangsu Kelas	Macau	N/135775(312)	September 10, 2025
160.	TriSonic	1	The Company	Taiwan	01977472	March 31, 2029
161.	TriSonic	4	The Company	Taiwan	01977703	March 31, 2029
162.	龍 蟠	1	The Company	Taiwan	02046723	March 15, 2030
163.	龍 蟠	4	The Company	Taiwan	02046867	March 15, 2030
164.	超速龍	1	The Company	Taiwan	02152906	July 15, 2031
165.	超速龍	4	The Company	Taiwan	02153218	July 15, 2031
166.	Kelas	1	Jiangsu Kelas	Taiwan	01953865	November 30, 2028

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
167.	TriSonic	1	The Company	the United States	5945462	September 21, 2028
168.	TriSonic	4	The Company	the United States	5881300	September 21, 2028
169.	Kelas	1	Jiangsu Kelas	the United States	5911300	December 28, 2028
170.		1, 4	The Company	Singapore	40201905655T	December 28, 2028
171.	TriSonic	1, 4	The Company	Singapore	40201820695X	October 11, 2028
172.	SpeedMax	4	The Company	Singapore	40201901477Q	January 23, 2029
173.	UltiMach	4	The Company	Singapore	40201901476P	January 23, 2029
174.	DuraRev	4	The Company	Singapore	40201901475R	January 23, 2029
175.	MarineRev	4	The Company	Singapore	40201906448Y	March 25, 2029
176.	Kelas	1	Jiangsu Kelas	Singapore	40201602134W	November 30, 2025
177.	TriSonic	1	The Company	Australia	1958538	September 27, 2028
178.	TriSonic	4	The Company	Australia	1958539	September 27, 2028
179.	Kelas	1	Jiangsu Kelas	Australia	1750107	November 30, 2025
180.	TriSonic	1	The Company	New Zealand	1103645	September 27, 2028
181.	TriSonic	4	The Company	New Zealand	1103646	September 27, 2028
182.	Kelas	1	Jiangsu Kelas	New Zealand	1106823	August 2, 2028
183.		1, 4	The Company	Philippines	1455842	December 28, 2028
184.	TriSonic	1, 4	The Company	Philippines	4/2018/00016836	April 4, 2029

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
185.	Kelas	1	Jiangsu Kelas	Philippines	1433028	August 2, 2028
186.		1, 4	The Company	India	4118859	December 28, 2028
187.	TriSonic	1, 4	The Company	India	3960400	September 29, 2028
188.	Kelas	1	Jiangsu Kelas	India	1457716	December 28, 2028
189.	TriSonic	1, 4	The Company	Japan	6195787	November 8, 2029
190.	Kelas	1	Jiangsu Kelas	Japan	1457716	December 28, 2028
191.	TriSonic	1	The Company	South Korea	40–1501121	July 17, 2029
192.	TriSonic	4	The Company	South Korea	40–1501122	July 17, 2029
193.	Kelas	1	Jiangsu Kelas	South Korea	1285624	November 30, 2025
194.	UltiMach	4	The Company	Indonesia	IDM000861221	January 24, 2029
195.	DuraRev	4	The Company	Indonesia	IDM000824331	January 24, 2029
196.	MarineRev	4	The Company	Indonesia	IDM000826132	March 19, 2029
197.	Kelas	1	Jiangsu Kelas	Indonesia	1457716	December 28, 2028
198.	TriSonic	1	The Company	Indonesia	IDM000745071	October 1, 2028
199.	TriSonic	4	The Company	Indonesia	IDM000745064	October 1, 2028
200.		1, 4	The Company	Vietnam	1455842	December 28, 2028
201.	Kelas	1	Jiangsu Kelas	Vietnam	1457716	December 28, 2028
202.	TriSonic	1, 4	The Company	Vietnam	375253	September 24, 2028
203.	UltiMach	4	The Company	Vietnam	379567	January 23, 2029

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
204.	DuraRev	4	The Company	Vietnam	379568	January 23, 2029
205.	SpeedMax	4	The Company	Vietnam	380925	January 23, 2029
206.	MarineRev	4	The Company	Vietnam	383581	March 15, 2029
207.		1, 4	The Company	Laos	1455842	December 28, 2028
208.	TriSonic	1, 4	The Company	Laos	45469	January 24, 2029
209.	SpeedMax	4	The Company	Laos	45466	January 24, 2029
210.	UltiMach	4	The Company	Laos	45468	January 24, 2029
211.	DuraRev	4	The Company	Laos	45467	January 24, 2029
212.	MarineRev	4	The Company	Laos	45811	March 18, 2029
213.	Kelas	1	Jiangsu Kelas	Laos	1457716	December 28, 2028
214.		1, 4	The Company	Cambodia	1455842	December 28, 2028
215.	TriSonic	1, 4	The Company	Cambodia	KH/79848/20	September 25, 2028
216.	UltiMach	4	The Company	Cambodia	KH/79756/20	January 24, 2029
217.	DuraRev	4	The Company	Cambodia	KH/76010/20	January 24, 2029
218.	Kelas	1	Jiangsu Kelas	Cambodia	1457716	December 28, 2028
219.	UltiMach	4	The Company	Thailand	211104295	February 3, 2029
220.	DuraRev	4	The Company	Thailand	201115277	February 3, 2029
221.	MarineRev	4	The Company	Thailand	201126780	March 19, 2029

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
222.	LOPAL	1	The Company	South Africa	2018/23244	August 14, 2028
223.	LOPAL	4	The Company	South Africa	2018/23245	August 14, 2028
224.	Kelas	1	Jiangsu Kelas	South Africa	2018/24115	August 22, 2028
225.	LOPAL	1, 4	The Company	Canada	TMA1094614	March 1, 2031
226.	Kelas	1	Jiangsu Kelas	Canada	TMA1096817	March 24, 2031
227.		1	The Company	Malaysia	2018068627	September 10, 2028
228.		4	The Company	Malaysia	2018068628	September 10, 2028
229.	UltiMach	4	The Company	Malaysia	TM2019002443	January 23, 2029
230.	DuraRev	4	The Company	Malaysia	TM2019002435	January 23, 2029
231.	MarineRev	4	The Company	Malaysia	TM2019010472	March 25, 2029
232.	Kelas	1	Jiangsu Kelas	Malaysia	2018068635	September 11, 2028
233.	TriSonic	1	The Company	Pakistan	508821	September 28, 2028
234.	TriSonic	4	The Company	Pakistan	508822	September 28, 2028
235.	TRISONIC	1	The Company	Mexico	1953801	September 27, 2028
236.	TRISONIC	4	The Company	Mexico	1953802	September 27, 2028
237.	TriSonic	1, 4	The Company	German	1529619	December 11, 2029
238.	Kelas	1	Jiangsu Kelas	German	1285624	November 30, 2025
239.	Kelas	1	Jiangsu Kelas	France	1285624	November 30, 2025

No.	Trademark	Class[Note]	Registered Owner	Place of Registration	Registration Number	Expiry Date
240.	TriSonic	1, 4	The Company	France	1529619	December 11, 2029
241.	TriSonic	1, 4	The Company	United Kingdom	WO000000152619	December 11, 2029
242.	Kelas	1	Jiangsu Kelas	United Kingdom	WO0000001285624	November 30, 2025
243.	TriSonic	1, 4	The Company	Italy	1529619	December 11, 2029
244.	Kelas	1	Jiangsu Kelas	Italy	1285624	November 30, 2025
245.	TriSonic	1, 4	The Company	Turkey	1529619	December 11, 2029
246.	TriSonic	1, 4	The Company	Egypt	1529619	December 11, 2029
247.	TriSonic	1, 4	The Company	Cyprus	1529619	December 11, 2029
248.	TriSonic	1, 4	The Company	Morocco	1529619	December 11, 2029
249.	TriSonic	1, 4	The Company	Algeria	1529619	December 11, 2029
250.	TriSonic	1, 4	The Company	Israel	1529619	December 11, 2029
251.	TriSonic	1, 4	The Company	Tunisia	1529619	December 11, 2029
252.	TriSonic	1, 4	The Company	Oman	1529619	December 11, 2029
253.	Kelas	1	Jiangsu Kelas	Colombia	1285624	November 30, 2025

Note:

Class 1: Chemicals for use in industry, science and photography, as well as in agriculture, horticulture and forestry; unprocessed artificial resins, unprocessed plastics; fire extinguishing and fire prevention compositions; tempering and soldering preparations; substances for tanning animal skins and hides; adhesives for use in industry; putties and other paste fillers; compost, manures, fertilizers; biological preparations for use in industry and science.

