

Stock Code: **603799** Stock Name: Huayou Cobalt Announcement No.:
2024-106

Convertible Bond Code: **113641** Convertible Bond Name: Huayou Convertible Bond

Zhejiang Huayou Cobalt Co., Ltd.

Announcement on the Reply to the Letter of Supervision of Information Disclosure under 2024 Semi-Annual Report of Zhejiang Huayou Cobalt Co., Ltd.

The Board of Directors and all directors of the Company warrant that there is no false representation, misleading statement or material omissions herein, and will assume joint and several liabilities with respect to the truthfulness, accuracy and completeness hereof.

Recently, Zhejiang Huayou Cobalt Co., Ltd. (“Huayou Cobalt” or the “Company”) received the *Letter of Supervision of Information Disclosure under 2024 Semi-Annual Report of Zhejiang Huayou Cobalt Co., Ltd.* (Shang Zheng Gong Han [2024] No. 3499) (the “Letter”) from Shanghai Stock Exchange. In accordance with the Letter, the Company conducted careful analysis and verification of relevant issues with the annual audit accountant, who expressed opinions on relevant issues and issued the *Explanatory Note on Financial Matters in the Letter of Supervision of Information Disclosure under 2024 Semi-Annual Report of Zhejiang Huayou Cobalt Co., Ltd.* (Tian Jian Han [2024] No. 1170). The questions mentioned in the Letter are hereby replied as follows:

1. Performance. According to the 2024 Semi-Annual Report, the Company's main business is the R&D and manufacturing of new energy lithium-ion battery material and cobalt new material products, and main products are cathode materials, ternary precursor, cobalt, nickel, copper, trade and others; in the first half of 2024, the Company achieved operating income of RMB 30.05 billion, down 9.88% year-on-year, and net profit attributable to the parent company of RMB 1.671 billion, down 19.87% year-on-year. The Company said that the decline in performance was mainly due to the significant decline in the market prices of major metals such as nickel and lithium. Among them, the trade and other business income was RMB 5.725 billion, an increase of 10.33% year-on-year, which was opposite to the change in the Company's overall income. In 2022, 2023 and the first half of 2024, the trade and other business income was RMB 9.181 billion, RMB 11.472 billion and RMB 5.725 billion respectively, accounting for 14.56%, 17.30% and 19.05% of the operating income of each period, with a relatively large scale and proportion.

The Company is required to: (1) in combination with the sales volume of main products, production cost, average selling price, comparable companies in the same industry, competition pattern, etc., explain the reasons for the decline in both operating income and net profit attributable to the parent company during the reporting period and the match with the corresponding metal price fluctuations; (2) make a supplementary disclosure of the main contents of trade and other business, the business models, the names of top ten customers and suppliers in the last three years and the most recent period, the association relationship, transaction amount, accounts receivable or prepayment balance, rights and obligations agreement, attribution of cargo risk liability, etc., explain the basis and rationality of the time and method of revenue recognition and, in combination with the above indicators, explain the reasons for the change in the business income in an opposite direction to the change in the Company's overall income and for the increase in proportion year by year during the reporting

period. The accountant is invited to comment on item (2) above.

Reply of the Company:

I. In combination with the sales volume of main products, production cost, average selling price, comparable companies in the same industry, competition pattern, etc., explain the reasons for the decline in both operating income and net profit attributable to the parent company during the reporting period and the match with the corresponding metal price fluctuations

(I) Sales volume, cost, average selling price and contribution margin of the Company's main products in the first half of 2024 and comparison with those in the same period of 2023

1. Sales volume, income and gross margin of the Company's main products in the first half of 2024 and the changes thereof

In the first half of 2024 and the same period of 2023, the sales volume, income and gross margin of the Company's main products and the changes thereof are as follows:

Monetary Unit: Ton, Ten Thousand Yuan

Product category	January to June 2024			January to June 2023			Proporti on of change in sales volume	Proporti on of change in income	Proporti on of change in gross margin
	Sales volum e	Income	Gross margin	Sales volum e	Income	Gross margin			
Cobalt products	12,758	221,819	38,124	11,055	231,905	13,786	15.40%	-4.35%	176.54%
Copper products	47,512	295,956	104,971	43,955	251,987	97,773	8.09%	17.45%	7.36%
Nickel products	45,037	540,405	112,797	20,750	313,201	65,547	117.05%	72.54%	72.09%
Lithium products	17,801	165,094	7,634	2,539	65,922	16,936	601.10%	150.44%	-54.92%
Ternary precursors	41,366	331,976	51,777	47,717	498,243	76,192	-13.31%	-33.37%	-32.04%
Cathode materials	42,629	547,744	47,707	46,027	1,072,021	77,313	-7.38%	-48.91%	-38.29%
Nickel intermediates	40,180	329,278	97,934	31,079	382,042	104,736	29.28%	-13.81%	-6.49%
Trade and others	--	572,760	36,879	--	519,233	45,040	--	10.31%	-18.12%
Total	--	3,005,031	497,823	--	3,334,554	497,323	--	-9.88%	0.10%

Note: 1) The sales volume of main products is based on the converted metal quantity or physical quantity; 2) trade and others include rental income in other business income.

As shown in the above table, in the first half of 2024, the Company's operating income was RMB 30.05 billion, a decrease of RMB 3.295 billion or 9.88% compared with that in the first half of 2023; in the first half of 2024, the Company's operating cost was RMB 25.072 billion, a decrease of RMB 3.3 billion or 11.63% compared with that in the first half of 2023; in the first half of 2024, the Company's total gross margin was RMB 4.978 billion, basically the same as the gross margin of RMB 4.973 billion in the first half of 2023.

2. Average selling price and unit cost of the Company's main products in the first half of 2024 and the changes thereof

In the first half of 2024 and the same period of 2023, the average selling price and unit cost of the Company's main products and the changes thereof are as follows:

Unit: Ten Thousand Yuan/Ton

Product category	January to June 2024		January to June 2023		Proportion of change in average selling price	Proportion of change in unit cost
	Average selling price	Unit cost	Average selling price	Unit cost		
Cobalt products	17.39	14.40	20.98	19.73	-17.12%	-27.02%
Copper products	6.23	4.02	5.73	3.51	8.66%	14.57%
Nickel products	12.00	9.49	15.09	11.94	-20.50%	-20.45%
Lithium products	9.27	8.85	25.96	19.29	-64.28%	-54.15%
Ternary precursors	8.03	6.77	10.44	8.84	-23.14%	-23.42%
Cathode materials	12.85	11.73	23.29	21.61	-44.83%	-45.72%
Nickel intermediates	8.20	5.76	12.29	8.92	-33.33%	-35.47%

As shown in the above data, in the first half of 2024, the sales volume of the Company's cobalt products increased compared with that in the same period of 2023,

while the average selling price and unit cost decreased, with greater decrease in cost, and the contribution margin increased; the sales volume of copper products increased slightly compared with that in the same period of 2023, the average selling price and unit cost both increased, and the contribution margin increased slightly; the sales volume of nickel products increased significantly compared with that in the same period of 2023, the average selling price and unit cost decreased year-on-year, and the contribution margin increased significantly; the sales volume of lithium products increased significantly compared with that in the same period of 2023, but affected by the sharp decline in the market price of lithium salt, the average selling price of the Company's lithium products fell significantly, and the contribution margin decreased; affected by the market, the sales volume of ternary precursors and cathode materials decreased slightly compared with that in the same period of 2023, the average selling price and unit cost decreased significantly, causing significant decrease in the contribution margin.

(II) Comparison of changes in operating income and net profit with comparable companies in the same industry

Monetary Unit: One Hundred Million Yuan

Item	Short name of company	January to June 2024	January to June 2023	Proportion of change
Operating income	Hanrui Cobalt	25.60	22.99	11.34%
	Chengtun Mining	114.14	133.16	-14.28%
	Easpring	35.41	84.02	-57.85%
	Ronbay Technology	68.88	128.94	-46.58%
	CNGR	200.86	172.66	16.33%
	GEM	173.38	129.40	33.99%
	Huayou Cobalt	300.50	333.46	-9.88%
Net profit	Hanrui Cobalt	0.71	0.68	4.31%
	Chengtun Mining	12.54	4.02	212.04%
	Easpring	2.65	9.25	-71.32%
	Ronbay Technology	0.23	3.96	-94.16%
	CNGR	11.57	8.45	36.92%

Item	Short name of company	January to June 2024	January to June 2023	Proportion of change
	GEM	7.99	5.55	43.93%
	Huayou Cobalt	23.70	29.47	-19.59%

As shown in the above table, the operating income and net profit of comparable listed companies in the same industry in the first half of 2024 increased or decreased compared with that in the same period of 2023. The main reason is that although the above comparable listed companies in the same industry were involved in the related business of the lithium-ion battery material industry chain, there were great differences in their focuses on the industry chain links and main product structure. If compared by product segments in different links of the industry chain, the changes will be more reasonable. In terms of copper and cobalt products, the Company experienced an increase in sales volume for its cobalt products; however, operating income declined due to the prevailing downward trend in cobalt metal prices. Nonetheless, there was a significant increase in the gross profit contribution from cobalt products. The sales volume of copper products saw a slight increase, and driven by fluctuations in copper metal prices, both operating income and gross profit contribution related to copper products showed positive growth. Among the comparable companies in the same industry, Hanrui Cobalt, whose primary business focuses on cobalt and copper related products, recorded growth in operating income and net profit in the first half of 2024, showing a trend of change that is broadly consistent with the relevant products of the Company.

In terms of ternary precursors and cathode materials, the main products of the comparable companies Easpring and Ronbay Technology were cathode materials. The price of the product was greatly affected by the price fluctuations of metal raw materials such as nickel, cobalt and lithium in the upstream market. In the first half of 2024, the market price of cathode materials dropped significantly. As a result, the operating income and contribution margin decreased somewhat compared with those in the same period of 2023, which was consistent with the decrease of operating income and contribution margin of the Company's cathode materials. The main

products of the comparable company CNGR were ternary precursor materials and nickel products. In the first half of 2024, the operating income and contribution margin of ternary precursor materials decreased compared with those in the same period of 2023, which was consistent with the decrease of sales revenue and contribution margin of the Company's ternary precursor products. In the first half of 2024, CNGR's sales revenue of nickel products was RMB 6.17 billion, an increase of 292.00% compared with that in the same period of 2023, and the contribution margin increased by RMB 502 million, which was consistent with the increase of sales volume, sales revenue and contribution margin of the Company's nickel products.

In addition, the net profit of the comparable listed companies in the first half of 2024 in the same industry also increased or decreased compared with that in the same period of 2023, and the changes in each company's net profit varied greatly. This variation was due to these companies' differing focuses on the lithium material industry's value chain and the structures of their main products. Consequently, specific products were affected by market dynamics and other factors, resulting in significant disparities in operating income and profit contributions. Furthermore, net profit is shaped not only by operating income and gross profit contributions but also by periodic expenses, investment income, and other considerations. The diverse business models and operating conditions of comparable companies in the same industry contributed to certain differences in the change in net profit. In the first half of 2024, the Company's gross profit contributions from main products remained consistent with those in the same period of 2023. However, the decrease in net profit was primarily due to several factors, including exchange losses resulting from fluctuations in foreign exchange rates, an increase in financial expenses caused by the working capital additions, and a decrease in gains from long-term investments in equity method investees, among others.

(III) Market competition pattern in lithium-ion battery material industry

In the short and medium term, due to the impact of downstream destocking in lithium-ion battery industry, the shipment growth of ternary precursors and ternary

cathode materials have slowed down. According to the new energy statistics from SMM, the production output of ternary precursors in China in 2023 was 810,000 tons, with CR10 close to 90% and CR5 close to 75%; CNGR, Brunp Recycling, GEM, Huayou Cobalt and Lanzhou Kington ranked the top five, of which CNGR's output in 2023 was over 200,000 tons, while the annual output of Brunp Recycling, GEM, Huayou Cobalt was in the range of 100,000 to 200,000 tons. In terms of ternary cathode materials, the shipment of ternary cathode materials in China in 2023 was 620,000 tons, with CR10 close to 80% and CR5 close to 55%; such enterprises as Ronbay Technology, B&M Technology, Easpring, Reshine New Material and Minmetals New Energy ranked top. An analysis of market share among major enterprises in the ternary precursor and ternary cathode materials sectors shows that the leading enterprises have established a relatively solid presence, with a gradual increase in market concentration. This trend is primarily attributed to the structural overcapacity in the industry and the ongoing intensification of competition. The leading enterprises effectively mitigate industry risks and continuously enhance their overall strength by leveraging their technological, customer channel, production capacity, cost, and financial advantages.

In the long term, with respect to market space, domestic enterprises involved in lithium-ion battery material industry chain expand their reach into international markets in the context of market globalization and the evolving industrial protection policies in Europe and the United States, and overseas markets will provide considerable potential for long-term growth of ternary precursor and ternary cathode material industry; from technological development perspective, the push for higher energy density is driving the iteration of ternary cathode materials towards high nickel/ultra-high nickel or medium nickel high voltage. According to the new energy statistics from SMM, the ternary materials market in 2023 saw a decrease in the share of 5-series materials and an increase in the shares of both 6-series and high-nickel materials. The shipment share of ultra-high nickel above 8-series rose from 25% in 2020 to nearly 50% in 2023, with a trend of further growth in the future. This

increased focus on high-nickel solutions introduces significant technical barriers, which will further promote the concentration in the ternary industry. As a result, there will be increased demand for a stable supply of nickel sulfate and upstream nickel raw materials. Leading enterprises that maintain an integrated industry chain - from nickel-cobalt-lithium resource development to lithium-ion battery material manufacturing and global industrial layout – are positioned for greater development.

(IV) Reasons for the decline in both operating income and net profit attributable to the parent company in the first half of 2024

In the first half of 2024, the Company's operating income declined year-on-year, mainly because the prices of nickel, lithium and other metals fluctuated downward, the market prices declined to varying degrees compared with those in the same period of 2023, and the prices of the Company's main products also fluctuated downward. In addition, affected by factors such as further intensified competition in the lithium-ion battery material industry, the sales volume of the Company's ternary precursors and cathode materials declined temporarily, which led to a decline in the Company's operating income year-on-year.

In the first half of 2024, the total gross margin of the Company was basically the same as that in the same period of 2023. On the one hand, the cost of the Company's related raw materials declined due to the decline in market price of metals, and the Company strengthened control through process optimization, procurement cost reduction and other measures to further reduce the production and processing costs of main products. On the other hand, the Company continued to promote the development of nickel and lithium resources and the construction of integrated production capacity; the production and marketing scale of nickel and lithium and other related products increased significantly year-on-year, which offset the negative impact of the decline in price of metals on the scale of operating income and business performance to a certain extent.

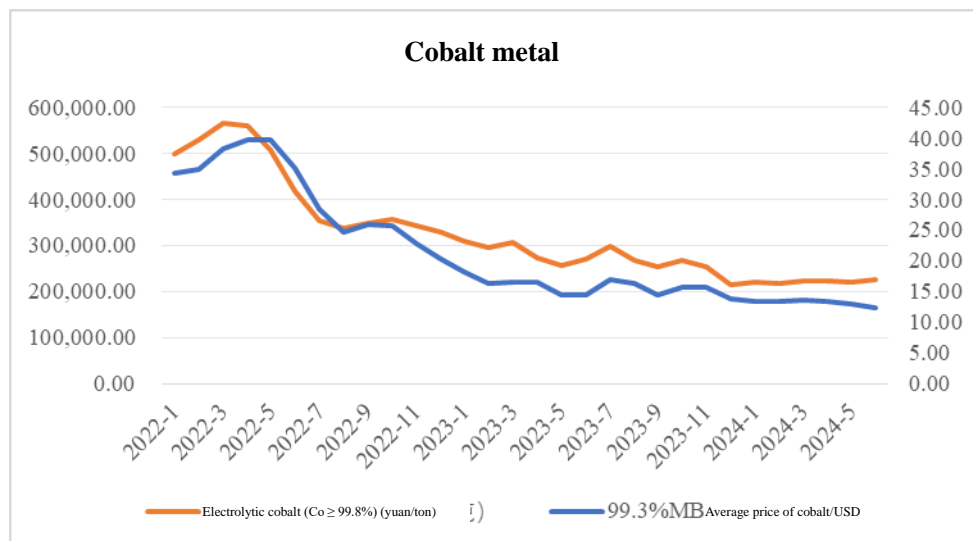
In the first half of 2024, the Company's net profit attributable to the parent company decreased year-on-year, mainly due to a net increase in financial expenses of

RMB 531 million caused by exchange losses arising from exchange rate fluctuations and working capital additions. At the same time, the changes in price and sales volume of the products of the investees made the income from long-term equity investment under the equity method decrease by RMB 354 million compared with that in the same period of 2023. As a result, the Company's net profit attributable to the parent company decreased by RMB 414 million compared with that in the same period of 2023.

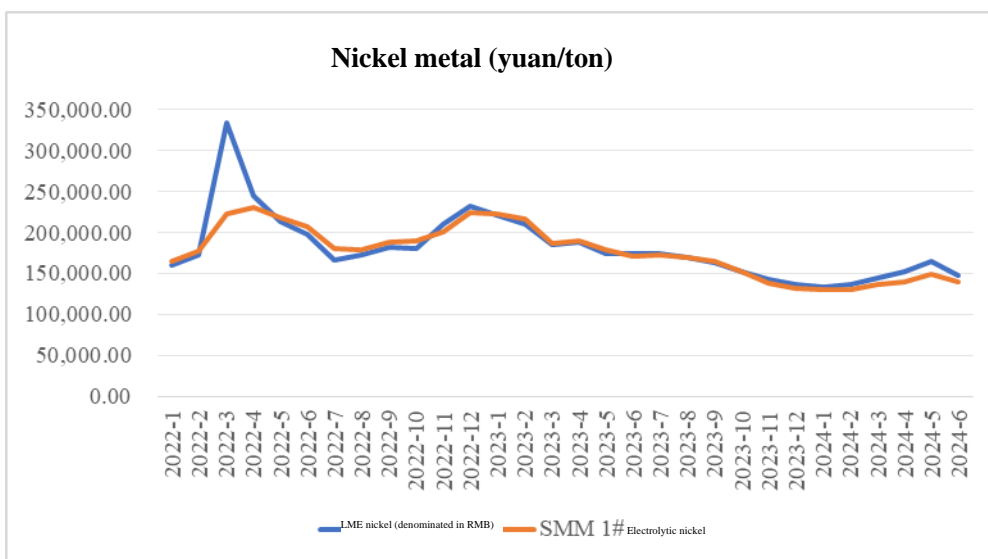
(V) Matching between the changes in average selling price of the Company's main products and the corresponding metal price fluctuations in the first half of 2024 and the same period of 2023

According to the disclosed statistical data, the monthly average market prices of nickel, cobalt, copper and other metals and the monthly average market prices of lithium materials, ternary precursor materials and cathode materials since the beginning of 2022 are listed as follows:

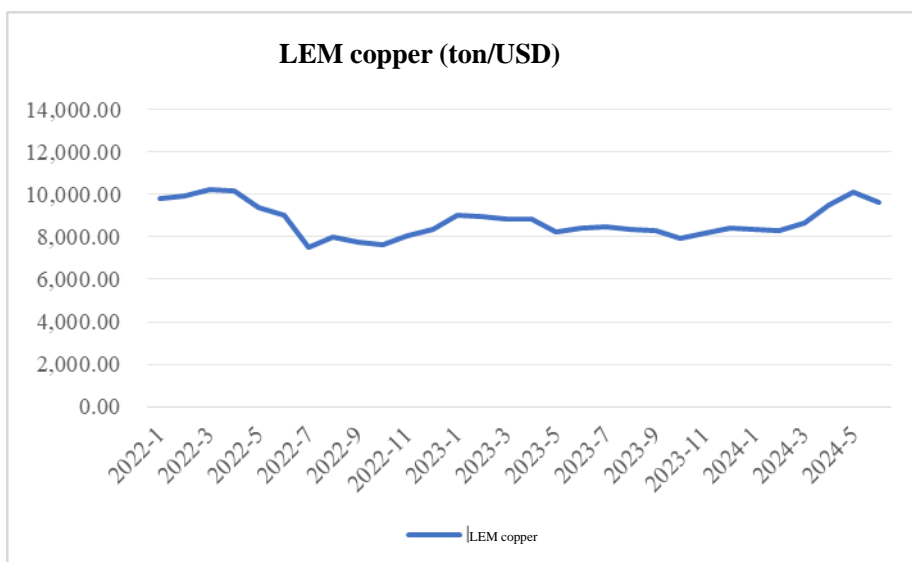
(1) Market price of cobalt metal



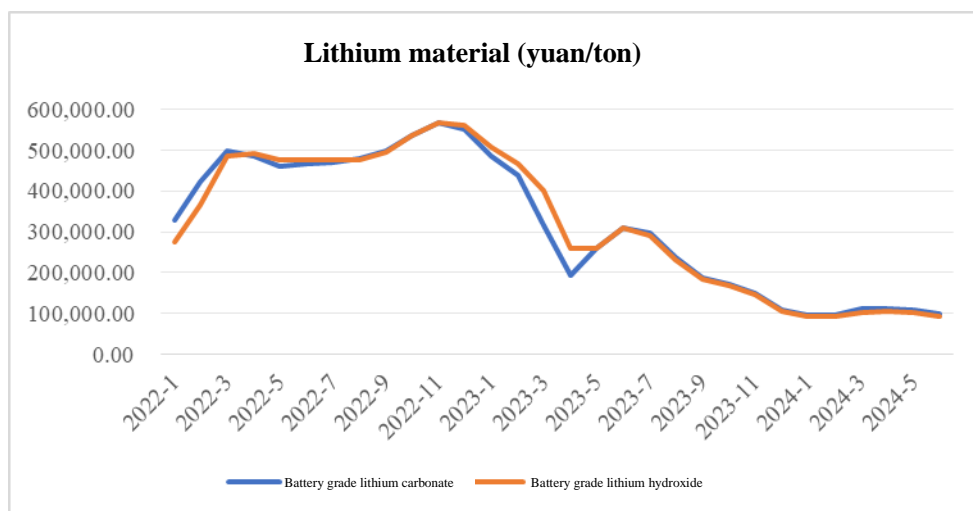
(2) Market price of nickel metal



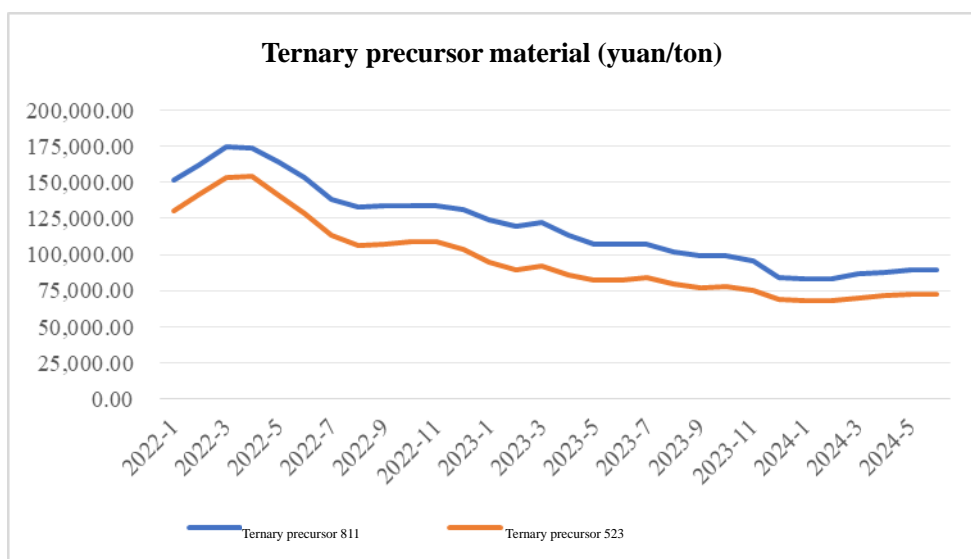
(3) Market price of copper metal



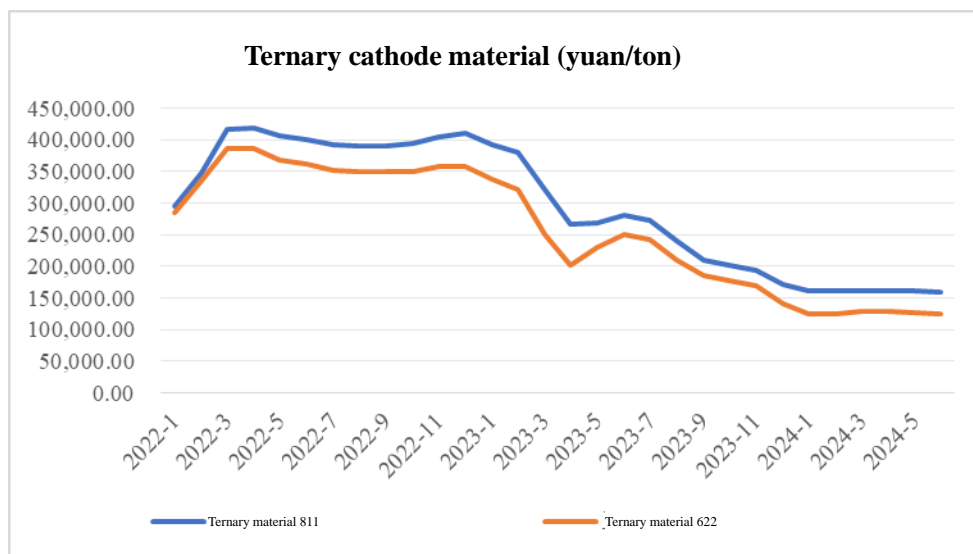
(4) Market price of lithium materials



(5) Market price of ternary precursor materials



(6) Market price of cathode materials



In the first half of 2024, the changes in average selling price of the Company's main products were basically consistent with the price trends of major metals or materials. The details are as follows: 1) the average selling price of cobalt products fell by 17.11% compared with that in the same period of 2023, matching the downward trend of market price fluctuation of cobalt metal; 2) the market price of copper metal fluctuated upward, matching the growth trend of the average selling price of Company's copper products; 3) the market price of nickel metal was volatile

in the first half of 2024, the price was lower than that in the same period of 2023 on the whole, and the average selling price of nickel products declined in line with the price trend of nickel metal; 4) the market price of lithium salt declined further in the first half of 2024, the decline was significant compared with that in the same period of 2023, and the average selling price of the Company's lithium products fell significantly, matching the market price trend; 5) in terms of ternary precursor materials and cathode materials, comprehensive pricing was conducted mainly by reference to the market prices of nickel, cobalt, lithium and other metals and in combination with the technical content of products and market supply and demand; affected by the downward price fluctuation of upstream metal raw materials such as nickel, cobalt and lithium, the sales prices of ternary precursors and cathode materials fluctuated downward; although the market prices have gradually bottomed out and rebounded in the first half of 2024, the market prices have still dropped significantly compared with those in the same period of 2023, matching the trend of significant decline in average selling price of the Company's related products.

II. Make a supplementary disclosure of the main contents of trade and other business, the business models, the names of top ten customers and suppliers in the last three years and the most recent period, the association relationship, transaction amount, accounts receivable or prepayment balance, rights and obligations agreement, attribution of cargo risk liability, etc., explain the basis and rationality of the time and method of revenue recognition and, in combination with the above indicators, explain the reasons for the change in the business income in an opposite direction to the change in the Company's overall income and for the increase in proportion year by year during the reporting period

(I) Main contents of trade and other business, the business models, the names of top ten customers and suppliers in the last three years and the most recent period, the association relationship, transaction amount, accounts receivable or prepayment balance, rights and obligations agreement, attribution of cargo risk liability, etc.

1. Main contents of the Company's trade and other business and business model

The Company's trade and other business is mainly nonferrous metal trade, sales of other self-made products, etc. The main business model is described as follows:

Item	Business model
Nonferrous metal trade	The varieties of the Company's nonferrous metal trade are the same as those of the main business of the Company, mainly including bulk metal commodities such as electrolytic copper. Through the metal block trading market segment, the Company has a deep understanding of the macro fundamentals and trends of nonferrous metals, insight into the supply and demand of commodities, and optimization of resource allocation and strategic decision-making, which helps to enhance core competitiveness. The main transaction mode of the Company's above trade is based on the ownership license (bill of lading or warehouse receipt) corresponding to the delivered goods. In the business process, the Company negotiates with suppliers and customers independently, and decides the contract price of the purchased and sold goods independently. The pricing method is generally adopted, and the formula is LME's base price \pm premium.

Item	Business model
	In addition, according to the production and sales plan, the Company will gradually sell some external mineral materials, metal products, etc.
Sales of other self-made products	The Company has a long industry chain and many sectors. In addition to the main products, it also has other self-made products for sales, mainly including the following: in the resource sector, in combination with the subsequent production plans, some self-produced mineral materials are sold at appropriate time; in the new material and new energy sector, other metal products and by-products made are sold; in the recycling sector, through the dismantling of waste batteries and further processing, related products are formed for external sales

The Company's revenues from nonferrous metal trade for the period of 2023 and January to June 2024 are as follows:

Monetary Unit: Ten Thousand Yuan

Item	January-June 2024		2023	
	Revenue	Percentage (%)	Revenue	Percentage (%)
Electrolytic copper	393,448.04	98.65	971,205.96	95.44
Minerals and other metals	5,369.78	1.35	46,379.82	4.56
Total	398,817.82	100.00	1,017,585.78	100.00

Note: January-June 2024 data are unaudited, as below

During the period of 2023 and from January to June 2024, the Company's nonferrous metal trade was predominantly focused on electrolytic copper, which accounted for 95.44% and 98.65% of its revenue, respectively. The Company places electrolytic copper as the main product in its nonferrous metal trade as copper products such as electrolytic copper form an integral part of its main self-made offerings. Due to the association of copper and cobalt in the raw minerals, alongside the Company's ongoing business expansion, sales of copper products, such as electrolytic copper, also represent a crucial component of the Company's primary operating income. In order to enhance its control over the market and channels for copper products, the Company has been engaged in the electrolytic copper commodity trade to gain an in-depth understanding of the macroeconomic fundamentals and trends of the copper market and to acquire insights into the supply and demand dynamics of the market, thereby optimizing its resource allocation and strategic decisions. This approach has contributed to strengthening the Company's core competitiveness.

2. Names of the Company’s top ten customers in trade and other business in the last three years and the most recent period, the association relationship, transaction amount, accounts receivable balance, rights and obligations agreement, attribution of cargo risk liability, etc.