Class 3: Non-medicated cosmetics and toiletry preparations; non-medicated dentifrices; perfumery, essential oils; bleaching preparations and other substances for laundry use; cleaning, polishing, scouring and abrasive preparations.

Class 4: Industrial oils and greases, wax; lubricants; dust absorbing, wetting and binding compositions; fuels and illuminants; candles and wicks for lighting.

Class 5: Pharmaceuticals, medical and veterinary preparations; sanitary preparations for medical purposes; dietetic food and substances adapted for medical or veterinary use, food for babies; dietary supplements for human beings and animals; plasters, materials for dressings; material for stopping teeth, dental wax; disinfectants; preparations for destroying vermin; fungicides, herbicides.

Class 7: Machines, machine tools, power-operated tools; motors and engines, except for land vehicles; machine coupling and transmission components, except for land vehicles; agricultural implements, other than hand-operated hand tools; incubators for eggs; automatic vending machines.

Class 35: Advertising; business management, business administration; office functions.

Class 37: Construction services; installation and repair services; mining extraction, oil and gas drilling.

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which are material to our business:

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
1.	A method of regeneration of waste lithium iron phosphate to prepare rate lithium iron phosphate (一種廢舊磷酸鐵鋰再生製備倍率型磷酸鐵鋰的方法).	Shandong Liyuan	PRC	2022112457883	October 12, 2022	October 11, 2042
2.	A method of preparing iron orthophosphate for lithium ion battery by using iron containing extraction raffinate (一種利用含鐵萃餘液製備鋰離子電池用正磷酸鐵的方法). . .	Changzhou Liyuan	PRC	2015104548310	July 29, 2015	July 28, 2035
3.	An electrode material for high-temperature electrolytes and its preparation method (一種用於高溫電解液的電極材料及其製備方法)	Jiangsu Kelas	PRC	2020106703947	July 13, 2020	July 12, 2040
4.	A cleaning and regeneration agent for diesel engine DPF and its application (一種柴油機DPF清洗再生劑及其應用) .	Jiangsu Kelas	PRC	2017114636779	December 28, 2017	December 27, 2037
5.	A solid reducing agent for SCR system and its preparation method (一種用於SCR系統的固載還原劑及其製備方法). . .	Jiangsu Kelas	PRC	2017100856241	February 17, 2017	February 16, 2037
6.	A cleaning and regeneration agent for diesel engine DOC/POC and its application (一種柴油機DOC/POC清洗再生劑及其應用)	Jiangsu Kelas	PRC	2016107924230	August 31, 2016	August 30, 2036

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
7.	A cleaning and regenerating agent for removing sediment from the diesel engine SCR post-treatment system (一種用於清除柴油機SCR後處理系統沉積物的清洗再生劑)	Jiangsu Kelas	PRC	2016107957592	August 31, 2016	August 30, 2036
8.	A growth interfering agent for comb shaped polyacrylamide type crystal, the catalytic reducing agent for anti-crystalline tail gas prepared with the interfering agent, and their preparation methods (梳狀聚丙烯醯胺類晶體增長干擾劑、利用該干擾劑製備的抗結晶型尾氣催化還原劑及制法)	Jiangsu Kelas	PRC	201610130302X	March 8, 2016	March 7, 2036
9.	A preparation method and application of an in-situ grown Lithium iron phosphate whisker (一種原位生長磷酸鐵鋰晶須的製備方法及用途).	Tianjin Beiterui Nano	PRC	2019113282263	December 20, 2019	December 19, 2039
10.	A kind of lithium iron phosphate material, its preparation method and use (一種磷酸鐵鋰材料、及其製備方法和用途) .	Tianjin Beiterui Nano	PRC	2019101602006	March 4, 2019	March 3, 2039
11.	A kind of lithium iron phosphate/silicon carbide composite material and its preparation method (一種磷酸鐵鋰/碳化矽複合型材料及其製備方法).	Tianjin Beiterui Nano	PRC	2018114978060	December 7, 2018	December 6, 2038
12.	A kind of lithium hexafluoro zirconate and carbon co-coated lithium iron phosphate composite material, its preparation method and use (一種六氟鋯酸鋰和碳共包覆磷酸鐵鋰複合材料、其製備方法和用途)	Tianjin Beiterui Nano	PRC	2018106353221	June 20, 2018	June 19, 2038
13.	A kind of lithium iron phosphate-based composite material, its preparation method and use (一種磷酸鐵鋰基複合材料、其製備方法及用途).	Tianjin Beiterui Nano	PRC	2018105218398	May 28, 2018	May 27, 2038
14.	A kind of $LiFePO_4$-$LiMPO_4$ composite cathode material and its preparation method (一種複合$LiFePO_4$-$LiMPO_4$正極材料及其製備方法)	Tianjin Beiterui Nano	PRC	2017111405857	November 16, 2017	November 15, 2037
15.	A multi-ion doped battery-grade iron phosphate material and its preparation method (一種多離子摻雜電池級磷酸鐵材料及其製備方法).	Tianjin Beiterui Nano	PRC	2022104303065	April 22, 2022	April 21, 2042

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
16.	A kind of nanometer iron phosphate material introduced with high conductivity carbon material and its preparation method (一種引入高導電性碳材料的納米化磷酸鐵材料及製備方法)	Tianjin Beiterui Nano	PRC	2022100769920	January 24, 2022	January 23, 2042
17.	A kind of gear oil for wind turbine and its preparation method (一種風力發電機組齒輪油及其製備方法)	Lopal Lubrication	PRC	2019101182118	February 16, 2019	February 15, 2039
18.	A wear-resistant and energy-saving diesel engine oil composition (一種抗磨節能型柴油機油組合物)	Lopal Lubrication	PRC	2016107859231	August 31, 2016	August 30, 2036
19.	Gear oil composition for heavy-duty vehicle under ultra-low temperature (超低溫重負荷車輛齒輪油組合物). . .	The Company, Lopal Lubrication	PRC	2020100316298	January 13, 2020	January 12, 2040
20.	Energy saving, long life, low ash diesel engine oil composition (節能型長壽命低灰分柴油機油組合物)	The Company, Lopal Lubrication	PRC	2020100351588	January 13, 2020	January 12, 2040
21.	Gear oil composition for heavy duty vehicle with excellent shear stability and its preparation method (剪切穩定性優異的重負荷車輛齒輪油組合物及其製備方法)	The Company, Lopal Lubrication	PRC	2018112948499	November 1, 2018	October 31, 2038
22.	An energy-saving lubricating oil with low ash content and high compatibility (一種低灰分高兼容性的節能型潤滑油)	The Company	PRC	2020110049787	September 22, 2020	September 21, 2040
23.	A lubricating grease for robot RV reducer and its preparation method (一種機器人RV減速器潤滑脂及其製備方法).	The Company	PRC	2020103574821	April 29, 2020	April 28, 2040
24.	A single component water-based polyurethane adhesive for automotive ceilings and its preparation method (一種汽車頂棚用單組份水性聚氨酯膠黏劑及其製備方法)	The Company	PRC	2019107962217	August 27, 2019	August 26, 2039
25.	A solvent for removing cured silicone rubber and its preparation method (一種用於去除固化硅橡膠的溶解劑及其製備方法)	The Company	PRC	2019107289180	August 8, 2019	August 7, 2039
26.	Preparation method of liquid ethylene propylene rubber (一種液體乙丙橡膠的製備方法) .	The Company	PRC	2019102749455	April 8, 2019	April 7, 2039
27.	A low friction coefficient assembly lubricant and its preparation method (一種低摩擦系數裝配潤滑膏及製備方法)	The Company	PRC	2019101698210	March 6, 2019	March 5, 2039