Names of the top ten customers in trade and other business in the last three years and the most recent period, the association relationship, transaction amount, accounts receivable balance, rights and obligations agreement, attribution of cargo risk liability, etc. are as follows:

Monetary Unit: Ten Thousand Yuan

Period	S/N	Customer name	Business	Transaction amount	Amount of accounts receivable	Rights and obligations agreement	Attribution of risk liability	Is there any association relationship
January to June 2024	1	TRAFIGURA PTE. LTD.	Nonferrous metal trade	122,787.99	1,382.50	After the seller delivers the ownership license, the buyer shall pay by wire transfer. Both parties shall complete the pricing and settlement within the pricing period agreed in the contract, or the seller shall issue an invoice after the goods are loaded, and the buyer shall make the payment by wire transfer within 3 working days	The risk shall be transferred after the ownership license is delivered or the goods are delivered to the carrier	No. TRAFIGURA PTE. LTD. is one of the world’s leading commodity trader
	2	Juhua Group	Nonferrous metal trade	40,376.46		The buyer shall pay by wire transfer upon receipt of the document, the	The risk shall be transferred after	No. The controlling shareholder is Juhua Group

						seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	the ownership license is delivered	Co., Ltd., a state-owned enterprise
			Other self-made products	1,965.37	224.00	After the buyer takes delivery of all the goods under the contract, the seller shall issue an invoice, and the buyer shall make all the payments by wire transfer within 30 days upon receipt of the invoice	The risk shall be transferred after the goods are loaded if the demander will take delivery of them	
3	HEBEI JIWU METAL INTERNATIONAL (HONGKONG) CO., LIMITED	Nonferrous metal trade		29,609.66		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Hebei Logistics Industry Group Co., Ltd., a state-owned enterprise
4	JIN LI INDUSTRIAL (HONGKONG) INTERNATIONAL	Nonferrous metal trade		27,436.20		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver	The risk shall be transferred after the	No. The controlling shareholder is Henan Jinli Gold and Lead

	ONAL LIMITED					the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	ownershi p license is delivered	Group Co., Ltd., which is mainly engaged in the smelting and import and export trade of nonferrous metal and precious metal products
5	YTSH SINGAPORE PTE. LTD.	Nonferrous metal trade	25,656.99			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Shanjin International Gold Co., Ltd., an A-share listed company and a state-owned enterprise
6	RICH FORTUNE INT'L INDUSTRIAL LIMITED	Nonferrous metal trade	18,579.13			The buyer shall issue an irrevocable letter of credit, the seller shall deliver the ownership license within 10 days after the issuance of the letter of credit, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is China-Base Ningbo Group Co., Ltd., which is mainly engaged in global trade of commodities and other businesses
7	Glencore Limited	Nonferrous metal trade	17,864.12	3,218.56		The demander shall pay 90% of the estimated value	DAP; the risk shall be	No. The controlling shareholder is

						within two working days upon receipt of the goods and settle the remaining amount after the final amount is confirmed	transferred after delivery at the port warehouse designated by the demander	Glencore International AG, one of the world's largest diversified natural resources companies
8	YANCOAL INTERNATIONAL TRADING CO., LIMITED	Nonferrous metal trade	17,339.59			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Shandong Energy Group Co., Ltd, a state-owned enterprise
9	METAL RESOURCE INTERNATIONAL HOLDINGS LTD.	Nonferrous metal trade	13,653.01			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2011, The company is mainly engaged in global trade of commodities such as nonferrous metals
10	Wuchang Zhongda Chemical	Nonferrous metal trade	12,152.74			The buyer shall pay by wire transfer upon receipt of the	The risk shall be transferred	No. the controlling shareholder is

		Group Co., Ltd				document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	d after the ownership license is delivered	Wuchang Zhongda Group Co., Ltd., an A-share listed company and a state-owned enterprise
	Total			327,421.26	4,825.06			
2023	1	TRAFIGURA PTE. LTD.	Nonferrous metal trade	193,313.32	2,466.10	After the seller delivers the ownership license, the buyer shall pay by wire transfer. Both parties shall complete the pricing and settlement within the pricing period agreed in the contract, or the seller shall issue an invoice after the goods are loaded, and the buyer shall make the payment by wire transfer within 3 working days	The risk shall be transferred after the ownership license is delivered or the goods are delivered to the carrier	No. TRAFIGURA PTE. LTD. is one of the world's leading commodity trader
	2	Juhua Group	Nonferrous metal trade	141,435.92	84.50	The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Juhua Group Co., Ltd., a state-owned enterprise

						pricing and settlement within the pricing period agreed in the contract		
		Other self-made products	4,698.12	375.20		After the demander takes delivery of all the goods under the contract, the supplier shall issue an invoice, and the demander shall make all the payments by wire transfer within 30 days upon receipt of the invoice	The risk shall be transferred after the goods are loaded if the demander will take delivery of them	
3	YANCOAL INTERNATIONAL TRADING CO., LIMITED	Nonferrous metal trade	113,575.85			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Shandong Energy Group Co., Ltd, a state-owned enterprise
4	RICH FORTUNE INT'L INDUSTRIAL LIMITED	Nonferrous metal trade	83,299.73			The buyer shall issue an irrevocable letter of credit, the seller shall deliver the ownership license within 10 days after the issuance of the letter of credit, and both parties shall complete the	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is China-Base Ningbo Group Co., Ltd., which is mainly engaged in global trade of commodities and other

						pricing and settlement within the pricing period agreed in the contract		businesses
5	RAINBOW METALS PTE. LTD.	Nonferrous metal trade	54,953.41			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2020, the company is mainly engaged in nonferrous metal trade
6	EAGLE METAL INTERNATIONAL PTE.LTD.	Nonferrous metal trade	46,120.33			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2013, the company is mainly engaged in nonferrous metal trade, having some visibility in the industry
7	NORIN MINING INTERNATIONAL TRADING (HONG KONG) LIMITED	Nonferrous metal trade	44,086.80			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is North Mining Co., Ltd., a state-owned enterprise

						complete the pricing and settlement within the pricing period agreed in the contract		
8	SINGAPORE (COGENERATION) STEEL PTE.LTD.	Nonferrous metal trade	37,887.49			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is CIEC Group, a state-owned enterprise
9	LSR GLOBE PTE.LTD.	Nonferrous metal trade	30,076.19			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is L&S Group, which is mainly engaged in nonferrous metal trade
10	ETERNAL TSINGSHAN GROUP LIMITED	Others (engineering materials and spare parts)	27,570.30	28,161.18		According to the provisions of different contracts, the seller shall deliver the goods and the buyer shall make payments within the period	CIF; the risk shall be transferred after crossing the vessel's	No. The company is mainly responsible for coordinating overseas projects of Tsingshan

						agreed in the contract	side when the goods are shipped	Holding Group
	Total			777,041.05	31,086.98			
2022	1	TRAFIGURA PTE. LTD.	Nonferrous metal trade	170,763.89	172.89	After the seller delivers the ownership license, the buyer shall pay by wire transfer. Both parties shall complete the pricing and settlement within the pricing period agreed in the contract, or the seller shall issue an invoice after the goods are loaded, and the buyer shall make the payment by wire transfer within 3 working days	The risk shall be transferred after the ownership license is delivered or the goods are delivered to the carrier	No. TRAFIGURA PTE. LTD. is one of the world's leading commodity trader
	2	Juhua Group	Nonferrous metal trade	110,700.42		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Juhua Group Co., Ltd., a state-owned enterprise
			Other self-made products	6,883.12	336.35	After the demander takes delivery of all the goods under the	The risk shall be transferred	

						contract, the supplier shall issue an invoice, and the demander shall make all the payments by wire transfer within 30 days upon receipt of the invoice	d after the goods are loaded if the demander will take delivery of them	
3	YANCOAL INTERNATIONAL TRADING CO., LIMITED	Nonferrous metal trade	46,202.02			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Shandong Energy Group Co., Ltd, a state-owned enterprise
4	SAMSUNG C&T HONGKONG LIMITED	Nonferrous metal trade	29,162.16			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Samsung C&T, a globally recognized trader of nonferrous metals and minerals, ferrous metals and chemical products
5	METAL RESOURCE INTERNATIONAL	Nonferrous metal trade	28,163.15			The buyer shall pay by wire transfer within 2 days upon receipt of the	The risk shall be transferred after	No. Established in 2011, the company is mainly engaged

		HOLDINGS LTD.				ownership license, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	the ownership license is delivered	in global trade of commodities such as nonferrous metals
6		PT HUAFEI NICKEL COBALT	Others (engineering materials and spare parts)	26,964.80		No. Established in 2011, the company is mainly engaged in global trade of commodities such as nonferrous metals	CIF; the risk shall be transferred after crossing the vessel's side when the goods are shipped	It was originally an associated enterprise. In April 2022, the Company's shareholding in it increased to 51%, so since May 2022, the company has been included in the scope of consolidation
7		MINGDA HOLDING PTE. LTD.	Nonferrous metal trade	21,923.69		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2014, the company is mainly engaged in trading of nonferrous metals and battery cathode materials
8		HONGKONG FLOW RESOURCE COMPANY LIMITED	Nonferrous metal trade	21,833.38		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt	The risk shall be transferred after the ownership license	No. The controlling shareholder is Grand Resources Group Co., LTD., which is

						of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	is delivered	mainly engaged in trading of commodities such as petrochemical, energy & chemical, nonferrous metals, etc.
	9	Jieyang Zhongfu Economic and Trade Co., Ltd.	Nonferrous metal trade	18,763.98		The buyer shall issue an irrevocable letter of credit, the seller shall deliver the ownership license after the issuance of the letter of credit, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 1999, the company is mainly engaged in the trade of chemical materials and nonferrous metals
	10	CONCORD FORTUNE BASE METALS PTE LIMITED	Nonferrous metal trade	15,398.39		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2018, the company is mainly engaged in global trade of commodities such as nonferrous metals
	Total			496,758.99	509.24			
2021	1	TRAFIGURA PTE. LTD.	Nonferrous metal trade	191,377.76	636.21	After the seller delivers the ownership license,	The risk shall be transferred	No. TRAFIGURA PTE. LTD. is

						the buyer shall pay by wire transfer. Both parties shall complete the pricing and settlement within the pricing period agreed in the contract, or the seller shall issue an invoice after the goods are loaded, and the buyer shall make the payment by wire transfer within 3 working days	d after the ownership license is delivered or the goods are delivered to the carrier	one of the world's leading commodity trader
2	Juhua Group	Nonferrous metal trade	124,440.29			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Juhua Group Co., Ltd., a state-owned enterprise
		Other self-made products	7,091.27	1,323.00		After the demander takes delivery of all the goods under the contract, the supplier shall issue an invoice, and the demander shall make all the payments by wire transfer within 30 days upon receipt of the invoice	The risk shall be transferred after the goods are loaded if the demander will take delivery	

							of them	
3	China Ordins	Nonferrous metal trade	78,648.24			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. China Ordins Group Co., Ltd. and its subsidiaries are state-owned enterprises
4	C&D	Nonferrous metal trade	65,342.74			The buyer shall issue an irrevocable letter of credit, the seller shall deliver the ownership license after the issuance of the letter of credit, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Xiamen C&D Group Co., Ltd., a state-owned enterprise
5	RAFFEMET PTE LTD	Nonferrous metal trade	56,672.35			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period	The risk shall be transferred after the ownership license is delivered	No. Established in 1995, the company is mainly engaged in global trade of commodities such as nonferrous metals

						agreed in the contract		
6	Maike Group	Nonferrous metal trade	37,523.59			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Maike Metals International Limited and its subsidiaries, which are mainly engaged in trading of metals and minerals
7	XMXYG	Nonferrous metal trade	35,302.13			Depending on the subject of the transaction, the buyer shall issue an irrevocable letter of credit, the seller shall deliver the ownership license after the issuance of the letter of credit, or the buyer shall pay by wire transfer within 2 days upon receipt of the ownership license, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Xiamen Xiangyu Co., Ltd., an A-share listed company and a state-owned enterprise
8	ARC RESOURCES COMPANY LIMITED	Nonferrous metal trade	24,675.13			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver	The risk shall be transferred after the	No. Established in 2010, the company is mainly engaged in global trade

						the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	ownership license is delivered	of commodities such as nonferrous metals, having some visibility in the industry
9	METAL RESOURCE INTERNATIONAL HOLDINGS LTD.	Nonferrous metal trade	21,947.38			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2011, the company is mainly engaged in global trade of commodities such as nonferrous metals
10	CMOC	Nonferrous metal trade	20,962.15			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is CMOC Group Limited, an A-share listed company
Total			663,983.03	1,959.21				

Note 1: Juhua Group includes: JUHUA GROUP (HONG KONG) LIMITED, Zhejiang JUHUA Group I/E Co., Ltd., etc.; China Ordins includes: China Ordins Group Co., Ltd., Shanghai

Sunband Investment Co., Ltd., HONG KONG KINCO INTERNATIONAL DEVELOPMENT CO., LTD, etc.; C&D includes: CHEONGFULI (HONG KONG) COMPANY LIMITED, C&D (SINGAPORE) BUSINESS PTE. LTD., etc.; Maike Group includes: TRIWAY INTERNATIONAL LIMITED, Maike Metals International Limited, Shanghai Maike Metal Group Co., Ltd., etc.; XMXYG includes: Xiamen Xiangyu New Energy Co., Ltd., Fujian Xiangyu New Energy Co., Ltd., HONGKONG XIANGYU DEVELOPMENT CO., LIMITED, etc.; CMOC includes: IXM (Shanghai) Enterprise Management Co., Ltd., IXM S.A., etc.;

Note 2: At the end of 2021, 2022, 2023 and June 2024, the balance of accounts receivable from the top ten customers in trade and other business was RMB 19.5921 million, RMB 5.0924 million, RMB 310.8698 million and RMB 48.2506 million respectively. The amount collected after the receivables period at the end of each period (as of the end of September 2024) was RMB 19.5921 million, RMB 5.0924 million, RMB 310.8698 million and RMB 16.065 million respectively, accounting for 100%, 100%, 100% and 33.29% respectively. As of the end of September 2024, the credit period of some accounts receivable at the end of June 2024 has not expired, so the ratio of payment collection is relatively low.

In the last three years and the most recent period, the Company's top ten customers in trade and other business are mainly customers in nonferrous metal trade, including Shandong Energy [Group Co., Ltd.](#), Shanjin International Gold Co.,Ltd., TRAFIGURA PTE. LTD. and other state-owned enterprises and multinational companies.

3. Names of top ten suppliers in trade and other business in the last three years and the most recent period, the association relationship, transaction amount, prepayment balance, rights and obligations agreement, attribution of cargo risk liability, etc.

Names of the Company's top ten suppliers in trade and other business in the last three years and the most recent period, the association relationship, transaction amount, prepayment balance, rights and obligations agreement, attribution of cargo risk liability, etc. are as follows:

Monetary Unit: Ten Thousand Yuan

Period	S/N	Supplier name	Business	Transaction amount	Prepayment	Rights and obligations agreement	Attribution of risk liability	Is there any association relationship
January to June	1	Jiangxi Copper	Nonferrous metal trade	62,198.30		According to different transaction	The risk shall be	No. The controlling

2024						contracts, the buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, or the buyer shall pay by wire transfer within 2 days upon receipt of the ownership license, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	transferred after the ownership license is delivered	shareholder is Jiangxi Copper Co., Ltd., an A-share listed company and a state-owned enterprise
	2	China Ordins	Nonferrous metal trade	47,601.96		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. China Ordins Group Co., Ltd. and its subsidiaries are state-owned enterprises
	3	JIDONG DEVELOPMENT (HK) INTERNATIONAL LIMITED	Nonferrous metal trade	31,205.62		The buyer shall pay within 3 days upon receipt of the invoice, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is China Ordins Group Co., Ltd., a state-owned enterprise

	4	POLYMOUNT INTERNATIONAL LTD.	Nonferrous metal trade	27,060.16		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2009, the company is mainly engaged in trading of copper, steel and other metals
	5	Grand Future Group Limited	Nonferrous metal trade	26,691.53	2,921.74	The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Shandong Energy Group Co., Ltd, a state-owned enterprise
	6	Glencore International AG	Nonferrous metal trade	19,269.98		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Glencore International AG is one of the world's largest diversified natural resources companies
	7	BAYSTONE INTERNATIONAL LTD	Nonferrous metal trade	16,507.62		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the	The risk shall be transferred after the	No. Established in 2002, the company is mainly engaged in trading of commodities such

						ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	ownership license is delivered	as nonferrous metals
8	MRI Group	Nonferrous metal trade	15,031.34			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The company is a global commodity trader and a subsidiary of CWT International Limited, a company listed in Hong Kong
9	VANDING INNOVA SG PTE. LTD.	Nonferrous metal trade	13,280.06			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Wanxiang Group
10	TRAXYS EUROPE S.A.	Nonferrous metal trade	11,033.27			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing	The risk shall be transferred after the ownership license is delivered	No. Established in 2003, the company is a globally recognized commodity trading company

						and settlement within the pricing period agreed in the contract		
	Total			269,879.84	2,921.74			
2023	1	POLYMOUNT INTERNATIONAL LTD.	Nonferrous metal trade	193,394.04	311.64	The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2009, the company is mainly engaged in trading of copper, steel and other metals
	2	China Ordins	Nonferrous metal trade	155,593.26		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. China Ordins Group Co., Ltd. and its subsidiaries are state-owned enterprises
	3	Jiangxi Copper	Nonferrous metal trade	100,206.10		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Jiangxi Copper Co., Ltd., an A-share listed company and a state-owned enterprise

4	MRI Group	Nonferrous metal trade	63,280.56		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The company is a global commodity trader and a subsidiary of CWT International Limited, a company listed in Hong Kong
5	HITENT METALS TRADING PTE. LTD.	Nonferrous metal trade	54,940.14		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2013, the company is mainly engaged in trading of copper, zinc, nickel and other nonferrous metals
6	ASK RESOURCES Ltd	Nonferrous metal trade	38,792.06		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Wuxi National Development Metal Resources Ltd., a state-owned enterprise
7	HONYO INTERNATIONAL (HONG KONG) CO.,	Nonferrous metal trade	37,879.03		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the	The risk shall be transferred after the	No. The controlling shareholder is Hangzhou Goldfish Electrical

	LIMITED					ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	ownership license is delivered	Appliances Limited Company, a state-owned enterprise
8	Grand Future Group Limited	Nonferrous metal trade	31,145.02			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Shandong Energy Group Co., Ltd, a state-owned enterprise
9	Chalco	Nonferrous metal trade	27,322.80			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Aluminum Corporation of China Limited, an A-share listed company and a state-owned enterprise
10	CITIC METAL (HK) LIMITED	Nonferrous metal trade	20,135.25			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is CITIC Metal Co., Ltd., an A-share listed company and a state-owned enterprise

						and settlement within the pricing period agreed in the contract		
	Total			722,688.27	311.64			
2022	1	China Ordins	Nonferrous metal trade	111,827.52		The buyer shall pay by wire transfer, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferr ed after the ownershi p license is delivere d	No. China Ordins Group Co., Ltd. and its subsidiaries are state-owned enterprises
	2	POLYMOUN T INTERNATI ONAL LTD.	Nonferrous metal trade	74,607.33		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferr ed after the ownershi p license is delivere d	No. Established in 2009, the company is mainly engaged in trading of copper, steel and other metals
	3	North Mining	Nonferrous metal trade	71,928.18		The buyer shall pay by wire transfer on the scheduled day of delivery, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract, or the seller delivers the goods	The risk shall be transferr ed after the ownershi p license is delivere d or after the goods are loaded at MIKAS	No. North Mining Co.,Ltd. and its subsidiaries are state-owned enterprises

						each month as agreed in the contract and the buyer pays 100% of the provisional value of the goods at the end of each month, based on the truck loading list and provisional invoice, with the excess being refunded on final settlement.		
4	ANGLO AMERICAN MARKETING LIMITED SINGAPORE BRANCH	Nonferrous metal trade	58,308.47			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. ANGLO AMERICAN MARKETING LIMITED is one of the world's leading companies in the field of mining and natural resources
5	Jiangxi Copper	Nonferrous metal trade	54,728.36	204.39		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Jiangxi Copper Co., Ltd., an A-share listed company and a state-owned enterprise
6	MRI Group	Nonferrous metal trade	42,952.55	366.46		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license	The risk shall be transferred after the ownership	No. The company is a global commodity trader and a subsidiary of CWT International Limited, a

						upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	p license is delivered	company listed in Hong Kong
7	HONG KONG TONGYUAN TRADING DEVELOPMENT LIMITED	Nonferrous metal trade	36,602.32			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Tongling Nonferrous Metals Group Co., Ltd., an A-share listed company and a state-owned enterprise
8	J.P. MORGAN SECURITIES PLC	Nonferrous metal trade	31,494.44			The buyer shall make payment by wire transfer upon pricing, and the seller shall deliver the ownership license upon receipt of the payment	The risk shall be transferred after the ownership license is delivered	No. The company is a world famous integrated financial company
9	CORPORACION NACIONAL DEL COBRE DE CHILE	Nonferrous metal trade	28,620.80	341.27		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. National Copper Corporation of Chile is one of the world's largest copper producers
10	Chalco	Nonferrous	24,410.64			The buyer shall pay	The risk	No. The

			metal trade			by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	shall be transferred after the ownership license is delivered	controlling shareholder is Aluminum Corporation of China Limited, an A-share listed company and a state-owned enterprise
	Total			535,480.61	912.12			
2021	1	China Ordins	Nonferrous metal trade	185,844.78		According to the specific transaction contract, the buyer shall pay to the seller by wire transfer before the seller delivers the ownership license or pay within 5 working days after the buyer's bank receives the ownership license, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract, or the seller delivers the goods each month as agreed in the contract and the buyer pays 100% of the provisional value of the goods at the end of each month, based on the truck loading list and provisional invoice, with the excess being refunded on final	The risk shall be transferred after the ownership license is delivered or after the goods are loaded at MIKAS	No. China Ordins Group Co., Ltd. and its subsidiaries are state-owned enterprises

						settlement.		
2	POLYMOUNT INTERNATIONAL LTD.	Nonferrous metal trade	98,008.05			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2009, the company is mainly engaged in trading of copper, steel and other metals
3	POINTER INVESTMENT (H.K.) LTD.	Nonferrous metal trade	75,213.71			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Xiamen ITG Group Corp., Ltd., an A-share listed company and a state-owned enterprise
4	J.P. MORGAN SECURITIES PLC	Nonferrous metal trade	72,801.71			The buyer shall make payment by wire transfer upon pricing, and the seller shall deliver the ownership license upon receipt of the payment	The risk shall be transferred after the ownership license is delivered	No. The company is a world famous integrated financial company
5	LA GENERALE DES CARRIERES ET DES MINES SARL	Nonferrous metal trade	60,735.94			The seller shall deliver the goods each month as agreed in the contract and the buyer shall pay 90% within 5 days of delivery of the goods	The risk shall be transferred after the goods are	No. The company is a state-owned mining company of Congo, and the largest mining company in Congo

						and the remaining 10% on final settlement	loaded at MIKAS	
6	ICBC STANDARD BANK PLC	Nonferrous metal trade	57,143.49			The buyer shall make payment by wire transfer upon pricing, and the seller shall deliver the ownership license upon receipt of the payment	The risk shall be transferred after the ownership license is delivered	No. The controlling shareholder is Industrial and Commercial Bank of China Limited, an A-share listed company and a state-owned enterprise
7	CORPORACION NACIONAL DEL COBRE DE CHILE	Nonferrous metal trade	55,132.16	255.03		The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. National Copper Corporation of Chile is one of the world's largest copper producers
8	BAYSTONE INTERNATIONAL LTD	Nonferrous metal trade	35,825.06			The buyer shall pay by wire transfer within 2 days after receiving the ownership license, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. Established in 2002, the company is mainly engaged in trading of commodities such as nonferrous metals
9	CMOC	Nonferrous metal trade	28,392.46			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both	The risk shall be transferred after the ownership license is	No. The controlling shareholder is CMOC Group Limited, an A-share listed company

						parties shall complete the pricing and settlement within the pricing period agreed in the contract	delivered	
10	MRI Group	Nonferrous metal trade	27,391.26			The buyer shall pay by wire transfer upon receipt of the document, the seller shall deliver the ownership license upon receipt of the payment, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract	The risk shall be transferred after the ownership license is delivered	No. The company is a global commodity trader and a subsidiary of CWT International Limited, a company listed in Hong Kong
Total			696,488.62	255.03				

Note: Jiangxi Copper includes: Jiangxi Copper Loyal Sky Industrial Limited, JIANGXI COPPER HONG KONG CO., LIMITED, SURE SPREAD LIMITED, JIANGTONG INTERNATIONAL (SINGAPORE) PTE. LTD., etc.; China Ordins includes: China Ordins Group Co., Ltd., HONG KONG KINCO INTERNATIONAL DEVELOPMENT CO., LTD., Shanghai Sunband Investment Co., Ltd., Wanbao Mining Co., Ltd., etc.; MRI Group includes: MRI TRADING AG., MRI GROUP PTE. LTD. etc.; North Mining includes: North Mining Co., Ltd., NORIN MINING INTERNATIONAL TRADING (HONG KONG) LIMITED, etc.; CMOC includes: IXM (Shanghai) Enterprise Management Co., Ltd., IXM S.A., etc.

In the last three years and the most recent period, the Company's top ten suppliers in trade and other business are mainly suppliers in nonferrous metal trade, including Jiangxi Copper, China Ordins, Chalco and other state-owned enterprises and multinational companies.

(II) Basis and rationality of the time and method of revenue recognition

The Company's trade and other business is mainly nonferrous metal trade and sales of other self-made products, and the main business is a performance obligation to be performed at a certain point in time. The basis and rationality of the time and method of recognizing revenue from the Company's nonferrous metal trade and other self-made products are described as follows.

Item	Time and method of revenue recognition	Main provisions of the contract	Description of rationality
Nonferrous metal trade	Revenue shall be recognized when the Company delivers the goods (or the ownership license for delivery of the goods) to the customer. The Company adopts the total sales method to recognize revenue from nonferrous metal trade	The Company shall deliver the goods to the customer within the agreed time, the customer shall make the payment according to the contract, and both parties shall complete the pricing and settlement within the pricing period agreed in the contract.	According to the contract, when the Company delivers the goods to the customer, the control of the goods shall have been transferred to the customer, so the revenue shall be recognized when the delivery is completed. The rationality of the Company's revenue recognition with total sales method is described below
Other self-made products	Domestic revenue shall be recognized when the Company delivers the products to the contracted delivery place and the customer signs for receipt; export revenue shall be recognized when the Company has declared the products in accordance with the contract and received the bill of lading	The Company shall deliver the products to the customer within the agreed time, and the customer shall make the payment according to the contract	According to the contract, for domestic revenue, when the Company delivers the products to the contracted delivery place and the customer signs for receipt, the control of the goods shall have been transferred to the customer, so the revenue shall be recognized at the time of signing; for export revenue, when the Company declares the products and receives the bill of lading, the control of the goods shall have been transferred to the customer, so the revenue shall be recognized at the time of declaration and receipt of the bill of lading

Description of rationality of the Company's recognition of revenue from nonferrous metal trade with total sales method

1. Related provisions of accounting standards

According to Article 34 of the *Accounting Standards for Enterprises No. 14 – Revenues* (2017 revision),

An enterprise should judge whether it is the principal person in charge or an agent at the time of the transaction on the basis of whether it has control of the goods

before transferring them to the customer. Where the enterprise is able to control the goods before transferring them to the customer, the enterprise shall be the principal person in charge and shall recognize the revenue on the basis of the total consideration received or receivable; otherwise, the enterprise shall be an agent and shall recognize the revenue on the basis of the amount of the commission or service fee it is expected to be entitled to receive, which shall be the net amount of the total consideration received or receivable after deducting the price payable to other interested parties, or determined based on the amount or proportion of the commission established, etc.

Circumstances in which an enterprise can control the goods before transferring them to the customer include the following:

(1) The enterprise transfers them to the customer after obtaining the control of the goods or other assets from a third party;

(2) The enterprise can lead a third party to provide services to the customer on behalf of the enterprise;

(3) After the enterprise obtains the control of the goods from a third party, it transfers to the customer through the provision of major services to integrate the goods with other goods into a combination.

In determining whether an enterprise has control of the goods before transferring them to the customer, the enterprise should not limit itself to the legal form of the contract, but should take into account all relevant facts and circumstances, including the following:

(1) The enterprise bears the main responsibility for the transfer of goods to the customer;

(2) The enterprise bears the inventory risk of the goods before or after the transfer of the goods;

(3) The enterprise has the right to determine the price of the goods traded;

(4) Other relevant facts and circumstances.

2. Description of rationality

When the Company was engaged in the nonferrous metal trade, it signed

commodity purchase and sale contracts with suppliers and customers respectively to stipulate the rights and obligations of both parties and the attribution of cargo risk liability, etc. After the Company obtained the control of the goods, it transferred them to the customers. As the Company was the principal person in charge, it meets the requirements of revenue recognition with total sales methods for the following reasons:

(1) The Company actually controlled the goods. In the nonferrous metal trade, the Company, as a supplier, should assume responsibility for the name, specifications, quality and delivery place of the goods, that is, bearing the main responsibility for the transfer of goods to customers. Before the transfer of goods, the Company held the corresponding ownership license, could actually control the goods, and had the right to dispose of the goods;

(2) The Company bore inventory risk. In accordance with the contract, when the Company delivers the goods to the customer, control of the goods shall have been transferred to the customer. Before the transfer of the goods, the Company had the ability to dominate the use of the goods and obtained almost all economic benefits from it, that is, the Company bore the inventory risk of the goods before the transfer of the goods;

(3) The Company decided the price independently. In the nonferrous metal trade with customers, the Company could independently negotiate with customers to determine the transaction price of goods, that is, the Company had the right to independently determine the price of the goods traded.

In addition, according to the 2023 annual report and 2024 semi-annual report of CMOC and GEM, comparable companies in the same industry, it can be seen that CMOC and GEM, comparable companies in the same industry, also adopted the same method to recognize revenue from trade business.

To sum up, according to the Company's purchase and sales contract, the Company's nonferrous metal trade meets the first one of the "circumstances in which an enterprise can control the goods or services before transferring the goods to the customer" stipulated in Article 34 of the *Accounting Standards for Enterprises No. 14*

– *Revenues* (2017 revision) – The enterprise transfers them to the customer after obtaining the control of the goods or other assets from a third party. Therefore, it is determined that the Company was the principal person in charge when engaged in relevant transaction, it meets the requirements of revenue recognition with total sales method, and the time and method of revenue recognition are reasonable.

(III) Reasons for the change in the trade and other business income in an opposite direction to the change in the Company’s overall income and for the increase in proportion year by year during the reporting period

1. Reasons for the change in the trade and other business income in an opposite direction to the change in the Company’s overall income during the reporting period

Comparison between the Company’s operating income and trade and other business income in January to June 2024 and those in the same period of last year is as follows:

Monetary Unit: Ten Thousand Yuan

Item	January to June 2024	January to June 2023	Proportion of change
Operating income	3,005,031.46	3,334,553.75	-9.88%
Including: cobalt products	221,819.03	231,905.43	-4.35%
Copper products	295,955.69	251,987.27	17.45%
Nickel products	540,405.07	313,200.61	72.54%
Lithium products	165,093.51	65,921.56	150.44%
Ternary precursors	331,975.88	498,242.52	-33.37%
Cathode materials	547,743.61	1,072,021.27	-48.91%
Nickel intermediates	329,278.25	382,041.85	-13.81%
Trade and others	572,517.56	518,889.49	10.33%
Rental income	242.87	343.76	-29.35%

In January to June 2024, the Company’s operating income was RMB 30,050,314,600, down 9.88% compared with that in the same period of last year, which is mainly due to the decline in the price and sales volume of ternary precursors and cathode materials, resulting in a significant decline in the income from ternary precursors and cathode materials. However, the Company has promoted the development of nickel and lithium resources and the construction of integrated

production capacity. Sales volume of electrolytic nickel, lithium carbonate and other products increased significantly year-on-year. After the impact of falling metal prices was offset, income from nickel products and lithium products increased significantly. At the same time, affected by the growth of demand for copper, the price of copper metal rose, and the price and sales volume of electrolytic copper in the nonferrous metal trade both increased, resulting in an increase in the income from nonferrous metal trade compared with the same period of last year. With the above factors taken into consideration, the Company's operating income decreased in the current period.

2. Reasons for the increase in proportion year by year of the trade and other business income

In 2022, 2023 and January to June 2024, the proportion of the Company's trade and other business income to the operating income is as follows:

Monetary Unit: Ten Thousand Yuan

Item	January to June 2024	2023	2022
Operating income	3,005,031.46	6,630,404.75	6,303,378.55
Including: trade and others ^{Note}	572,517.56	1,285,596.57	1,052,638.38
Proportion of trade and other business income to operating income (%)	19.05	19.39	16.70

Note: It is trade and other business income in operating income. In 2022, 2023 and January to June 2024, the trade and other business income in main operating income was RMB 9.181 billion, RMB 11.472 billion and RMB 5.018 billion respectively.