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
28.	A high-performance synthetic power steering oil composition and its preparation method (一種高性能合成型助力轉向油組合物及其製備方法)	The Company	PRC	2017110337814	October 30, 2017	October 29, 2037
29.	A high and low temperature resistant long life extreme pressure lubricating grease and its preparation method (一種耐高低溫長壽命極壓潤滑脂及其製備方法)	The Company	PRC	2017110350363	October 30, 2017	October 29, 2037
30.	A lubricating oil composition for electric vehicle transmission and its preparation method (一種電動汽車變速箱用潤滑油組合物及其製備方法)	The Company	PRC	2017110389626	October 30, 2017	October 29, 2037
31.	A coolant for constant temperature control of batteries and its preparation method (一種用於電池恒溫控制的冷卻液及其製備方法). . .	The Company	PRC	2017100856379	February 17, 2017	February 16, 2037
32.	A high-temperature and extreme pressure resistant lubricating grease and its preparation method (一種耐高溫極壓潤滑脂及其製備方法)	The Company	PRC	2016107852088	August 31, 2016	August 30, 2036
33.	An emulsifier and its preparation method and application (一種乳化劑及其製備方法與應用) .	The Company	PRC	2016107895990	August 31, 2016	August 30, 2036
34.	A lubricating oil composition for turbocharged direct injection engines (一種渦輪增壓直噴發動機用潤滑油組合物)	The Company	PRC	2016106541378	August 11, 2016	August 10, 2036
35.	A consumption of diesel engine oil for reducing oil consumption (一種降低機油消耗量的柴油機油組合物)	The Company	PRC	2016106583991	August 11, 2016	August 10, 2036
36.	A lubricating grease for wheel flange of locomotive and its preparation method (一種鐵路機車輪緣用潤滑脂及其製備方法).	The Company	PRC	2016102845552	April 29, 2016	April 28, 2036
37.	An environmentally friendly and easily degradable advanced knitting oil and its preparation method (一種環保易降解型高級針織機油及其製備方法).	The Company	PRC	2016100812395	February 4, 2016	February 3, 2036
38.	An environmentally friendly demolding agent for concrete components and its preparation method (一種環保型混凝土構件脱模劑及其製備方法)	The Company	PRC	2014100268617	January 21, 2014	January 20, 2034

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
39.	A composition of food grade lubricating grease and its preparation method (一種食品級潤滑脂的組合物及其製備方法).	The Company	PRC	2014100269253	January 21, 2014	January 20, 2034
40.	A biodegradable dust inhibitor and its preparation method (一種生物降解型揚塵抑制劑及製備方法)	The Company	PRC	2014100269906	January 21, 2014	January 20, 2034
41.	Biodegradable snow and ice melting agents and their preparation methods (生物降解型融雪化冰劑及其製備方法)	The Company	PRC	2014100270509	January 21, 2014	January 20, 2034
42.	A water-resistant extreme pressure lithium-based lubricating grease and its preparation method (一種耐水型極壓鋰基潤滑脂及其製備方法).	The Company	PRC	2013104014494	September 5, 2013	September 4, 2033
43.	A composite lithium calcium-based lubricating grease and its preparation method (一種複合鋰鈣基潤滑脂及其製備方法)	The Company	PRC	2012105473341	December 17, 2012	December 16, 2032
44.	A method for preparing high dropping point monolithium soap grease (一種高滴點單鋰皂潤滑脂的製備方法)	The Company	PRC	202211403693X	November 10, 2022	November 9, 2042
45.	An anhydrous calcium-based lubricating grease and its preparation method (一種無水鈣基潤滑脂及其製備方法). . .	The Company	PRC	2012102590894	July 25, 2012	July 24, 2032
46.	A refueling gun for improving the environment of gas stations (一種改善加油站環境的加油槍)	Jiangsu Tianlan Intelligent Equipment Co., Ltd. (江蘇天藍智能裝備有限公司)	PRC	2018107661215	July 12, 2018	July 11, 2038
47.	Dehydrating agent for diesel fuel (用於柴油的除水劑)	Shandong Kelas	PRC	2017111457368	November 17, 2017	November 16, 2037
48.	A MnO_2-ACF material for removing indoor formaldehyde and its preparation method (一種用於去除室內甲醛的MnO_2-ACF材料及其製備方法)	Hubei Green Melon	PRC	2016107895971	August 31, 2016	August 30, 2036
49.	Gradient doped Iron (III) phosphate precursor and its preparation method and application (梯度摻雜磷酸鐵前驅體及其製備方法和應用). . .	Jiangsu Beiterui Nano	PRC	2022112274897	October 9, 2022	October 8, 2042
50.	A method for preparing high compaction manganese iron lithium phosphate by explosion (一種爆炸法製備高壓實磷酸錳鐵鋰的方法)	Jiangsu Beiterui Nano	PRC	2021116566372	December 31, 2021	December 30, 2041

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
51.	Equipment of producing lithium iron phosphate and its preparation method (一種磷酸鐵鋰生產設備及其製備方法) .	Jiangsu Beiterui Nano	PRC	2021116761303	December 31, 2021	December 30, 2041
52.	High conductivity graphene-based spherical lithium iron phosphate composite, its preparation method and lithium-ion battery containing such composite (高電導石墨烯基磷酸鐵鋰球形複合材料、其製備方法及包含其的鋰離子電池) .	Jiangsu Beiterui Nano	PRC	201710579932X	July 17, 2017	July 16, 2037
53.	A kind of high-density spherical nanometer lithium iron phosphate material, its preparation method and lithium-ion battery (一種高密度球形納米磷酸鐵鋰材料及其製備方法和包含其的鋰離子電池).	Jiangsu Beiterui Nano	PRC	2016106811184	August 17, 2016	August 16, 2036
54.	A method for preparing a composite phosphate iron-based sodium ion battery layered positive electrode material precursor (一種複合磷酸鹽的鐵基鈉離子電池層狀正極材料前驅體的製備方法) .	Jiangsu Beiterui Nano	PRC	2022116758413	December 26, 2022	December 25, 2042
55.	Lithium iron phosphate cathode material in thin plate shape and its hydrothermal preparation method (薄片狀磷酸鐵鋰正極材料及其水熱法製備方法).	Liyuan (Shenzhen) Scientific Research Co., Ltd. (鋰源(深圳)科學研究有限公司)	PRC	2022110933512	September 8, 2022	September 7, 2042
56.	Selective oxidation-reduction regeneration method of waste lithium iron phosphate, regeneration of lithium iron phosphate and lithium-ion battery (廢舊磷酸鐵鋰選擇性氧化-還原再生的方法、再生磷酸鐵鋰和鋰離子電池)	Liyuan (Shenzhen) Scientific Research Co., Ltd. (鋰源(深圳)科學研究有限公司)	PRC	2019112519214	December 9, 2019	December 8, 2039
57.	The recycling method of positive electrode materials, the obtained positive electrode materials, and their uses (正極材料的回收方法、得到的正極材料及其用途).	Liyuan (Shenzhen) Scientific Research Co., Ltd. (鋰源(深圳)科學研究有限公司)	PRC	201910280546X	April 9, 2019	April 8, 2039
58.	Preparation method of lithium iron phosphate, lithium iron phosphate material and lithium-ion battery (磷酸鐵鋰的製備方法、磷酸鐵鋰材料及鋰離子電池)	Liyuan (Shenzhen) Scientific Research Co., Ltd. (鋰源(深圳)科學研究有限公司)	PRC	2021101789734	February 9, 2021	February 8, 2041

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
59.	A polyimide film and its preparation method (一種聚醯亞胺薄膜及其製備方法)	Nanjing Seiko New Material Co., Ltd. (南京精工新材料有限公司)	PRC	2020115959346	December 29, 2020	December 28, 2040
60.	A novel linear low-density polyethylene for urea tank and its preparation method (一種新型尿素箱用線性低密度聚乙烯及其製備方法)	Nanjing Seiko New Material Co., Ltd. (南京精工新材料有限公司)	PRC	2018101783098	March 5, 2018	March 4, 2038
61.	A car window cleaning fluid (一種車窗清洗液).	Zhangjiagang TEEC, Suzhou University	PRC	2017112811330	December 7, 2017	December 6, 2037
62.	A DOT6 borate ester type brake fluid (一種DOT6硼酸酯型制動液).	Zhangjiagang TEEC	PRC	2017108972221	September 28, 2017	September 27, 2037
63.	Car windshield washer fluid (汽車風窗洗滌液)	Zhangjiagang TEEC	PRC	2013103394119	August 6, 2013	August 5, 2033
64.	Automobile air-conditioning condenser and radiator cleaning agent and preparation method and application (汽車空調冷凝器和散熱器清洗劑及其製備方法和應用)	Zhangjiagang TEEC	PRC	2021115546437	December 27, 2021	December 26, 2041
65.	Packaging bottle (2023001) (包裝瓶(2023001))	Zhangjiagang TEEC	PRC	2023306437178	October 7, 2023	October 6, 2038
66.	Packaging bottle (2023002) (包裝瓶(2023002))	Zhangjiagang TEEC	PRC	2023306437248	October 7, 2023	October 6, 2038
67.	Solid cleaning liquid concentrate and its preparation method and application (固態清洗液濃縮劑及其製備方法和應用). . .	Zhangjiagang TEEC	PRC	201911374823X	December 27, 2019	December 26, 2039
68.	A water electrolysis hydrogen production system coupled with a hazardous waste incineration waste heat system (一種耦合危險廢物焚燒餘熱系統的電解水製氫系統)	Jiangsu Boyuan, Lopal Tech. Research and Development (Jiangsu) Co., Ltd. (龍蟠科技研發(江蘇)有限公司) (now known as Jiangsu Lopal Green Energy Co., Ltd. (江蘇龍蟠綠色能源有限公司))	PRC	2023215760100	June 20, 2023	June 19, 2033