In 2022, 2023 and January to June 2024, the Company's trade and other business income was RMB 10,526,383,800, RMB 12,855,965,700 and RMB 5,725,175,600 respectively, accounting for 16.70%, 19.39% and 19.05% of the operating income of each period respectively. In 2023 and January to June 2024, compared with 2022, the proportion increased, mainly because since 2023, the prices of nickel, cobalt, lithium and other metals have declined sharply on the whole, while the price of electrolytic copper, the main commodity in the Company's nonferrous metal trade, has stabilized

and increased, so that the proportion of income from nonferrous metal trade to operating income increased, and the proportion of trade and other business income to operating income increased accordingly.

(IV) Opinions and conclusion of the annual audit accountant

1. Verification procedures

(1) Obtained the sales details of the Company's trade and other business, interviewed the relevant person in charge of the business, and understood the main content and model of the business;

(2) Obtained the sales details and procurement details of the top ten customers and suppliers related to the Company's trade and other business in the last three years and the most recent period, checked the main contracts signed by the Company with such customers and suppliers, and understood the main transaction content, the agreement on rights and obligations in the contract, and the attribution of risk liability, etc.;

(3) Queried the industrial and commercial information of the top ten customers and suppliers in the last three years and the most recent period, and verified whether there is any association relationship between them and the Company;

(4) Based on the business model and contract terms, determined the identity of the Company when engaged in relevant transactions, inquired the time and method of revenue recognition by comparable companies in the same industry, and analyzed the rationality of the time and method of revenue recognition;

(5) Understood the reasons for the change of the Company's trade and other business income and the overall income, and in combination with the trend of metal price changes, analyzed the reasons and rationality of the change in the Company's trade and other business income in an opposite direction to the change in the Company's overall income and the increase in proportion.

2. Conclusion

Upon verification, the annual audit accountant believes that:

(1) The time and method of the Company's recognition of trade and other business income is reasonable, in line with the provisions of accounting standards for business enterprises;

(2) The change in the Company's trade and other business income was in an opposite direction to the change in the Company's overall income mainly because the price and sales volume of electrolytic copper in the nonferrous metal trade both increased, resulting in an increase in the income from nonferrous metal trade compared with the same period of last year; the price and sales volume of ternary precursors and cathode materials declined, resulting in a decline in overall income. The proportion of trade and other business income increased mainly because since 2023, the prices of nickel, cobalt, lithium and other metals have declined sharply on the whole, while the price of electrolytic copper, the main commodity in the Company's nonferrous metal trade, has stabilized and increased, so that the proportion of trade and other business income to operating income increased.

2. Liabilities. According to the disclosure, in 2022, 2023 and January to June 2024, the Company's asset-liability ratio was 70.45%, 64.36% and 64.71% respectively, which was significantly higher than the industry average. During the period, the Company raised nearly RMB 12 billion through the issuance of convertible bonds and depositary receipts. However, the liability with interest in 2023 and the end of 2022 increased significantly by RMB 12.73 billion and RMB 18.572 billion respectively, and in January to June 2024, it continued to increase by RMB 7.271 billion compared with that at the end of 2023. As of the end of the reporting period, the Company's balance of liability with interest was RMB 49.33 billion, an increase of 36.56% year-on-year, accounting for 106.51% of net assets, where the short-term loans were RMB 20.546 billion; the balance of cash and cash equivalents was RMB 15.26 billion, obviously smaller than the scale of liability with interest, of which the balance of restricted cash and cash equivalents was RMB 4.904 billion, accounting for 32.14%; the current ratio and quick ratio were 0.98 and 0.70 respectively, obviously lower than the industry average; the interest expense was RMB 1.108 billion, an increase of 9.28% year-on-year, accounting for 44.53% of the total profit, and the debt burden was relatively heavy.

The Company is required to: (1) in combination with the business development and business model, explain the reasons why the asset-liability ratio was obviously higher than the industry average and the rationality thereof; (2) in combination with the industry development and the Company's operation, explain the matching between the change in debt scale and the change in performance and the rationality of the current debt scale and structure, and highlight the necessity of significant increase in the liability with interest after nearly RMB 12 billion was raised through the issuance of convertible bonds and depositary receipts; (3) in combination with the Company's balance of cash and cash equivalents, scale of liability with interest, debt structure, short-term solvency, working capital need for daily operation, comparable companies in the

same industry, etc., explain whether the Company has potential debt risks, and if so, please give a full reminder and explain the countermeasures to be taken.

Reply of the Company:

I. In combination with the business development and business model, explain the reasons why the asset-liability ratio was obviously higher than the industry average and the rationality thereof

(I) Business development and business model of the Company and analysis of the impact on the asset-liability ratio

1. Business development of the Company

The Company is mainly engaged in the R&D and production of products made from new energy lithium-ion battery materials and new cobalt materials. As a high-tech enterprise with a vertically integrated business model from the development of nickel, cobalt and lithium resources to the production of lithium-ion battery materials, the Company is committed to the development of low-carbon and environment-friendly new energy lithium-ion battery materials. The Company focuses on advancing the new energy lithium-ion battery materials industry, and comprehensively implements the strategy of “two new energy materials and three product concepts”, adhering to the overarching roadmap of “resource control, market expansion and capability enhancement”. The Company aims to build a business framework that encompasses overseas resource acquisition, international manufacturing and a global market presence, with the goal of establishing itself as a global leader in the new energy lithium-ion battery materials industry. Benefiting from the broad market prospects brought by the rapid expansion of the downstream new energy vehicle market, the market demand for the whole industry chain of new energy lithium-ion battery materials has increased rapidly. The Company firmly grasped the market opportunities and industry development trends, actively built the vertically integrated industry chain of lithium-ion battery materials, steadily promoted the construction of production expansion projects such as nickel, lithium new

materials and ternary precursors, and rapidly expanded the scale of production and operation.

2. Business model of the Company in new energy, new material and resource sectors

After more than two decades of development and endeavors, the Company has completed the spatial layout of headquarter in Tongxiang, resource security outside the country, manufacturing base in China, and market in the world, and formed an industrial pattern of integrated and synergistic development of the three major businesses of resources, new materials, and new energy. Among them, the new energy business mainly focuses on the R&D, production, and sale of lithium-ion battery cathode materials, including ternary cathode materials and lithium-cobalt oxide materials; the new material business primarily includes the R&D, production, and sale of ternary precursor materials, nickel, cobalt and lithium new materials products; the resources business consists primarily of the extraction, selection, and primary processing of nonferrous metals such as nickel, cobalt, lithium and copper.

The specific models of the three business sectors: new energy, new materials and resources are detailed in “I. Description of the industry in which the Company operates and its primary business during the reporting period”, “Section III Management Discussion and Analysis” of the “2024 Semi-Annual Report” disclosed by the Company.

3. Impact of the Company’s industry, business layout and business model on asset-liability ratio

(1) Broad market prospects brought by the rapid expansion of the downstream new energy vehicle market promote enterprises in the lithium-ion battery material industry to expand production and investment

Under the background of “carbon peak, carbon neutral” strategy leading the development trend of “energy cleanliness and transportation electrification”, the rapid expansion of the downstream new energy vehicle market has driven the rapid growth

of market demand for the lithium-ion battery industry, providing a huge market space for the upstream lithium-ion battery material industry. In the growing market and a more competitive environment, production capacity has become one of the main driving forces for major companies in the industry to seize market share, and enterprises in the lithium-ion battery material industry have expanded production and investment to seize market opportunities and expand production and operation scale. As one of the leading enterprises in the lithium-ion battery material industry, in the process of rapid development of the industry, the Company greatly expanded its production to meet the needs of the downstream market, which is an important measure to comply with the development trend of the industry and strengthen the Company's own competitiveness, and is conducive to driving the Company to further seize market share and enhance its core competitiveness.

(2) The multi-link layout of the vertically integrated industry chain of the Company's lithium-ion battery materials, multi-regional and multi-variety business models at home and abroad bring large-scale capital expenditure and new working capital needs, and multi-channel continuous financing leads to a high asset-liability ratio

As mentioned above, the Company's vertically integrated industry chain of lithium-ion battery materials involves many regions in China and abroad, as well as many links and a number of product types such as the development of cobalt, nickel and lithium mineral resources in the upstream, the smelting of metal materials such as cobalt, nickel, lithium and copper, the construction of ternary precursor and cathode material production lines, and mine investment, smelter, precursor and cathode material production line construction are typical heavy asset investments. The Company aims to build a business framework that encompasses overseas resource acquisition, international manufacturing and a global market presence, with the goal of establishing itself as a global leader in the new energy lithium-ion battery materials industry. It needs to raise funds through various channels to support the capacity expansion in the whole industry chain of lithium-ion battery materials, support the

construction of industry ecology, and then form leading advantages of large scale and low cost to consolidate its core competitiveness in the lithium-ion battery material industry.

In the last two years and the most recent period, although the Company continued to carry out equity financing through non-public, convertible bonds, depositary receipt issuance and other ways, the business performance increased steadily (net profit attributable to the parent company in 2022, 2023 and January to June 2024 was RMB 3.91 billion, RMB 3.351 billion and RMB 1.671 billion respectively), and the net operating cash flow was positive inflow (the net operating cash flow in 2022, 2023 and January to June 2024 was RMB 2.914 billion, RMB 3.486 billion and RMB 2.764 billion respectively), it was still difficult to meet the large-scale capital expenditure demand brought by the rapid expansion of capacity in multiple links of the vertically integrated industry chain at the same time and the increased demand for working capital after the substantial expansion of production capacity. Therefore, during the equity financing, the Company's debt financing scale increased significantly, resulting in a relatively high level of the Company's asset-liability ratio, but in a continuous downward trend on the whole.

(II) Comparison between the asset-liability ratio of the Company and that of companies in the same industry

In the last two years and the most recent period, the comparison between the asset-liability ratio of the Company and that of comparable companies in the same industry is as follows:

Item	Short name of company	June 30, 2024	December 31, 2023	December 31, 2022
Asset-liability ratio of comparable companies in the same industry	CMOC	59.16%	58.40%	62.41%
	Chengtun Mining	56.32%	57.04%	47.49%
	Ronbay Technology	59.62%	58.32%	66.67%
	CNGR	58.49%	55.10%	62.24%
	GEM	61.93%	58.76%	52.70%

Item	Short name of company	June 30, 2024	December 31, 2023	December 31, 2022
	Average of comparable companies	59.10%	57.52%	58.30%
Asset-liability ratio of the Company	Huayou Cobalt	64.71%	64.36%	70.45%
	Asset-liability ratio excluding the impact of convertible bonds	59.55%	59.08%	64.73%

Note: 1. Asset-liability ratio excluding the impact of convertible bonds = (total liabilities - balance of convertible bonds in bonds payable)/total assets; 2. the selected comparable companies are private listed companies related to the vertically integrated industry chain of lithium-ion battery materials; 3. **at the end of September 2024, the Company's asset-liability ratio was 64.08%, and the asset-liability ratio excluding the impact of convertible bonds was 58.90%.**

As shown in the above table, the Company's asset-liability ratio is higher than that of comparable companies in the same industry and the industry average. On the one hand, the Company focused on creating a kind of vertically integrated unique development model of lithium-ion battery material industry from the development of nickel, cobalt and lithium resources, green smelting and processing, production of ternary precursors and cathode materials to the recycling of resources, the capital-intensive characteristics were more significant than other listed companies in the same industry, and objectively not completely comparable with related listed companies in the same industry. On the other hand, as the Company was in the stage of rapid expansion of production capacity, through construction of the vertically integrated industry chain of lithium-ion battery materials, it gradually consolidated the industry leading advantages of low cost and large scale, and the multi-channel financing needs brought about by scale expansion resulted in a relatively high level of asset-liability ratio.

Taking into account the future equity conversion arrangement for the publicly issued convertible bonds, if the impact of the balance of bonds payable due to the issuance of convertible bonds on the total liabilities is excluded, the Company's asset-liability ratio at the end of 2023 and June 2024 should be 59.08% and 59.55%

respectively, roughly the same as the average level of 57.52% and 59.10% of comparable companies in the same industry. Therefore, the Company's asset-liability ratio is relatively reasonable.

II. In combination with the industry development and the Company's operation, explain the matching between the change in debt scale and the change in performance and the rationality of the current debt scale and structure, and highlight the necessity of significant increase in the liability with interest after nearly RMB 12 billion was raised through the issuance of convertible bonds and depositary receipts

(I) Analysis of matching between the change in the Company's debt scale and the change in performance and the rationality thereof

In the last two years and the most recent period, the changes in the Company's debt scale, total assets and business performance are as follows:

Monetary Unit: One Hundred Million Yuan

Item	June 30, 2024		December 31, 2023		December 31, 2022	
	Amount	Proportion of change	Amount	Proportion of change	Amount	Proportion of change
Total assets	1,312.46	4.56%	1,255.20	13.50%	1,105.92	90.71%
Total liabilities	849.29	5.13%	807.87	3.69%	779.10	128.55%
Item	January to June 2024		2023		2022	
	Amount	Proportion of change	Amount	Proportion of change	Amount	Proportion of change
Operating income	300.50	-9.88%	663.04	5.19%	630.34	78.48%
Net profit	23.70	-19.59%	45.05	-21.06%	57.07	41.83%

As shown in the above table, benefiting from the rapid expansion of the downstream new energy vehicle market, the successive operation of the expansion projects related to the vertically integrated industry chain of lithium-ion battery materials built by the Company and other factors, the production capacity and production and marketing scale of the Company's main products grew rapidly in 2022, the business scale increased significantly, and then the total assets, total liabilities and

operating income also increased rapidly, with growth trend consistent. In 2023 and the first half of 2024, as the growth of the downstream new energy vehicle market slowed down and the market competition in the lithium-ion battery material industry further intensified, affected by the price fluctuations of nickel, cobalt, lithium and other metals, the market prices of the Company's main products declined, and the growth of operating income and business performance slowed down. At the same time, the Company made timely adjustments to the pace of production expansion following the changing trend of the market, and the growth of liabilities also slowed down significantly, with change trend consistent.

In addition, in the last two years and the most recent period, the Company's debt scale is in line with the Company's business development stage and growth trend and matches the overall growth of the Company's total assets, and the asset-liability ratio is in line with the industry characteristics and shows a gradual downward trend. If the impact of public issuance of convertible bonds is excluded, the Company's asset-liability ratio is roughly the same as that of comparable listed companies in the same industry. Therefore, the current debt scale is reasonable.

(II) Analysis of rationality of the Company's debt structure

1. Debt structure of the Company at the end of the last two years and the most recent period

The debt structure of the Company at the end of the last two years and the most recent period are as follows:

Monetary Unit: One Hundred Million Yuan

Item	June 30, 2024		December 31, 2023		December 31, 2022	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
Short-term borrowings	205.46	24.19%	150.49	18.63%	120.20	15.43%
Notes payable	63.67	7.50%	80.19	9.93%	107.82	13.84%
Accounts payable	103.18	12.15%	120.03	14.86%	146.11	18.75%
Advances from customers	4.95	0.58%	4.31	0.53%	28.52	3.66%

Item	June 30, 2024		December 31, 2023		December 31, 2022	
	Amount	Proportion	Amount	Proportion	Amount	Proportion
and contractual liabilities						
Employee pay payable and tax payable	10.41	1.23%	10.78	1.33%	12.28	1.58%
Other payables	28.58	3.37%	26.99	3.34%	46.13	5.92%
Non-current liabilities due within one year	72.06	8.48%	81.56	10.10%	57.58	7.39%
Other current liabilities	24.83	2.92%	14.33	1.77%	15.47	1.99%
Total current liabilities	513.34	60.44%	488.67	60.49%	534.50	68.61%
Long-term borrowings	215.78	25.41%	189.00	23.40%	119.28	15.31%
Bonds payable	67.68	7.97%	66.32	8.21%	63.24	8.12%
Long-term payables	43.44	5.12%	55.44	6.86%	51.55	6.62%
Others	9.04	1.06%	8.44	1.04%	10.53	1.35%
Total non-current liabilities	335.94	39.56%	319.20	39.51%	244.60	31.39%
Total liabilities	849.29	100.00%	807.87	100.00%	779.10	100.00%

As shown in the above table, the Company's current liabilities are mainly composed of short-term borrowings, notes payable, accounts payable and non-current liabilities due within one year, while non-current liabilities are mainly composed of long-term borrowings, bonds payable and long-term payables.

2. Analysis of rationality of the Company's debt structure

The vertically integrated industry chain of lithium-ion battery materials created by the Company involves multiple regions at home and abroad and various types of products and intermediates. Different industry chain links involve reasonable inventory reserves, and affected by cross-border transportation and other factors, the raw material stocking cycle is relatively long. Therefore, accompanied by the rapid increase in the production and marketing scale of main products, the demand for working capital to ensure the normal operation of daily business increased significantly, and the scale of current liabilities such as short-term borrowings, notes payable and accounts payable increased in line with the expansion of the business

scale. At the same time, the Company's capital expenditure involved the development of upstream mineral resources such as cobalt, nickel and lithium, the smelting of metal materials such as cobalt, nickel, lithium and copper, the construction of ternary precursor and cathode material production lines, etc., with more significant capital-intensive characteristics, so the scale of non-current liabilities such as long-term borrowings, bonds payable and financial lease loans gradually increased in line with the increase in demand for long-term capital expenditure.

Compared with listed companies in the same industry, the debt structure is as follows:

Item	Short name of company	June 30, 2024	December 31, 2023	December 31, 2022
Proportion of current liabilities to total liabilities	CMOC	57.39%	48.49%	48.61%
	Chengtun Mining	74.14%	72.35%	89.21%
	Ronbay Technology	59.16%	64.51%	82.86%
	CNGR	43.60%	48.11%	52.46%
	GEM	75.54%	71.80%	64.89%
	Average of comparable companies	61.97%	61.05%	67.61%
	Huayou Cobalt	60.44%	60.49%	68.61%

As shown in the above table, there is a certain difference in the proportion of current liabilities to total liabilities in the debt structure of listed companies in the same industry, mainly because of the large differences in the industry chain links of lithium-ion battery materials and the types of main products that the companies focus on. At the end of the last two years and the most recent period, the proportion of current liabilities to total liabilities of the Company was generally consistent with the average level of companies in the same industry. Therefore, the debt structure is reasonable.

(III) Reasons for and necessity of significant increase in the liability with interest after nearly RMB 12 billion was raised through the issuance of convertible bonds and depositary receipts

1. Scale and structure of the Company's liability with interest and liability without interest and changes thereof

In the last two years and the most recent period, the scale and structure of the Company's liability with interest and liability without interest and changes thereof are as follows:

Monetary Unit: One Hundred Million Yuan

Item	June 30, 2024	December 31, 2023	December 31, 2022
Liability with interest with a term less than 1 year	385.91	345.75	337.82
Liability with interest with a term more than 1 year	326.90	310.76	234.07
Subtotal of liability with interest	712.81	656.51	571.89
Liability without interest	136.48	151.36	207.22
Total liabilities	849.29	807.87	779.10
Change in liability with interest	56.30	84.62	327.60
Change in liability without interest	-14.88	-55.86	110.63
Change in total liabilities	41.42	28.77	438.22

Note: For the liability with interest, in a broad sense, notes payable, call loans and interests thereon, and long-term payables formed by sale and leaseback are also included in the statistics in addition to short-term borrowings, long-term borrowings, bonds payable, and non-current liabilities due within one year.

2. Reasons for and necessity of significant increase in the liability with interest

From the perspective of debt structure, at the end of 2022, the Company's liability with interest increased significantly by RMB 32.76 billion compared with that at the end of 2021. Although the Company raised about RMB 7.6 billion through the public issuance of convertible bonds in 2022, it was still difficult to meet the

demand for large-scale capital expenditure and new working capital brought about by capacity expansion. Therefore, the scale of debt financing by short-term borrowings, notes payable, long-term borrowings and financial lease loans increased rapidly, and accompanied by the rapid expansion of the business scale, the Company's liability without interest also increased significantly at the end of 2022.

At the end of 2023, the Company's liability with interest increased by RMB 8.462 billion compared with that at the end of 2022. The additional items were mainly long-term borrowings and financial lease loans with a term more than 1 year, which were mainly used for long-term asset construction. At the end of 2023, the total amount of the Company's fixed assets and projects under construction increased by RMB 16.659 billion compared with that at the end of 2022. Although the Company raised about USD 576 million (equivalent to about RMB 4.2 billion at the exchange rate of 7.23:1 at that time) through the issuance of depositary receipts in 2023 to expand the production capacity of new energy battery materials at home and abroad, acquire, develop and operate the upstream resources, the equity funds could not meet the needs of long-term asset construction. Therefore, the Company further raised RMB 8.462 billion through liability with interest such as long-term borrowings and financial lease loans.

At the end of June 2024, the Company's liability with interest increased by RMB 5.63 billion compared with that at the end of 2023, and the liability without interest decreased by RMB 1.488 billion, so the total liabilities increased by RMB 4.142 billion. The raised funds were mainly used to support the following large expenditures: 1) in the long-term asset expenditures, the book amount of fixed assets and projects under construction at the end of June 2024 further increased by RMB 2.335 billion compared with that at the end of 2023; 2) the Company actively implemented the special action of "improving quality, enhancing performance and valuing returns", and distributed a cash dividend of RMB 1.688 billion under the 2023 profit distribution plan; 3) the Company spent money for repurchase of restricted shares under the Company's equity incentives and through centralized bidding. Therefore, in

order to meet the relevant new capital expenditures and the demand for working capital at home and abroad, the Company appropriately increased the scale of liability with interest, but cash and cash equivalents, fixed assets and other long-term assets increased simultaneously, and the liability without interest decreased. At the end of September 2024, the Company's asset-liability ratio was 64.08%, further declined from the end of 2023. It showed a continuous downward trend at the end of the last two years and the most recent period.

To sum up, the main reason for significant increase in the liability with interest after nearly RMB 12 billion was raised through the issuance of convertible bonds and depositary receipts is that all links of the vertically integrated industry chain of lithium-ion battery materials were typical heavy asset investments, with more significant capital-intensive characteristics, the demand for large-scale capital expenditure and new working capital brought about by rapid expansion of production capacity was huge, and it was difficult for the funds raised through issuance of convertible bonds and depositary receipts to meet the relevant capital needs, so it is still necessary to raise funds through various ways such as short-term borrowings, long-term borrowings and financial lease loans to make up the capital gap of equity financing, and gradually optimize the debt structure and reduce the scale of liability without interest. Therefore, the increase of relevant liability with interest is in line with the development trend of the industry and the business development needs of the Company, and is reasonable and necessary.

III. In combination with the Company's balance of cash and cash equivalents, scale of liability with interest, debt structure, short-term solvency, working capital need for daily operation, comparable companies in the same industry, etc., explain whether the Company has potential debt risks, and if so, please give a full reminder and explain the countermeasures to be taken

(I) Balance and structure of the Company's cash and cash equivalents

At the end of the last two years and the most recent period, the balance and

structure of the Company's cash and cash equivalents are as follows:

Monetary Unit: Ten Thousand Yuan

Item	June 30, 2024	December 31, 2023	December 31, 2022
Cash on hand	721.94	1,189.18	2,577.80
Bank deposit	1,248,460.98	942,779.66	803,033.59
Other cash and cash equivalents	651,084.55	582,023.26	737,966.16
Total	1,900,267.48	1,525,992.11	1,543,577.55
Including: total amount of money deposited abroad	763,802.52	413,022.33	281,926.26
Including: restricted funds (security deposits, etc.)	490,372.77	473,314.63	685,613.19

(II) Short-term debt service indexes of the Company and comparison with comparable companies in the same industry

At the end of the last two years and the most recent period, the current ratio and quick ratio, short-term debt service indexes of the Company, and the comparison with comparable companies in the same industry are as follows:

Item	Company name	June 30, 2024	December 31, 2023	December 31, 2022
Current ratio	CMOC	1.52	1.71	1.71
	Chengtun Mining	1.16	1.16	1.20
	Ronbay Technology	1.72	1.62	1.21
	CNGR	1.82	1.82	1.85
	GEM	0.85	1.11	1.46
	Average of comparable companies	1.41	1.48	1.49
	Huayou Cobalt	0.98	1.01	0.93
Quick ratio	CMOC	1.01	1.07	1.07
	Chengtun Mining	0.69	0.72	0.72
	Ronbay Technology	1.55	1.46	0.97
	CNGR	1.34	1.34	1.31
	GEM	0.55	0.73	0.95

Item	Company name	June 30, 2024	December 31, 2023	December 31, 2022
	Average of comparable companies	1.03	1.06	1.00
	Huayou Cobalt	0.70	0.68	0.60

As shown in the above table, the Company’s current ratio and quick ratio at the end of the last two years and the most recent period were relatively stable, but lower than the average level of comparable companies in the same industry, and close to the relevant indexes of comparable companies Chengtun Mining and GEM.

The scale of the Company’s liability with interest, debt structure and related analysis are detailed in “II(I)” and “II(II)” above.

(III) Explain whether the Company has potential debt risks, and if so, please give a full reminder and explain the countermeasures to be taken

1. The Company’s operation is stable on the whole, the capital turnover is normal, and there is no major debt default risk at present

As mentioned above, the Company was in the stage of rapid business growth in the last two years and the most recent period. The creation of vertically integrated industry ecology of lithium-ion battery materials involved mine resource investment, smelter construction, ternary precursor and cathode material production line construction and many other links, and the investment in many regions at home and abroad, long-term asset construction expenditure and demand for new working capital was huge. Although equity financing has been carried out through non-public, convertible bond and depositary receipt issuance and other means, it is difficult for relevant equity funds to meet business needs due to the limited scale of equity financing and the long review period. Therefore, the Company carried out debt financing through various channels, and the total liabilities increased simultaneously with the expansion of production and operation scale. The asset-liability ratio was at a relatively high level, but it showed a continuous downward trend on the whole.

The Company's current ratio and quick ratio were lower than the average level of the same industry, but with the further intensification of competition in the lithium-ion battery material market, the Company has gradually reduced the asset-liability ratio and increased the quick ratio by reasonably controlling the scale of liabilities, optimizing the debt structure, improving the contribution of long-term assets, and accelerating the inventory turnover efficiency to reduce the inventory occupation amount, etc., and the Company's business performance was stable on the whole. The net profit in the third quarter of 2024 was RMB 1.35 billion, an increase of 45.42% compared with that in the same period of 2023; the level of profitability improved, the net operating cash flow continued to be positive inflow, and the book cash and cash equivalents were relatively abundant to meet the working capital need for daily operation. Although the current ratio and quick ratio were slightly lower than those of comparable companies in the same industry, and there was a certain pressure on short-term debt repayment, there was no major debt default in the last two years and the most recent period. Therefore, there is no major debt default risk.

2. Countermeasures to be taken by the Company to prevent debt default risk

In order to effectively prevent the debt default risk, the Company plans to further strengthen relevant control in the future, and to take the following countermeasures:

(1) According to the needs for operating funds, strictly formulate a reasonable, prudent and feasible budget plan of funds, arrange the use of funds in an orderly and overall manner, prevent the risk of mismatch in working capital and debt repayment cycle, and prevent the possible failure to repay due liability with interest and operating debts in time;

(2) Further optimize the debt structure, maintain good communication channels with banks and other financial institutions, improve the comprehensive credit line, increase the scale of project special loans, increase the scale of long-term borrowings and financial lease loans with a term more than 1 year, and control the scale and

proportion of short-term debt financing with a term less than 1 year, so as to gradually increase the Company's current ratio and quick ratio and reduce the Company's pressure on short-term debt repayment;

(3) In light of changes in market conditions and development trends of the industry, reasonably control the pace of production capacity expansion and the scale of long-term asset expenditure, prevent the scale of liabilities from growing too fast, and gradually reduce the Company's asset-liability ratio;

(4) Further strengthen the control of cost reduction and efficiency improvement, reasonably control expenses, strive to improve profitability and business performance, and timely collect payments from product sales in all links to maintain stable operating cash flow, gradually enhance the Company's solvency and prevent debt default risk.

3. Projects under construction and projects invested with raised funds. According to the disclosure, on September 12, 2023, the Company invested some funds raised for the “ternary cathode material project” through public issuance of convertible bonds in the “battery-grade nickel sulfate project with an annual output of 50,000 tons of nickel metal”, the “green high-value comprehensive cycle construction project with an annual battery disposal of 15,000 tons” (the “Comprehensive Cycle Project”) and the “high-value green recycling project with an annual disposal of 12,000 tons of black powder for batteries” (the “Green Recycling Project”), with an amount of RMB 1.71 billion involved. Among them, the proposed amount of investment in the “Comprehensive Cycle Project” and “Green Recycling Project” is RMB 96 million and RMB 467 million respectively, but as of the end of June 2024, the construction of the two projects have not yet commenced. In addition, the Company has made a number of large investments in recent years. In 2022, 2023 and January to June 2024, the balance of projects under construction was RMB 14.282 billion, RMB 10.82 billion and RMB 12.022 billion respectively, and as of the end of the reporting period, the total budget of projects under construction was as high as RMB 22.784 billion. However, there are media reports that the current new energy lithium-ion battery subsectors such as cathode materials and precursors are at the the risk of overcapacity.

The Company is required to: (1) in combination with the expected completion time and actual progress of the “Comprehensive Cycle Project” and “Green Recycling Project”, explain whether the projects are progressing as expected; if not as expected, please explain the specific reasons and the measures taken or to be taken; (2) make a supplementary disclosure of the names of the main or key investment projects, project location, construction time, project progress, and supplement the main products, including the capacity and capacity utilization of products such as ternary precursors, cathode materials, nickel and cobalt, etc.; (3) in combination with the relevant indicators in (2), the business

performance, industry trends, comparable companies in the same industry, etc., explain the reasons for and necessity of large-scale production expansion of the Company, whether there is a risk that new production capacity cannot be consumed in the future, and whether there is an impairment risk in the projects under construction and whether it is necessary to make provision for impairment losses; (4) in combination with the total budget of major projects under construction, the remaining capital needs, the Company's debt situation and future fund-raising plans, explain whether the Company has sufficient funding sources and whether the relevant investment will have a significant adverse impact on the repayment of debt. The accountant is invited to comment on item (3).

Reply of the Company:

I. In combination with the expected completion time and actual progress of the “Comprehensive Cycle Project” and “Green Recycling Project”, explain whether the projects are progressing as expected; if not as expected, please explain the specific reasons and the measures taken or to be taken

(I) Originally planned project investment and actual investment

In September to October, 2023, the Company held meetings of the Board of Directors, the Board of Supervisors, the shareholders and the bondholders, deliberating and approving the *Proposal on Changing Some Projects Invested with Raised Funds through the Company's Public Issuance of Convertible Corporate Bonds*, and agreeing to invest the funds raised for the ternary cathode material project included in the originally invested “integration project for high-nickel ternary cathode materials for power batteries with an annual output of 50,000 tons and ternary precursor materials with an annual output of 100,000 tons” in the “battery-grade nickel sulfate project with an annual output of 50,000 tons of nickel metal”, the “green high-value comprehensive cycle construction project with an annual battery disposal of 15,000 tons” (the “Comprehensive Cycle Project”) and the “high-value

green recycling project with an annual disposal of 12,000 tons of black powder for batteries” (the “Green Recycling Project”). The total raised funds with the investment direction changed are raised funds proposed to be invested in the ternary cathode material project.

The “Comprehensive Cycle Project” will be implemented by Nanjing Huayou Lithium Battery Recycling Technology Co., Ltd. (in preparation) at New Material Industrial Park, Binjiang Economic Development Zone, Jiangning District, Nanjing, Jiangsu. In the project, the battery electrodes, battery stacks and liquid injection cells will be recycled and disposed to mainly produce black powder for batteries, shot copper, aluminum ingots and other products. The project is expected to be implemented for 15 months, with a total investment of RMB 139.38 million, and the amount of raised funds to be used is RMB 95.83 million.

The “Green Recycling Project” will be implemented by Quzhou Huayou Lithium Battery Recycling Technology Co., Ltd. (in preparation) at High-tech Park, Quzhou, Zhejiang. The main raw material to be used in the project is black powder for batteries. After the project is put into operation, the main products will be nickel sulfate, cobalt sulfate, lithium carbonate, manganese sulfate and other lithium-ion battery raw materials. The project is expected to be implemented for 26 months, with a total investment of RMB 631.61 million, and the amount of raised funds to be used is RMB 467.3569 million.