No.	Patent Name	Registered Owner	Place of Registration	Patent Number	Application Date	Expiry Date
69.	A gas-liquid separator suitable for alkaline electrolyzed water (一種適用於鹼性電解水的氣液分離器).	Jiangsu Boyuan, Lopal Tech. Research and Development (Jiangsu) Co., Ltd. (龍蟠科技研發(江蘇)有限公司) (now known as Jiangsu Lopal Green Energy Co., Ltd. (江蘇龍蟠綠色能源有限公司))	PRC	2023215760420	June 20, 2023	June 19, 2033
70.	A packaging device specifically used for powder materials (一種專用於粉末物料的包裝設備)	Lopal Times	PRC	2021104600705	June 6, 2019	June 5, 2039
71.	A kind of polymer crystal plastic powder ultrafine grinding equipment and grinding method (一種高分子晶體塑粉超細研磨設備及研磨方法). . .	Lopal Times	PRC	2022102662805	March 17, 2022	March 16, 2042
72.	Preparation method of positive electrode material for sodium ion battery (鈉離子電池正極材料的製備方法).	Sichuan Liyuan, Liyuan (Shenzhen) Scientific Research Co., Ltd. (鋰源(深圳)科學研究有限公司)	PRC	2022113529037	November 1, 2022	October 31, 2042
73.	Energy-saving DPF cleaning device and method for trucks (一種卡車用節能DPF清洗裝置及其方法)	Jiangsu Tianlan Intelligent Equipment Co., Ltd. (江蘇天藍智能裝備有限公司)	PRC	2023107419782	June 21, 2023	June 20, 2043
74.	A drying device for high nickel precursor processing (一種高鎳前驅體加工用乾燥裝置). . .	Jiangsu Sanjin Lithium Technology Co., Ltd. (江蘇三金鋰電科技有限公司)	PRC	2023218391324	July 13, 2023	July 12, 2033
75.	A kind of high nickel precursor concentration machine (一種高鎳前驅體提濃機) . . .	Jiangsu Sanjin Lithium Technology Co., Ltd. (江蘇三金鋰電科技有限公司)	PRC	2023221070386	August 7, 2023	August 6, 2033
76.	A device and method for producing ternary cathode material precursor for lithium batteries (一種用於生產鋰電池三元正極材料前驅體的裝置及其方法).	Jiangsu Sanjin Lithium Technology Co., Ltd. (江蘇三金鋰電科技有限公司)	PRC	2023112248810	September 21, 2023	September 20, 2043

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which are material to our business:

(i) Works (作品)

No.	Copyright	Owner	Registration Number	Registration Date	Place of Registration
1.	Lopal Erosion Resistance C05 4KG (龍蟠拒蝕C05 4KG)	The Company	Qianzuodengzi-2020-F-00113058	August 18, 2020	PRC
2.	Lopal Erosion Resistance C08 1.5KG (龍蟠拒蝕C08 1.5KG)	The Company	Qianzuodengzi-2020-F-00113056	August 18, 2020	PRC
3.	Lopal Erosion Resistance C08 2KG (龍蟠拒蝕C08 2KG)	The Company	Qianzuodengzi-2020-F-00113059	August 18, 2020	PRC
4.	Lopal Erosion Resistance C31 2KG (龍蟠拒蝕C31 2KG)	The Company	Qianzuodengzi-2020-F-00113057	August 18, 2020	PRC
5.	Lopal Erosion Resistance C31 4KG (龍蟠拒蝕C31 4KG)	The Company	Qianzuodengzi-2020-F-00113055	August 18, 2020	PRC
6.	Lopal Mosheng 6000 1.5L-01 (龍蟠摩聖6000 1.5L-01)	The Company	Qianzuodengzi-2020-F-00112866	August 18, 2020	PRC
7.	Lopal Mosheng 8000 1L-01 (龍蟠摩聖8000 1L-01)	The Company	Qianzuodengzi-2020-F-00113021	August 18, 2020	PRC
8.	Lopal Youbang V5 1L-01 (龍蟠友邦V5 1L-01)	The Company	Qianzuodengzi-2020-F-00112877	August 18, 2020	PRC
9.	Lopal SPEED 1L-01 (龍蟠SPEED 1L-01)	The Company	Qianzuodengzi-2020-F-00112870	August 18, 2020	PRC
10.	Lopal Mosheng 5000 1L-01 (龍蟠摩聖5000 1L-01)	The Company	Qianzuodengzi-2020-F-00113005	August 18, 2020	PRC
11.	Sijitong_V7000 4L (四季通_V7000 4L)	The Company	Qianzuodengzi-2020-F-00112878	August 18, 2020	PRC
12.	Xiya Label_P500 15W-40 (喜壓標籤_P500 15W-40)	The Company	Qianzuodengzi-2020-F-00113111	August 18, 2020	PRC
13.	Brake Fluid_DIT 4 Label 350g (制動液_DIT 4 標籤 350g)	The Company	Qianzuodengzi-2020-F-00113116	August 18, 2020	PRC
14.	Brake Fluid_DOT 4 Label 500g (制動液_DOT 4 標籤 500g)	The Company	Qianzuodengzi-2020-F-00113019	August 18, 2020	PRC
15.	Brake Fluid_DOT 5.1 Label 500g (制動液_DOT 5.1 標籤 500g)	The Company	Qianzuodengzi-2020-F-00112876	August 18, 2020	PRC
16.	Zhizun_A2 020 4L (智尊_A2 020 4L)	The Company	Qianzuodengzi-2020-F-00113022	August 18, 2020	PRC
17.	Zhizun_Engine Flushing Oil 4L (智尊_發動機衝洗油 4L)	The Company	Qianzuodengzi-2020-F-00113118	August 18, 2020	PRC
18.	Zhizun_A2 020 1L (智尊_A2 020 1L)	The Company	Qianzuodengzi-2020-F-00112880	August 18, 2020	PRC
19.	Lantian Tiny Guard (蘭天小衛士)	Jiangsu Kelas	Guozuodengzi-2016-F-00263504	March 29, 2016	PRC
20.	Transmission Oil_MIF (變速箱油_MIF)	The Company	Qianzuodengzi-2020-F-00112872	August 18, 2020	PRC
21.	Xiya Label_P600 15W-40 (喜壓標籤_P600 15W-40)	The Company	Qianzuodengzi-2020-F-00113015	August 18, 2020	PRC
22.	Transmission Oil_ATF 7150 (變速箱油_ATF 7150)	The Company	Qianzuodengzi-2020-F-00113012	August 18, 2020	PRC
23.	Transmission Oil_Manual Transmission Oil 2L (變速箱油_手動變速箱油2L)	The Company	Qianzuodengzi-2020-F-00113110	August 18, 2020	PRC
24.	Transmission Oil_ATF 9 (變速箱油_ATF 9)	The Company	Qianzuodengzi-2020-F-00113004	August 18, 2020	PRC
25.	Chishen Label_G500 4L (齒神標籤_G500 4L)	The Company	Qianzuodengzi-2020-F-00112862	August 18, 2020	PRC
26.	Sijitong_V9000 1040 4L (四季通_V9000 1040 4L)	The Company	Qianzuodengzi-2020-F-00113114	August 18, 2020	PRC
27.	Sijitong_V8000 4L (四季通_V8000 4L)	The Company	Qianzuodengzi-2020-F-00113113	August 18, 2020	PRC
28.	Xiya Label_P700 20W-50 Silver Printing (喜壓標籤_P700 20W-50 印銀)	The Company	Qianzuodengzi-2020-F-00112882	August 18, 2020	PRC
29.	Xiya Label_P760 15W-40 Silver Printing (喜壓標籤_P760 15W-40 印銀)	The Company	Qianzuodengzi-2020-F-00113020	August 18, 2020	PRC
30.	Zhizun_H2 530 1L (智尊_H2 530 1L)	The Company	Qianzuodengzi-2020-F-00112875	August 18, 2020	PRC
31.	Zhizun_H2 530 4L (智尊_H2 530 4L)	The Company	Qianzuodengzi-2020-F-00113017	August 18, 2020	PRC
32.	2021 Lineng 15KG-01 (2021鋰能15KG-01)	The Company	Qianzuodengzi-2020-F-00113011	August 18, 2020	PRC
33.	Transmission Oil_ATF 6 (變速箱油_ATF 6)	The Company	Qianzuodengzi-2020-F-00113009	August 18, 2020	PRC
34.	Transmission Oil_ATF 300 (變速箱油_ATF 300)	The Company	Qianzuodengzi-2020-F-00112869	August 18, 2020	PRC
35.	Transmission Oil_ATF 6140 (變速箱油_ATF 6140)	The Company	Qianzuodengzi-2020-F-00112868	August 18, 2020	PRC
36.	Transmission Oil_ATF 8100 (變速箱油_ATF 8100)	The Company	Qianzuodengzi-2020-F-00112874	August 18, 2020	PRC