As of the date of this announcement, the “Comprehensive Cycle Project” and “Green Recycling Project” have not been invested, and the unused raised funds totals RMB 563.1869 million. The raised funds are deposited in the special account for raised funds.

(II) Subsequent measures to be taken

On October 18, 2024, the Company held the 23rd meeting of the sixth Board of Directors and the 14th meeting of the sixth Board of Supervisors, deliberating and approving the *Proposal on Changing Some Projects Invested with Raised Funds*

through the *Public Issuance of Convertible Corporate Bonds*, and agreeing to change the originally invested projects “Comprehensive Cycle Project” and “Green Recycling Project” to the “construction project of Guangxi Huayou New Materials Co., Ltd. to prepare high-purity electrolytic nickel with the raw material crude nickel-cobalt hydroxide” (the “High-purity Electrolytic Nickel Construction Project”), with a total investment of RMB 1,558.48 million, and the amount of raised funds to be used is RMB 563.1869 million, accounting for 7.41% of the total raised funds of “Huayou Convertible Bond”.

For details of the “High-purity Electrolytic Nickel Construction Project”, please refer to the *Announcement on Changing Some Projects Invested with Raised Funds* (No.: 2024-096) disclosed by the Company on the designated information disclosure media and the website of Shanghai Stock Exchange on October 19, 2024.

(III) Special reasons for further change of investment project when the “Comprehensive Cycle Project” and “Green Recycling Project” are not promoted as expected

While striving to create an industry chain with vertical integration of resources, new materials and new energy, the Company actively lays out recycling business and strives to create a kind of new energy lithium-ion battery industry ecology from the development of nickel, cobalt and lithium resources, green smelting and processing, production of ternary precursors and cathode materials to the recycling of resources. Therefore, it plans to implement the “Comprehensive Cycle Project” and “Green Recycling Project”, and gradually increase the investment in recycling sector.

However, with the vigorous development of the new energy vehicle industry, continuous breakthroughs have been made in power battery technology, and energy density, safety and overall performance have been continuously improved, extending the service life and scrap cycle of batteries, and delaying the time of large-scale “decommissioning” of power batteries. In addition, the improvement of the battery yield makes the production of waste batteries continue to decrease. According to

China Society of Automotive Engineers, the total amount of decommissioned power batteries in 2023 was less than 600,000 tons; market data in the power lithium-ion battery recycling industry show that there are 156 whitelisted enterprises engaged in waste lithium-ion battery recycling, and the nominal production capacity has reached 3.793 million tons/year, but the planned construction capacity is 9.875 million tons, so the existing number of waste batteries cannot meet the current built and planned battery recycling capacity demand. The supply and demand gap of waste batteries has led to the problem of insufficient supply of raw materials for the “Comprehensive Cycle Project” and “Green Recycling Project”.

At the same time, the rapid upgrade of battery material technology has accelerated the iterative update of battery cycle green smelting technology. In cooperation with LG New Energy, a leading enterprise in the lithium-ion battery industry, the Company focuses on waste ternary batteries, electrode pretreatment projects and ternary black powder smelting in the “Comprehensive Cycle Project” and “Green Recycling Project”, aiming to improve the efficiency and environmental protection of battery recycling through advanced green smelting technology. Based on the rapid development of green smelting technology, the Company and its partner continue to explore more environmentally friendly, safe and low-cost new technologies to improve the efficiency and environmental protection of battery cycle smelting. As a result, the project construction progress is not as expected.

To sum up, in order to further optimize the Company’s internal resource allocation and improve the efficiency of the use of raised funds, the Company has decided to invest its own funds in the “Comprehensive Cycle Project” and “Green Recycling Project”. In the future, the Company will timely promote the construction of the projects depending on the market development. It plans to use the relevant raised funds for the high-purity electrolytic nickel construction project with more mature conditions.

II. Make a supplementary disclosure of the names of the main or key investment projects, project location, construction time, project progress, and supplement the main products, including the capacity and capacity utilization of products such as ternary precursors, cathode materials, nickel and cobalt, etc.

(I) Names of the Company's key investment projects, project location, construction time and project progress

As of June 30, 2024, the Company's important construction projects in progress are as shown in the table below:

S/N	Project name	Project location	Project progress	Expected completion time
1	Integration project for high-nickel ternary cathode materials for power batteries with an annual output of 50,000 tons and ternary precursor materials with an annual output of 100,000 tons	Yulin, Guangxi	The main plant has been converted into fixed assets, and the relevant production line is under installation and commissioning	June 2025
2	Battery-grade nickel sulfate project with an annual output of 50,000 tons of nickel metal	Indonesia	Under construction	March 2025
3	MHP project with an annual output of 120,000 tons of nickel metal	Indonesia	The main works have been put into production, and the remaining has not been converted into fixed assets	The main works have been put into production, and the remaining has not been converted into fixed assets
4	Project with an annual output of 50,000 tons of battery-grade lithium salt	Yulin, Guangxi	Independent acceptance was completed in March 2024	The main works of lithium carbonate production line have been put into production, and the remaining has not been converted into fixed assets

(II) Capacity and capacity utilization of main products such as cobalt products, nickel products, ternary precursors, cathode materials, etc.

In terms of capacity utilization, in the last two years and the most recent period, the production capacity of the Company's cobalt products was relatively stable; with the increase in market demand, the production and marketing scale of cobalt products steadily increased, and the capacity utilization continued to remain at a high level; in the first half of 2024, the capacity utilization exceeded 95%. The production capacity of nickel products increased rapidly; with the high-nickel development of lithium-ion battery materials, the market demand increased rapidly; in 2022 and 2023, the capacity utilization was more than 90%, and in the first half of 2024, as the production capacity of the new production lines was in the climbing period, the capacity utilization temporarily declined, but was still more than 70%.

In terms of ternary precursors and cathode materials, in 2022, the capacity utilization of the Company's ternary precursors and cathode materials was more than 80% and close to 100% respectively, but in 2023 and the first half of 2024, with the slowdown of the growth of the downstream new energy vehicle market and the gradual release of production capacity in various links of the industry chain, the supply and demand of power batteries and lithium-ion battery materials reversed, resulting in phased and structural overcapacity, and the capacity utilization of related enterprises in the industry declined significantly. According to the statistics of market research institutions, the capacity utilization of ternary precursors and ternary cathode materials in China in 2023 was less than 50%, and the capacity utilization in the first half of 2024 further declined. In 2023, the capacity utilization of the Company's ternary precursor materials exceeded 60%, and the capacity utilization of cathode materials exceeded 80%, both higher than the industry average, mainly due to the Company's multi-year investment in vertically integrated industry chain, which created leading competitive advantage of large scale and low cost, so that the market competitiveness of related products is relatively strong. In the first half of 2024, the competition in the lithium-ion battery material market further intensified, and the

Company properly controlled the pace and scale of accepting some low-margin orders. Therefore, while the production capacity of related products further increased, the production and marketing scale did not increase in the same proportion, and the capacity utilization declined in stages. In the future, as the lithium-ion battery material market gradually improves, the capacity utilization of the Company's related products is expected to steadily increase.

III. In combination with the relevant indicators in (2), the business performance, industry trends, comparable companies in the same industry, etc., explain the reasons for and necessity of large-scale production expansion of the Company, whether there is a risk that new production capacity cannot be consumed in the future, and whether there is an impairment risk in the projects under construction and whether it is necessary to make provision for impairment losses

(I) The large-scale production expansion of the Company in the early stage was in line with the development trend of the industry, and comparable companies in the same industry also carried out large-scale production expansion and financing

Under the background of the overall goal of “carbon peak, carbon neutral” leading the development trend of “energy cleanliness and transportation electrification”, governments and major automobile manufacturers around the world vigorously developed the new energy automobile industry. As a major midstream industry, power batteries entered an explosive period, and global shipment of power batteries increased from 1.08GWh in 2011 to 137GWh in 2020, with a compound annual growth rate of about 60%. As a key link in the lithium-ion battery industry chain, driven by the rapid growth of new energy vehicle and lithium-ion battery industries, ternary precursors and ternary cathode materials also got a huge market space. According to the research data of GGII, an authoritative market research institution, the global shipment of ternary cathode materials in 2019 was 343,000 tons, an increase of 44.7% over the same period of last year, driving the global shipment of

ternary precursor materials to 334,000 tons, and it is predicted that the global shipment of ternary cathode materials and precursors will exceed 1.5 million tons in 2025, with huge room for growth, which will also drive the demand for lithium, cobalt, nickel and other metal materials to increase significantly. In the context of the market environment and optimistic expectations for the future, companies in the industry successively launched multi-channel financing around 2019 and promoted capacity expansion to meet the growing downstream demand.

The production capacity expansion of similar products of comparable companies in the same industry in recent years is as follows:

Listed company	Investment project	Capacity expansion scale of similar products	Time of announcement
CMOC	D. R. Congo TFM copper-cobalt mixed ore development project	Annual average output of about 200,000 tons of cooper, and annual average output of about 17,000 tons of cobalt	August 2021
Ronbay Technology (non-public in 2022)	Xiantao project with an annual output of 100,000 tons of lithium-ion battery cathode materials (phase I)	100,000 tons of lithium-ion battery cathode materials per year	March 2022
	Zunyi project with an annual output of 34,000 tons of lithium-ion battery cathode materials (phase 2-2)	34,000 tons of lithium-ion battery cathode materials per year	
	Chungju project with an annual output of 15,000 tons of lithium-ion battery cathode materials (phase 1-2)	15,000 tons of lithium-ion battery cathode materials per year	
Chengtun Mining (convertible bonds publicly issued in 2019)	D. R. Congo HPAL project with an annual output of 30,000 tons of electrolytic copper and 5,800 tons of crude cobalt hydroxide (metallometry)	30,000 tons of electrolytic copper and 5,800 tons of crude cobalt hydroxide per year	June 2019
Chengtun Mining (non-public in 2021)	Kalongwe project	30,000 tons of copper and 3,600 tons of cobalt per year	June 2021

Listed company	Investment project	Capacity expansion scale of similar products	Time of announcement
Chengtun Mining	New energy material project with an annual output of 300,000 tons of battery-grade nickel sulfate, 300,000 tons of battery-grade iron phosphate and 10,000 metal tons of battery-grade cobalt products	300,000 tons of battery-grade nickel sulfate and 10,000 metal tons of battery-grade cobalt products per year	September 2021
	Nickel matte project with an annual output of 40,000 tons of nickel metal	40,000 tons of nickel metal per year	December 2021
	Project with an annual output of 200,000 tons of high-nickel ternary cathode materials and lithium-ion battery new materials	200,000 tons of high-nickel ternary cathode materials and lithium-ion battery new materials per year	August 2022
GEM	Indonesia project of battery-grade nickel chemicals (nickel sulfate crystal) (50,000 tons of nickel per year) produced with laterite-nickel ore	50,000 tons of nickel per year (nickel sulfate crystal)	January 2019
	Project of NCA & NCM high-nickel precursor materials for power batteries with ECOPRO	48,000 tons of NCA & NCM high-nickel precursors per year	April 2020
	Project with an annual output of 100,000 tons of battery-grade high-purity nickel-cobalt salt crystal (nickel sulfate, cobalt sulfate and cobalt chloride crystal)	100,000 tons of battery-grade high-purity nickel-cobalt salt crystal	June 2021
CNGR (IPO)	Western base project of ternary cathode materials and precursors for high-performance lithium-ion power batteries	60,000 tons of ternary precursors	December 2020

Listed company	Investment project	Capacity expansion scale of similar products	Time of announcement
CNGR (to specific objects in 2021)	Ternary project of CNGR at Beibu Gulf industrial base (phase I)	180,000 tons of ternary precursors, 110,000 metal tons of nickel sulfate solution (including nickel dissolution and MSP production line) and 10,000 metal tons of cobalt sulfate solution per year	June 2021
CNGR (to specific objects in 2022)	Laterite-nickel ore smelting project at Indonesia base with an annual output of 60,000 metal tons of nickel matte	60,000 metal tons of nickel matte	June 2022
	Project at Guizhou western base with an annual output of 80,000 metal tons of nickel sulfate	80,000 metal tons of nickel sulfate	
	Project at Guangxi southern base with an annual output of 80,000 metal tons of nickel matte	80,000 metal tons of nickel matte	

In a growing market and a more competitive environment, production capacity is one of the driving forces for major companies in the industry to seize market share. As a leading enterprise in the lithium-ion battery material industry, in the process of rapid development of the industry, the Company expanded production on a large scale, which was in line with the development stage of the industry at that time, and there was no overcapacity in capacity planning. Therefore, it conforms to the development trend of the industry and meets the needs of strengthening the Company's own competitiveness, and is conducive to driving the Company to seize market share and improve competitiveness, so that it is reasonable.

(II) The Company has timely adjusted the pace of production capacity construction and industrial spatial layout of downstream lithium-ion battery materials according to the changes in market supply and demand

The Company has timely adjusted the industrial spatial layout of downstream

lithium-ion battery materials according to the changes in market supply and demand, and promoted the internationalization process of lithium-ion battery materials while postponing the construction of domestic production capacity. Domestically, since China's lithium-ion battery material industry began to show a decline in the penetration rate of ternary cathode materials in 2023, downstream destocking and other situations led to changes in the supply and demand of ternary cathode materials and ternary precursors, and overcapacity in related links began, the Company has adjusted in a timely manner according to the latest market situation, and suspended the construction of new production capacity of ternary precursors and ternary cathode materials in China.

Against the backdrop of intensified competition in the domestic industry, the promulgation of foreign industry protection policies and the continuously fierce struggle over supply chain leadership, the Company actively promoted the opening up of the industry chain, international cooperation and global layout, and deeply integrated with the world's new energy industry to achieve industrial interconnection and complement each other's advantages, promoting the Company's internationalization and high-quality development. In Indonesia, by leveraging upstream resource development advantages and facilitating the extension of industry chains downstream, Huaxiang's nickel sulfate project with an annual output of 50,000 tons was advanced in an orderly manner, and Huaneng's ternary precursor project with an annual output of 50,000 tons was completed and put into operation successfully, further enhancing the collaborative advantages of nickel industry in Indonesia, and contributing to the gradual implementation of the integrated development model of new energy lithium-ion battery materials in Indonesia. In South Korea, the positive electrode project in Gumi-si carried out by the Company in cooperation with LG has put into operation in some production lines as an effort to enter the North American market. In Europe, the first phase of the cathode materials project with an annual output of 25,000 tons in Hungary was commenced, which made the Company take substantial steps into the European market.

(III) There is a low risk that new production capacity cannot be consumed, and there is no impairment risk in the projects under construction, so it is not necessary to make provision for impairment losses

As of the end of June 2024, the book value of the Company's projects under construction was RMB 11.893 billion, where the book value of the projects under construction related to ternary precursors and cathode materials was RMB 5.258 billion, accounting for 44.21%, and the remaining was mainly upstream resource projects. The Company's upstream resource projects have a high capacity utilization, and the products made in resource projects have obvious cost advantages, so there is a low risk that new production capacity cannot be consumed. In terms of the Company's ternary precursor and cathode material projects, the capacity utilization declined in stages. In the future, as the lithium-ion battery material market gradually improves, the capacity utilization of the Company's related products is expected to steadily increase.

There is a low risk that new production capacity of the Company's ternary precursors and cathode materials cannot be consumed, which is analyzed as follows:

(1) The new energy lithium-ion battery industry still has long-term growth potential, which provides a broad consumption space for the Company's large-scale production expansion in the early stage

China's car sales increased from 23.49 million in 2014 to 30.9 million in 2023, an increase of 6.6021 million in 10 years. New energy vehicles develop rapidly, production and sales volume continue to increase, and the penetration rate continues to increase. In 2023, the sales volume of new energy vehicles in China reached 9.4952 million, an increase of 37.88% year-on-year, maintaining a rapid growth trend, and the overall penetration rate of new energy vehicles reached 31.55%, an increase of 6% over 2022. Among them, the penetration rate of new energy passenger vehicles reached 35.7%, an increase of 8.1% over 2021. In January to June 2024, the sales volume of new energy vehicles in China reached 4.944 million, an increase of 32%

year-on-year, and the penetration rate of new energy vehicles reached 35.2%, an increase of 3.6% over 2023. CAAM predicts that the sales volume of new energy passenger vehicles will reach 11.5 million in 2024, and the penetration rate of new energy vehicles is expected to continue to increase in the future. According to GGII, the penetration rate of new energy vehicles in China is expected to reach 44.8% by 2025.