No.	Copyright	Owner	Registration Number	Registration Date	Place of Registration
37.	Transmission Oil_ATF 9170 (變速箱油_ATF 9170)	The Company	Qianzuodengzi-2020-F-00113014	August 18, 2020	PRC
38.	Transmission Oil_CVTF (變速箱油_CVTF)	The Company	Qianzuodengzi-2020-F-00113108	August 18, 2020	PRC
39.	Transmission Oil_CVTF 300s (變速箱油_CVTF 300s)	The Company	Qianzuodengzi-2020-F-00113002	August 18, 2020	PRC
40.	Transmission Oil_DCTF (變速箱油_DCTF)	The Company	Qianzuodengzi-2020-F-00112867	August 18, 2020	PRC
41.	Chishen Label_G600 4L (齒神標籤_G600 4L)	The Company	Qianzuodengzi-2020-F-00113109	August 18, 2020	PRC
42.	Chishen Label_G700 4L (齒神標籤_G700 4L)	The Company	Qianzuodengzi-2020-F-00113007	August 18, 2020	PRC
43.	Chishen Label_G500 3.5L (齒神標籤_G500 3.5L)	The Company	Qianzuodengzi-2020-F-00112864	August 18, 2020	PRC
44.	001 Lopal Jingwei_K9 5W-30 4L-07 (001 龍蟠淨威_K9 5W-30 4L-07)	The Company	Qianzuodengzi-2020-F-00113000	August 18, 2020	PRC
45.	Lopal Jingwei_K20 5W-30 4L (龍蟠淨威_K20 5W-30 4L)	The Company	Qianzuodengzi-2020-F-00113025	August 18, 2020	PRC
46.	001 Lopal Jingwei_A1 5W-30 4L (001 龍蟠淨威_A1 5W-30 4L)	The Company	Qianzuodengzi-2020-F-00113024	August 18, 2020	PRC
47.	001 Lopal Jingwei_A1 5W-30 1L (001 龍蟠淨威_A1 5W-30 1L)	The Company	Qianzuodengzi-2020-F-00113121	August 18, 2020	PRC
48.	001 Lopal Jingwei_H1 5W-30 1L (001 龍蟠淨威_H1 5W-30 1L)	The Company	Qianzuodengzi-2020-F-00112883	August 18, 2020	PRC
49.	001 Lopal Jingwei_H1 5W-30 4L (001 龍蟠淨威_H1 5W-30 4L)	The Company	Qianzuodengzi-2020-F-00113123	August 18, 2020	PRC
50.	Lopal Jingwei_K8 5W-30 4L (龍蟠淨威_K8 5W-30 4L)	The Company	Qianzuodengzi-2020-F-00113124	August 18, 2020	PRC
51.	Lopal Erosion Resistance C08 2KG (龍蟠拒蝕C08 2KG)	The Company	Qianzuodengzi-2020-F-00113160	August 18, 2020	PRC
52.	Lopal Erosion Resistance C05 1.5KG (龍蟠拒蝕C05 1.5KG)	The Company	Qianzuodengzi-2020-F-00113161	August 18, 2020	PRC
53.	Lopal Erosion Resistance C05 2KG (龍蟠拒蝕C05 2KG)	The Company	Qianzuodengzi-2020-F-00112906	August 18, 2020	PRC
54.	Zhizun2Label (智尊2標貼)	The Company	Suzuodengzi-2021-F-00034583	February 4, 2021	PRC
55.	Blank Bucket 2 (空白小桶2)	The Company	Suzuodengzi-2021-F-00031457	February 2, 2021	PRC
56.	Xiya jpg Middle Barrel Label (喜壓 jpg中桶標貼)	The Company	Suzuodengzi-2021-F-00031456	February 2, 2021	PRC
57.	Blank Middle Barrel (空白中桶)	The Company	Suzuodengzi-2021-F-00031454	February 2, 2021	PRC
58.	Blank Bucket 1 (空白小桶1)	The Company	Suzuodengzi-2021-F-00031450	February 2, 2021	PRC
59.	Zengcheng 2 Middle Barrel Surface Label (贈程2中桶表標貼)	The Company	Suzuodengzi-2021-F-00031445	February 2, 2021	PRC
60.	Anti-wear Hydraulic Oil Hydraulic Transmission Oil (抗磨液壓油液力傳動油)	The Company	Suzuodengzi-2020-F-00146028	August 3, 2020	PRC
61.	Anti-wear Hydraulic Oil Hydraulic Transmission Oil Hydraulic Transmission Oil 2L Label (抗磨液壓油液力傳動油液力傳動油2L標貼)	The Company	Suzuodengzi-2020-F-00145955	July 31, 2020	PRC
62.	Brake Fluid Circular Label (制動液圓標貼)	The Company	Suzuodengzi-2020-F-00139341	July 21, 2020	PRC
63.	Lopal Jingwei Package Label (龍蟠淨威包裝帖)	The Company	Suzuodengzi-2020-F-00139264	July 21, 2020	PRC
64.	Lopal Four Oil Drops ATF Package Label Series (龍蟠四滴油ATF包裝標貼系列)	The Company	Suzuodengzi-2020-F-00139263	July 21, 2020	PRC
65.	Xiya jpg Small Barrel Label (喜壓 jpg小桶瓶貼)	The Company	Suzuodengzi-2020-F-00139254	July 21, 2020	PRC
66.	Trisonic Gasoline Engine Oil Package Label (Trisonic汽油機油包裝帖)	The Company	Suzuodengzi-2020-F-00139252	July 21, 2020	PRC
67.	Sijitong Middle Barrel Label (四季通中桶標貼)	The Company	Suzuodengzi-2020-F-00139247	July 21, 2020	PRC
68.	Sijitong Label (四季通標貼)	The Company	Suzuodengzi-2020-F-00139246	July 21, 2020	PRC
69.	Erosion Resistance Label (拒蝕標籤)	The Company	Suzuodengzi-2020-F-00139245	July 21, 2020	PRC
70.	eps Middle Barrel Package (eps中桶包裝)	The Company	Suzuodengzi-2020-F-00139244	July 21, 2020	PRC
71.	eps Label (eps標籤)	The Company	Suzuodengzi-2020-F-00139242	July 21, 2020	PRC
72.	eps General Carton Box Design (eps通用紙箱設計)	The Company	Suzuodengzi-2020-F-00139241	July 21, 2020	PRC
73.	Brake Fluid jpg Label (制動液 jpg標貼)	The Company	Suzuodengzi-2020-F-00139296	July 21, 2020	PRC
74.	Erosion Resistance Middle Barrel (拒蝕中桶)	The Company	Suzuodengzi-2020-F-00139293	July 21, 2020	PRC
75.	Kelas Elements That Make the Sky Blue (可蘭素可以讓天空變蘭的元素)	Jiangsu Kelas	Suzuodengzi-2021-F-00104765	April 29, 2021	PRC
76.	Label-Shengchang 1000L Tianjin Lishui (標貼-省暢1000L天津溧水)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203652	February 9, 2021	PRC
77.	Label-Shengchang 1000KG Guangdong Huizhou (標貼-省暢1000KG廣東惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203651	February 9, 2021	PRC

No.	Copyright	Owner	Registration Number	Registration Date	Place of Registration
78.	Label Zhejiang Highway-Jiejin 20kg V2002 (Lishui)-01 (標貼 浙江高速-潔勁20kg V2002 (溧水)–01).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203650	February 9, 2021	PRC
79.	Label-Jingxin 1000KG Tianjin Lishui (標貼-淨芯1000KG天津溧水)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203649	February 9, 2021	PRC
80.	Label-Jingxin 1000L Guangdong Huizhou (標貼-淨芯1000L廣東惠州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203648	February 9, 2021	PRC
81.	Label-Zhilan 10kg_Luzhou (標貼-智藍10kg_瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203647	February 9, 2021	PRC
82.	Label-Shengchang 1000KG Tianjin Lishui (標貼-省暢1000KG天津溧水)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203640	February 9, 2021	PRC
83.	Label-Shengchang 1000L Sichuan Luzhou (標貼-省暢1000L四川瀘州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203637	February 9, 2021	PRC
84.	Label Bingchang PE 10kg_Nanjing-Tianjin Lishui (標貼 冰暢 PE 10kg_南京-天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203661	February 9, 2021	PRC
85.	Label-Jiejin No.1 10kg pet_Lishui Tianjin (標貼-潔勁1號 10kg pet_溧水天津).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203659	February 9, 2021	PRC
86.	Label Jiexiao PE 10kg_Luzhou (標貼 傑效 PE 10kg_瀘州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203658	February 9, 2021	PRC
87.	Label Jiexiao PE 10kg_Huizhou (標貼 傑效 PE 10kg_惠州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203657	February 9, 2021	PRC
88.	Label Shengchang pro PE 10kg_Nanjing-Tianjin (標貼 省暢pro PE 10kg_南京-天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203656	February 9, 2021	PRC
89.	Label-Jingxin 1000L Sichuan Luzhou (標貼-淨芯1000L四川瀘州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00203655	February 9, 2021	PRC
90.	Label-Jiejin No.1 pet_Huizhou (標貼-潔勁1號 10kg pet_惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203654	February 9, 2021	PRC
91.	Label-Zhilan No.1 10kg_Label Zhilan No.1 10kg Lishui Tianjin (標貼-智藍1號10kg_標貼 智藍1號10kg 溧水天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00203653	February 9, 2021	PRC
92.	Label-Jiejin No.1 PE 10kg_Label Jiejin No.1 PE 10kg Luzhou (標貼 潔勁1號 PE 10kg_標貼 潔勁1號 PE 10kg 瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202912	February 9, 2021	PRC
93.	Label-Jingxin 1000KG Sichuan Luzhou (標貼-淨芯1000KG四川瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202911	February 9, 2021	PRC
94.	Label-Zhilan No.1 10kg_Label Zhilan No.1 10kg Luzhou (標貼-智藍1號10kg_標貼 智藍1號10kg 瀘州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00202910	February 9, 2021	PRC
95.	Label Jiejin No.1 PE 10kg_Label Jiejin No.1 PE 10kg Lishui Tianjin (標貼 潔勁1號 PE 10kg_標貼 潔勁1號 PE 10kg 溧水天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202909	February 9, 2021	PRC
96.	Label Shengchang 10kg PE_Nanjing-Tianjin (標貼 省暢 10kg PE_南京-天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202908	February 9, 2021	PRC
97.	Label-Zhilan No.1 10kg_Label Zhilan No.1 10kg Huizhou (標貼-智藍1號10kg_標貼 智藍1號 10kg 惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202907	February 9, 2021	PRC
98.	Label-Zhilan 10kg_Tianjin Lishui (標貼-智藍10kg_天津溧水).	Jiangsu Kelas	Qianzuodengzi-2021-F-00202906	February 9, 2021	PRC
99.	Label-Zhilan 10kg_Huizhou (標貼-智藍10kg_惠州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00202903	February 9, 2021	PRC
100.	Label Jiexiao PE 10kg_Lishui Tianjin (標貼 傑效 PE 10kg_溧水天津).	Jiangsu Kelas	Qianzuodengzi-2021-F-00202748	February 9, 2021	PRC
101.	Label Jingxin No.1 PE 10KG_ Lishui Tianjin (標貼 淨芯1號 PE 10KG_溧水天津).	Jiangsu Kelas	Qianzuodengzi-2021-F-00202747	February 9, 2021	PRC
102.	Label-Jingxin No.1 10kg pet_ Huizhou (標貼-淨芯1號10kg pet_惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202745	February 9, 2021	PRC
103.	Label Jiejin No.1 PE 10kg_Label Jiejin No.1 PE 10kg Huizhou (標貼 潔勁1號 PE 10kg_標貼 潔勁1號 PE 10kg 惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202744	February 9, 2021	PRC
104.	Label-Shengchang 1000L Guangdong Huizhou (標貼-省暢1000L廣東惠州).	Jiangsu Kelas	Qianzuodengzi-2021-F-00202891	February 9, 2021	PRC
105.	Label Jingxin No.1 PE 10kg_ Luzhou (標貼 淨芯1號 PE 10kg_瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202742	February 9, 2021	PRC
106.	Label-Jiejin No.1 10kg pet_Luzhou (標貼-潔勁1號 10kg pet_瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202741	February 9, 2021	PRC

No.	Copyright	Owner	Registration Number	Registration Date	Place of Registration
107.	Label Jiejin PE 10kg Lishui_Nanjing (標貼 潔勁 PE 10kg 溧水_南京)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202740	February 9, 2021	PRC
108.	Label-Jingxin No.1 10kg pet_ Luzhou (標貼-淨芯1號10kg pet_瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202739	February 9, 2021	PRC
109.	Label Jingxin No.1 PE 10kg_ Huizhou (標貼 淨芯1號 PE 10kg_惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202738	February 9, 2021	PRC
110.	Label-Shengchang 1000KG Sichuan Luzhou (標貼-省暢1000KG四川瀘州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202737	February 9, 2021	PRC
111.	Label-Jingxin No.1 10kg pet_ Lishui Tianjin (標貼-淨芯1號10kg pet_溧水天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202736	February 9, 2021	PRC
112.	Label Chichang PE 10kg _Nanjing-Tianjin (標貼 持暢 PE 10kg_南京-天津)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202735	February 9, 2021	PRC
113.	Label-Jingxin 1000L Tianjin Lishui (標貼-淨芯1000L天津溧水)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202734	February 9, 2021	PRC
114.	Label-Jingxin 1000KG Guangdong Huizhou (標貼-淨芯1000KG廣東惠州)	Jiangsu Kelas	Qianzuodengzi-2021-F-00202731	February 9, 2021	PRC
115.	Use Kelas Trucks with More Power (用可蘭素 卡車更有勁)	Jiangsu Kelas	Suzuodengzi-2020-F-00260936	December 14, 2020	PRC
116.	Green Melon LVGAL (綠瓜LVGAL)	Jiangsu Green Melon	Suzuodengzi-2021-F-00038658	February 18, 2021	PRC
117.	Jiangsu Sanjin Lithium Foreign Objects Prevention Management Handbook (江蘇三金鋰電異物防控管理手冊)	Jiangsu Sanjin Lithium Technology Co., Ltd.	Guozuodengzi-2023-L-00315067	December 27, 2023	PRC

(ii) Software copyrights (軟件著作權)

As of the Latest Practicable Date, we had registered the following copyrights which are material to our business:

No.	Copyright	Owner	Registration Number	Registration Date	Place of Registration
1.	Lopal Car Maintenance Big V Android Software [Abbreviation: Car Maintenance Big V]V1.0 (龍蟠養車大V安卓端軟件[簡稱：養車大V] V1.0)	The Company	2019SR0396289	April 15, 2019	PRC
2.	Lopal Shopkeeper Distributor Management System V1.0 (龍蟠掌櫃經銷商管理系統V1.0)	The Company	2021SR0178446	October 15, 2020	PRC
3.	Compass Software V1.0 (指南針軟件V1.0)	The Company	2015SR210309	September 11, 2014	PRC
4.	Lopal Car Maintenance Big V pro Software [Abbreviation: Car Maintenance Big V pro]V1.0 (龍蟠養車大V pro軟件[簡稱：養車大V pro]V1.0)	The Company	2021SR1417854	July 8, 2021	PRC
5.	U-MAX Industrial Internet Platform System V1.0 (U-MAX工業互聯網平台系統V1.0)	The Company	2021SR0185859	October 10, 2020	PRC
6.	"Intelligent Innovation" Innovation and Improvement Application Platform V1.0 ("慧創新"創新與改善應用平台V1.0)	Lopal Lubrication	2019SR1091883	August 9, 2018	PRC
7.	"Tiny U Customize" Personalized Customization System for Lubricating Oil V1.0 ("小U定制"潤滑油個性化定制系統V1.0)	Lopal Lubrication	2019SR1091199	August 9, 2018	PRC
8.	"ATF Oil Selection Guide" Transmission Oil Selection System V1.0 ("ATF選油指南"變速箱油選油系统V1.0)	Lopal Lubrication	2019SR1091880	August 9, 2018	PRC

(d) Domain Names

As of the Latest Practicable Date, we had registered the following domain names which are material to our business:

No.	Domain name	Registrant	Registration Date	Expiry Date
1.	feiyue2014.com	The Company	November 1, 2013	November 1, 2026
2.	lopal.cn	The Company	June 27, 2007	June 27, 2029
3.	lopal.com.cn	The Company	June 27, 2007	June 27, 2029
4.	lopalvip.cn	The Company	October 17, 2014	October 17, 2026
5.	lopalvip.com	The Company	October 17, 2014	October 17, 2026
6.	tlo2o.com.cn	The Company	July 20, 2015	July 20, 2026
7.	kalas.com.cn	Jiangsu Kelas	November 15, 2013	November 15, 2026
8.	kelas.cn	Jiangsu Kelas	December 16, 2013	December 16, 2026
9.	kelas.cc	Jiangsu Kelas	November 18, 2013	November 18, 2026
10.	liyuane.cn	Changzhou Liyuan	May 19, 2021	May 19, 2026
11.	liyuanen.com	Changzhou Liyuan	September 15, 2022	September 15, 2025
12.	china-teec.com	Zhangjiagang TEEC	January 16, 2000	January 16, 2026
13.	g-h2.cc	Jiangsu Tianlan Intelligent Equipment Co., Ltd. (江蘇天藍智能裝備有限公司)	March 27, 2023	March 27, 2026
14.	g-h2.cn	Jiangsu Tianlan Intelligent Equipment Co., Ltd. (江蘇天藍智能裝備有限公司)	March 27, 2023	March 27, 2026
15.	lvgal.cn	Hubei Green Melon	March 15, 2024	March 15, 2025

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which were material to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, Supervisors and the chief executive of our Company

Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and the options granted under the 2023 Share Option Scheme are not exercised), the interests and/or short positions (as applicable) of the Directors, Supervisors and the chief executive of the Company in the Shares, underlying Shares and debentures of our Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Hong Kong Listing

Rules, to be notified to our Company and the Hong Kong Stock Exchange, in each case once the H Shares are listed on the Hong Kong Stock Exchange, will be as follows:

(i) Interest in our Company

Name of Director, Supervisor or chief executive	Nature of interest	Description of Shares	Number of Shares[(1)]	Approximate percentage of interest in our Company as of the Latest Practicable Date and immediately prior to the Global Offering[(2)]	Approximate percentage of shareholding in the total issued and outstanding share capital of our Company immediately following the completion of the Global Offering[(3)]
Mr. Shi[(4)(6)]	Beneficial owner	A Shares	212,662,195	37.63%	31.98%
	Interest held by controlled corporation	A Shares	1,901,208	0.34%	0.29%
	Interest of spouse	A Shares	23,618,649	4.18%	3.55%
Ms. Zhu[(5)].	Beneficial owner	A Shares	23,618,649	4.18%	3.55%
	Interest of spouse	A Shares	214,563,403	37.97%	32.26%
Mr. Lu Zhenya[(7)]	Beneficial owner	A Shares	431,988	0.08%	0.06%
Mr. Qin Jian[(8)].	Beneficial owner	A Shares	410,832	0.07%	0.06%
	Interest of spouse	A Shares	33,056	0.01%	0.00%
Mr. Shen Zhiyong[(9)]	Beneficial owner	A Shares	908,112	0.16%	0.14%
Mr. Zhang Yi[(10)]	Beneficial owner	A Shares	385,792	0.07%	0.06%

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 565,078,903 Shares in issue as of the Latest Practicable Date.

(3) The calculation is based on the total number of 665,078,903 Shares in issue immediately following the completion of the Global Offering and without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2023 Share Option Scheme.

(4) Mr. Shi is the spouse of Ms. Zhu. By virtue of the SFO, Mr. Shi is deemed to be interested in the Shares in which Ms. Zhu is deemed to be interested upon the Listing. In addition, Mr. Shi and Ms. Zhu may be taken to have an interest in those treasury shares held by the Company as shareholders controlling more than one-third or more voting power in the Company. As of the Latest Practicable Date, the Company held 2,082,400 A Shares as treasury shares. See also "Substantial Shareholder — Share Pledges by Mr. Shi."

(5) Ms. Zhu is the spouse of Mr. Shi. By virtue of the SFO, Ms. Zhu is deemed to be interested in the Shares in which Mr. Shi is deemed to be interested upon the Listing. In addition, Mr. Shi and Ms. Zhu may be taken to have an interest in those treasury shares held by the Company as shareholders controlling more than one-third or more voting power in the Company. As of the Latest Practicable Date, the Company held 2,082,400 A Shares as treasury shares.

(6) Nanjing Bailey is a limited partnership established in the PRC, which is managed by Lopal International as its general partner. Lopal International is a limited company established in the PRC, which is owned as to 90% by Mr. Shi and 10% by Ms. Zhu. Accordingly, Mr. Shi is deemed to be interested in the Shares held by Nanjing Bailey.

(7) As of the Latest Practicable Date, Mr. Lu Zhenya held 241,988 A Shares and was granted outstanding options to subscribe for 190,000 A Shares under the 2023 Share Option Scheme. Therefore, Mr. Lu Zhenya will be interested in 431,988 A Shares upon the Listing.

(8) As of the Latest Practicable Date, Mr. Qin Jian held 230,832 A Shares and was granted outstanding options to subscribe for 180,000 A Shares under the 2023 Share Option Scheme. Therefore, Mr. Qin Jian will be interested in 410,832 A Shares upon the Listing.

Ms. Xu Suxia (徐素蝦) is the spouse of Mr. Qin Jian. As of the Latest Practicable Date, Ms. Xu Suxia held 33,056 A Shares. By virtue of the SFO, Mr. Qin Jian is deemed to be interested in the Shares in which Ms. Xu Suxia is deemed to be interested upon the Listing.

(9) As of the Latest Practicable Date, Mr. Shen Zhiyong held 218,112 A Shares and was granted outstanding options to subscribe for 690,000 A Shares in aggregate under the 2023 Share Option Scheme. Therefore, Mr. Shen Zhiyong will be interested in 908,112 A Shares upon the Listing.

(10) As of the Latest Practicable Date, Mr. Zhang Yi held 195,792 A Shares and was granted outstanding options to subscribe for 190,000 A Shares under the 2023 Share Option Scheme. Therefore, Mr. Zhang Yi will be interested in 385,792 A Shares upon the Listing.

(ii) Interest in associated corporations

Name of Director, chief executive or Supervisor	Nature of interests[1]	Associated corporations	Approximate percentage of holding in associated corporations
Mr. Shi	Interest held by controlled corporation	Changzhou Liyuan	68.52%[2]
Mr. Shen Zhiyong. . . .	Interest held by controlled corporation	Changzhou Liyuan	2.25%[3]
Mr. Xue Jie	Interest held by controlled corporation	Changzhou Liyuan	0.9%[4]

Notes:

(1) All the interests stated are long positions.

(2) As of the Latest Practicable Date, Changzhou Liyuan was owned as to approximately 64.03% by our Company in which Mr. Shi controlled more than one-third of voting power and approximately 4.49% by Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥)), in which Mr. Shi served as the general partner and owned 99.9% interest, respectively. Therefore Mr. Shi is deemed to be interested in the shares in Changzhou Liyuan held by Changzhou Youbeili Venture Capital Center (Limited Partnership) (常州優貝利創業投資中心(有限合夥)) and the shares in Changzhou Liyuan held by our Company under the SFO.

(3) As of the Latest Practicable Date, Changzhou Liyuan was owned as to approximately 2.25% by Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥)) in which Mr. Shen served as the general partner and owned 99% interest. Therefore Mr. Shen is deemed to be interested in the shares in Changzhou Liyuan held by Nanjing Jinbeili Venture Capital Center (Limited Partnership) (南京金貝利創業投資中心(有限合夥)) under the SFO.

(4) As of the Latest Practicable Date, Changzhou Liyuan was owned as to approximately 0.9% by Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥)) in which Mr. Xue served as the general partner and owned 80% interest. Therefore Mr. Xue is deemed to be interested in the shares in Nanjing Chaoli Venture Capital Center (Limited Partnership) (南京超利創業投資中心(有限合夥)) under the SFO.

(b) Interests of the Substantial Shareholders

(i) Interests in the Shares of our Company

For information on the persons who will, immediately following the completion of the Global Offering without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2023 Share Option Scheme, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly and/or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see "Substantial Shareholders."

Save as disclosed in "Substantial Shareholders", our Directors, Supervisors and the chief executive of our Company are not aware of any person, not being a Director, Supervisor or chief executive of our Company, who has an interest or short position in our Shares, underlying Shares or debentures of our Company which, once our H Shares are listed, would have to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(ii) Interests in our Company's subsidiaries

Immediately following the completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or the options granted under the 2023 Share Option Scheme, no person (other than our Company) will be interested, directly or indirectly, in 10% or more in any share class with the right to, in any event, vote at the general meeting of any other member (other than our Company) of our Group, save as disclosed below:

Subsidiary	Person with 10% or more interest (other than our Company)	Percentage of the interest in the subsidiary
Jiangsu Ruilifeng	Zhangjiagang Zhaorui Enterprise Management Partnership (Limited Partnership)[(1)] (張家港兆瑞企業管理合夥企業（有限合夥）)	20%
	Qian Xuefen	21%
Lopal Times.	Yichun Times[(2)]	30%
Zhangjiagang TEEC	Ethylene Chemical Co., Ltd.[(3)] (乙烯化學株式會社)	25%

Notes:

(1) As of the Latest Practicable Date, Zhangjiagang Zhaorui Enterprise Management Partnership (Limited Partnership) (張家港兆瑞企業管理合夥企業（有限合夥）) was owned (i) as to 15.5% by Wang Zhaoyin (王兆銀), (ii) as to 12.5% by Qian Xuefen (錢雪芬) who also served as the general partner, (iii) as to 12.0% by Shi Hanliang (施漢良); (iv) as to 4.5% by Zhang Jinlong (張金龍); (v) as to 4.5% by Zhang Bingsheng (張丙生); (vi) as to 4.5% by Cao Yunlong (曹雲龍); (vii) as to 4.5% by Li Haishan (李海山); (viii) as to 4.5% by Jiao Zhongqiu (焦中秋); (ix) as to 4.5% by Wang Zhaocai (王兆才); (x) as to 3.5% by Tao Dianbin (陶佃彬); (xi) as to 3.0% by Xu Yan (徐艷); (xii) as to 3.0% by Gao Chongyi (高崇怡); (xiii) as to 3.0% by Yu Shenghui (俞勝慧); (xiv) as to 3.0% by Zhang Chengxin (張成新); (xv) as to 2.5% by Shan Meng (單猛); (xvi) as to 2.5% by Zhao Rudong (趙汝東); (xvii) as to 1.5% by Zhang Dajin (張大金); (xviii) as to 1.5% by Wu Bei (武北); (xix) as to 1.0% by Tong Xiufeng (童秀鳳); (xx) as to 1.0% by Gong Haigang (龔海港); (xxi) as to 1.0% by Shi Lei (時磊); (xxii) as to 1.0% by Zhou Jie (周潔); (xxiii) as to 1.0% by Zhu Ligang (朱麗剛); (xxiv) as to 1.0% by Zhang Chunxiao (張春曉); (xxv) as to 1.0% by Cai Yingchun (蔡迎春); (xxvi) as to 0.8% by Zou Mi (鄒密); (xxvii) as to 0.8% by Huang Zhangbo (黃章波); (xxviii) as to 0.6% by Jiang Weiwei (江衛衛); and (xxix) as to 0.3% by Wang Shaohua (王少華).

(2) As of the Latest Practicable Date, Yichun Times was wholly owned by CATL.

(3) As of the Latest Practicable Date, Ethylene Chemical Co., Ltd. (乙烯化學株式會社) was owned as to 60.9% of the voting rights by MORESCO Corporation, a joint stock company established in Japan in October 27, 1958, the shares of which are listed on the Tokyo Stock Exchange Prime Market (stock code: 5018).

2. Directors' and Supervisors' Service Contracts and Letters of Appointment

We have entered into a service contract or letter of appointment with each of our Directors and Supervisors. The principal particulars of these service contracts and letters of appointment include (i) the term of service, and (ii) are subject to termination in accordance with their respective term. The service contracts and letters of appointment may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts or letters of appointment as a director or supervisor with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors and Supervisors

The aggregate remuneration (including fees, salaries, retirement benefits scheme contributions, other social security costs, housing benefits and other employee benefits, share based compensation, allowances and other benefits in kind) paid to our Directors and Supervisors for the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024 was approximately RMB6.3 million, RMB6.5 million, RMB5.4 million and RMB4.9 million, respectively.

Save as disclosed above, no other payments have been made or are payable, in respect of the years ended December 31, 2021, 2022 and 2023 and the six months ended June 30, 2024, by any of member of the Group to any of our Directors or Supervisors.

Under the arrangements currently in force, we estimate the aggregate remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending December 31, 2024 to be approximately RMB7.0 million.

4. Directors' Competing Interests

Saved as disclosed in this prospectus, none of our Directors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

Save as disclosed in this prospectus:

(a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Hong Kong Stock Exchange, once the Shares are listed on the Hong Kong Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) none of our Directors, Supervisors, nor any of the persons listed in "— D. Other Information — 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) none of our Directors, Supervisors, nor any of the persons listed in "— D. Other Information — 5. Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with the Underwriting Agreements, none of the persons listed in "— D. Other Information — 5. Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as contemplated under the Underwriting Agreements, none of our Directors, their respective associates (as defined under the Hong Kong Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

Halcyon Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Guotai Junan Capital Limited does not satisfy the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules, since Guotai Junan Securities Co., Ltd, which is a controlling shareholder of the indirect holding company of Guotai Junan Capital Limited, has been providing continuous supervisory services to the Company, which might reasonably give rise to a perception that the sponsor's independence would be affected and such relationship does not arise under the sponsor's engagement to provide sponsorship services. Guotai Junan Securities Co., Ltd also acts as pledgee of certain A Shares of Mr. Shi.

The Joint Sponsors will receive an aggregate fee of approximately HK$6.0 million for acting as the sponsors for the Listing.

4. Material Adverse Change

Our Directors confirm that, up to the date of this prospectus and other than disclosed in "Summary — Recent Developments and Adverse Material Change", there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Hong Kong Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Guotai Junan Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
Halcyon Capital Limited	Licensed corporation under the SFO to conduct type 6 (advising on corporate finance) regulated activity as defined under the SFO
Moore CPA Limited	Certified Public Accountants and Registered Public Interest Entity Auditor
Grandall Law Firm (Shanghai)	Legal advisor as to PRC Law
Hanafiah Ponggawa & Partners	Legal advisor as to Indonesia law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "— D. Other Information — 5. Qualification of Experts" has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoters

Our promoters at the time of our Company's conversion into a joint stock company are Mr. Shi, Ms. Zhu, Jiantou Jiachi (Shanghai) Investment Co., Ltd. (建投嘉馳(上海)投資有限公司) and Nanjing Bailey.

Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

We have not incurred any material preliminary expense.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

This prospectus is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this prospectus and the Chinese translation, the English language version of this prospectus shall prevail.

11. Miscellaneous

Save as disclosed in this prospectus,

(a) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(d) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(e) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;

(f) there is no arrangement under which future dividends are waived or agreed to be waived;

(g) since June 30, 2024 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospects;

(h) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and

(i) our Company has no outstanding convertible debt securities or debentures.

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV (subject, in case of Lopal Times Transfer Agreement, to the omission of the Sensitive Commercial Information); and

(b) the written consents referred to in "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix IV.

B. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our website at **www.lopal.com.cn** up to and including the date which is 14 days from the date of this prospectus:

(a) the Articles of Association;

(b) the Accountants' Report prepared by Moore CPA Limited, the text of which is set forth in Appendix IA;

(c) the Accountants' Report of Tianjin Beiterui Nano prepared by Moore CPA Limited, the text of which is set forth in Appendix IB;

(d) the Accountants' Report of Jiangsu Beiterui Nano prepared by Moore CPA Limited, the text of which is set forth in Appendix IC;

(e) the Accountants' Report of Shandong Meiduo prepared by Moore CPA Limited, the text of which is set forth in Appendix ID;

(f) the report on the unaudited pro forma financial information prepared by Moore CPA Limited, the text of which is set forth in Appendix II;

(g) the audited consolidated financial statements of our Company for the Track Record Period;

(h) the PRC legal opinion issued by Grandall Law Firm (Shanghai), our PRC legal advisor, in respect of certain aspects of our Group in the PRC;

(i) the legal opinion issued by Hanafiah Ponggawa & Partners, our Indonesia legal advisor, in respect of the subsidiary of our Company incorporated in Indonesia;

(j) the Frost & Sullivan Report;

(k) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》), together with an unofficial English translation;

(l) the Shanghai Stock Exchange Listing Rules, together with an unofficial English translation;

(m) the material contracts referred to in "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix IV in the form delivered to the Registrar of Companies for registration;

(n) the written consents referred to in "Statutory and General Information — D. Other Information — 6. Consents of Experts" in Appendix IV;

(o) service contracts and letters of appointment referred to in "Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors' and Supervisors' Service Contracts and Letters of Appointment" in Appendix IV; and

(p) the terms of the 2023 Share Option Scheme.

C. DOCUMENT AVAILABLE FOR INSPECTION

A list of all grantees under the 2023 Share Option Scheme, containing all details as required under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will be available for inspection at the office of Han Kun Law Offices LLP at Rooms 4301–10, 43/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus.

Lopal
龙蟠科技

江蘇龍蟠科技股份有限公司
JIANGSU LOPAL TECH. CO., LTD.