The broad market prospect of new energy vehicles has brought huge business opportunities for the whole industry chain of lithium-ion battery materials. During the reporting period, the lithium-ion battery industry experienced a growth trend. According to GGII, the global power battery loading capacity in the first half of 2024 was approximately 346.5GWh, representing a 15% year-on-year increase. However, due to its cost advantages, lithium iron phosphate (LFP) batteries gained market share, leading to a slight decline in the installation rate of ternary batteries, and a corresponding limited demand for ternary materials. According to GGII, shipments of lithium-ion battery cathode materials in the first half of 2024 totaled 1.34 million tons, including 0.3 million tons of ternary cathode materials, which saw a slight year-on-year decline of 1%. Despite this, given the prominent advantages of high-nickel and high-voltage ternary materials in various aspects as energy density, light weight and low-temperature performance, along with the prices of nickel, cobalt, lithium and other energy metals falling sharply, the cost-effectiveness of ternary materials will be significantly improved and the market share of ternary materials is expected to rebound. Additionally, as new energy vehicle, energy storage system, eVTOL low-altitude aircraft and other industrial technologies move towards higher energy density, the industrialization of semi-solid and solid state batteries has accelerated, the material system has been comprehensively optimized, the cathode materials have been iterated and upgraded in the direction of high performance, the high-nickel ternary battery has been promoted and popularized more rapidly, and the demand for nickel sulfate and upstream nickel materials is expected to return to rapid growth.

(2) The leading position in the industry, the integrated industry chain layout, and the first-class customer resources in the industry provide guarantee for the consumption of the Company's new production capacity

In terms of position in the industry, the Company is one of the main suppliers of lithium-ion battery cathode materials and ternary precursor products in the world, with production and marketing scale and technology development capability in the forefront of the industry; it is also the largest supplier of cobalt products in China, with production and marketing scale ranking among the top in the world.

In terms of industry chain layout, after years of development, the Company has formed an upstream, midstream and downstream integrated industry chain from the development of nickel, cobalt and lithium resources, nonferrous metal refining to R&D and production of new energy materials, which are closely connected and collaborate efficiently to achieve coordination from resource development, nickel, cobalt and lithium chemicals to ternary materials. Due to the Company's coordination of overseas resources, domestic manufacturing and global markets, and its every effort to expand the market, increase orders and improve production capacity, the shipment volume of main products increased steadily, and the business performance stabilized and recovered, achieving greater integration advantages.

In terms of customer resources, the Company comprehensively deepened customer cooperation, and continued to increase efforts to develop overseas markets on the basis of in-depth consolidation of the domestic market. The Company worked with LGES, Volkswagen and other world-renowned battery and vehicle companies to explore a new path for the integration of lithium-ion battery materials industry, and signed project location agreements with customers such as AESC, EVE and BMW to promote in-depth cooperation in the industry chain and enhance customer stickiness. Up to now, the Company's main products have covered CATL, LGES, SDI, Gotion, EVE, AESC and other global power battery brand enterprises, and have been widely used in domestic and international renowned electric vehicles such as Tesla, BMW, Stellantis, Volkswagen, Hyundai, GM, Ford, Daimler, Renault, Zeekr, Changan and

Geely, further enhancing the Company's market position.

In summary, although the Company is currently affected by the downward trend of the metal market and the phased and structural overcapacity in the industry, resulting in a decline in the capacity utilization of the Company's ternary precursors and cathode materials, the capacity utilization of the Company's resource projects is at a high level, and the products made in resource projects have obvious cost advantages, so that the related projects under construction are at a low impairment risk. Although the ternary precursor and cathode material projects are greatly affected by the market, the new energy lithium-ion battery industry has long-term growth potential and consumption space. The Company's leading position in the industry, the integrated industry chain layout, and the first-class customer resources in the industry can provide guarantee for the consumption of the Company's new production capacity. Therefore, there is a low risk that the Company's new production capacity cannot be consumed, and there is no impairment risk in the projects under construction, so that it is not necessary to make provision for impairment losses.

(IV) Opinions and conclusion of the annual audit accountant

1. Verification procedures

(1) Interviewed the management of the Company, understood the reasons for the large-scale expansion of the Company in the early stage, and judged the necessity of large-scale expansion of the Company based on the development trend of the new energy vehicle industry and the production expansion by comparable companies in the same industry;

(2) Understood the capacity utilization of the Company's main products, and judged the consumption risk of the Company's new capacity and the impairment risk of projects under construction based on the development trend of the industry and the Company's leading position in the industry;

2. Conclusion

Upon verification, the annual audit accountant believes that:

In the process of rapid development of the industry, the Company expanded production on a large scale, which was in line with the development stage of the industry at that time, comparable companies in the same industry also expanded production on a large scale, and there was no overcapacity in capacity planning. Therefore, it conforms to the development trend of the industry and meets the needs of strengthening the Company's own competitiveness, and is conducive to driving the Company to seize market share and improve competitiveness, so that it is reasonable. There is a low risk that new production capacity of the Company cannot be consumed, so there is no impairment risk in the projects under construction, and it is not necessary to make provision for impairment losses.

IV. In combination with the total budget of major projects under construction, the remaining capital needs, the Company's debt situation and future fund-raising plans, explain whether the Company has sufficient funding sources and whether the relevant investment will have a significant adverse impact on the repayment of debt

(I) Balance of cash and cash equivalents and debt of the Company

The Company's major projects under construction are the "battery-grade nickel sulfate project with an annual output of 50,000 tons of nickel metal", the "integration project for high-nickel ternary cathode materials for power batteries with an annual output of 50,000 tons and ternary precursor materials with an annual output of 100,000 tons", the "MHP project with an annual output of 120,000 tons of nickel metal", the "project with an annual output of 50,000 tons of battery-grade lithium salt" and other construction projects in progress.

For the analysis of the Company's cash and cash equivalents and debt, please refer to "III. In combination with the Company's balance of cash and cash equivalents, scale of liability with interest, debt structure, short-term solvency, working capital need for daily operation, comparable companies in the same industry, etc., explain

whether the Company has potential debt risks, and if so, please give a full reminder and explain the countermeasures to be taken” in “Q2” of this announcement.

(II) Funds for major projects under construction

Monetary Unit: Ten Thousand Yuan

Project name	Total budget	Investment required	Funding source	Does the construction progress match the plan	Expected completion time	Are there sufficient funding sources
Battery-grade nickel sulfate project with an annual output of 50,000 tons of nickel metal	144,072.00	25,018.03	Raised funds and other sources	Yes	March 2025	Yes
Integration project for high-nickel ternary cathode materials for power batteries with an annual output of 50,000 tons and ternary precursor materials with an annual output of 100,000 tons	561,777.00	96,521.00	Raised funds, loans from financial institutions and other sources	Yes	June 2025	Yes
MHP project with an annual output of 120,000 tons of nickel metal	1,380,852.44	72,176.22	Loans from financial institutions and other sources	Yes	The main works have been put into production, and the remaining has not been converted into fixed assets	Yes
Project with an annual output of 50,000 tons of battery-grade lithium salt	191,675.12	65,585.00	Raised funds, loans from financial institutions and other sources	Yes	The main works of lithium carbonate production line have been put into production, and the remaining has not been converted into fixed assets	Yes

Project name	Total budget	Investment required	Funding source	Does the construction progress match the plan	Expected completion time	Are there sufficient funding sources
Total	2,278,376.56	259,300.25	--	--	--	--

As of the end of June 2024, the remaining capital needs expected for the Company's major projects under construction totaled RMB 2.593 billion. Taking into account the remaining capital needs of about RMB 800 million expected for the "High-purity Electrolytic Nickel Construction Project" to be changed, the Company is expected to have a future capital need of about RMB 3.4 billion for projects under construction.

As of the end of June 2024, except for raised funds and restricted funds, the amount of cash and cash equivalents that the Company could theoretically use for payment was RMB 12.624 billion. The net cash flow generated by the Company's operating activities from January to June 2024 was RMB 2.764 billion. In addition, the Company has a high credit rating in various commercial banks. As of the end of June 2024, the Company has obtained a total credit of about RMB 81.776 billion from major cooperative financial institutions, of which RMB 56.402 billion has been used and RMB 25.374 billion has not been used. Therefore, the Company's book cash and cash equivalents and unused line of credit are sufficient to support the remaining capital expenditure needs of the major projects under construction, with sufficient funding sources, and the relevant investment will not have a significant adverse impact on the repayment of debt.

4. Inventory. According to the disclosure, at the end of 2022, 2023 and June 2024, the book balance of the Company's inventory was RMB 18.268 billion, RMB 16.136 billion and RMB 14.453 billion respectively, all accounting for more than 25% of current assets, which is a relatively high proportion; the provision for inventory depreciation was RMB 576 million, RMB 373 million and RMB 239 million respectively, accounting for 3.16%, 2.31% and 1.66% respectively, which declined year by year. Among them, the balance of raw materials was RMB 9.362 billion, and the proportion of provision fell from 0.78% to 0.54%. However, the Company said that the market prices of major metals such as nickel and lithium fell significantly during the reporting period, which was inconsistent with the trend of changes in the Company's proportion of provision.

The Company is required to: (1) list the details of the inventory by product category, including name, quantity, amount, aging, etc., and in combination with the procurement and stock policy, comparable companies in the same industry, historical sales, orders in hand, etc., explain the reasons and rationality of the large inventory of the Company; (2) in combination with the cost and price changes of raw materials, explain the process of calculating the provision for raw material depreciation, and in combination with the Company's inventory composition, downstream demand, impairment test procedures, etc., explain the reasons and rationality of the decline in the proportion of provision for inventory depreciation, and whether the relevant provision is accurate and adequate. The accountant is invited to give opinions.

Reply of the Company:

I. List the details of the inventory by product category, including name, quantity, amount, aging, etc., and in combination with the procurement and stock policy, comparable companies in the same industry, historical sales, orders in hand, etc., explain the reasons and rationality of the large inventory of the Company

(I) Details of the inventory presented by product category

At the end of June 2024, the details of the Company's inventory listed by category are as follows:

1. Raw materials

Monetary Unit: Ten Thousand Yuan

Item	Amount	Less than 1 year	More than 1 year
Cobalt raw materials	59,943.87	57,212.83	2,731.04
Copper raw materials	74,527.41	74,527.41	
Cobalt and copper raw materials	7,093.31	3,963.92	3,129.39
Nickel raw materials	256,212.43	256,212.43	
Lithium raw materials	103,362.02	102,125.92	1,236.10
Reworked materials	14,086.02	14,086.02	
Ternary precursor materials	6,484.71	6,484.71	
Cathode materials	124,799.78	122,819.37	1,980.41
Auxiliary materials and spare parts	289,731.80	222,239.55	67,492.25
Subtotal	936,241.35	859,672.16	76,569.19

In the Company's raw materials at the end of June 2024, the physical quantity of cathode materials was 11,495.48 tons, and the total metal content of the remaining metal materials was 167,296.93 tons.

2. Materials on consignment for further processing

Monetary Unit: Ten Thousand Yuan

Item	Amount	Less than 1 year	More than 1 year
Cobalt raw materials	130.77	130.77	

Item	Amount	Less than 1 year	More than 1 year
Nickel raw materials	15,221.26	15,221.26	
Lithium raw materials	2,772.44	2,772.44	
Ternary precursor materials	9,587.07	9,587.07	
Cathode materials	562.63	562.63	
Others	5,157.39	5,157.39	
Subtotal	33,431.56	33,431.56	

In the Company's materials on consignment for further processing at the end of June 2024, the physical quantity of cathode materials was 77.62 tons, and the total metal content of the remaining metal materials was 2,235.57 tons.

3. Goods in production

Monetary Unit: Ten Thousand Yuan

Item	Amount	Less than 1 year	More than 1 year
Cobalt metal	48,700.51	48,700.51	
Nickel metal	113,497.29	113,497.29	
Copper metal	7,242.50	7,242.50	
Lithium metal	6,837.05	6,837.05	
Reworked materials	14,174.77	14,174.77	
Cathode materials in production	11,498.14	11,498.14	
Ternary precursors in production	20,234.12	20,234.12	
Others	5,308.42	5,308.42	
Subtotal	227,492.80	227,492.80	

In the Company's goods in production at the end of June 2024, the physical quantity of cathode materials in production was 1,163.99 tons, and the total metal content of the remaining metal materials was 28,429.72 tons.

4. Goods in stock

Monetary Unit: Ten Thousand Yuan

Item	Amount	Less than 1 year	More than 1 year
Nickel products	125,749.75	125,749.75	
Cobalt products	44,615.05	41,882.67	2,732.38

Item	Amount	Less than 1 year	More than 1 year
Copper products	5,589.15	5,580.93	8.22
Lithium products	9,687.58	9,683.52	4.06
Ternary precursors	31,047.08	26,215.89	4,831.19
Cathode materials	26,284.40	25,529.77	754.63
Others	5,126.53	5,126.53	
Subtotal	248,099.54	239,769.06	8,330.48

The physical quantity of the Company's goods in stock at the end of June 2024 totaled 27,444.74 tons.

At the end of June 2024, the Company had some inventories of raw materials and goods in stock with aging of more than 1 year. The amount of inventory with aging of more than 1 year was RMB 848.9967 million, accounting for 5.87% of the inventory balance at the end of the period, which is relatively low. Raw materials with aging of more than 1 year mainly include auxiliary materials and spare parts, and some metal materials, where the balance of auxiliary materials and spare parts with aging of more than 1 year at the end of the period was RMB 674.9225 million, which is relatively large. The main reason is that the Company's resource business was distributed in D. R. Congo, Zimbabwe, Indonesia and other countries, and the auxiliary materials and spare parts required for local production were basically dependent on domestic supply; because these materials were not susceptible to deterioration or damage, considering the factors of long domestic supply cycle and high logistics cost, the Company reserved more auxiliary materials and spare parts to ensure normal production. The consumption of some materials was slow, resulting in a large balance of auxiliary materials and spare parts with aging of more than 1 year. The balance of metal materials with aging of more than 1 year at the end of the period was RMB 90.7694 million, mainly because some raw materials were not put into production in time due to ingredients, etc. Metal materials are stable in nature and not susceptible to deterioration or failure with the passage of time. The balance of goods in stock with aging of more than 1 year at the end of the period was RMB 17.7995 million. They

were mainly ternary precursors. It was because that some customers required the Company to delay delivery due to downstream demand adjustment.

(II) Procurement and stock policy of the Company

The Company created an integrated industry chain layout from the development of nickel, cobalt and lithium resources, green smelting and processing, production of ternary precursors and cathode materials to the recycling of resources. Please refer to “5. Prepayment II(I)” for the procurement model. The raw materials purchased by the Company were purchased according to the production plan, the ocean import time of raw materials such as cobalt, nickel and lithium ore was comprehensively considered, and the Company will adopt a flexible procurement and stock policy according to the market price trend.

The Company has a long integrated industry chain. The production capacity has been expanded rapidly in recent years, the production scale expanded continuously, and the inventory expanded accordingly. The Company mainly imports raw materials such as cobalt, nickel and lithium ore required for production from Africa and Indonesia. The procurement usually lasts 2-3 months, which is relatively long. Therefore, in order to ensure stable and orderly production of products, a relatively large number of raw materials have been stored.

(III) Comparable companies in the same industry

At the end of 2022, 2023 and June 2024, the book balance of inventory of comparable companies in the same industry and the proportion to current assets are as follows:

Monetary Unit: Ten Thousand Yuan

Item	June 30, 2024		December 31, 2023		December 31, 2022	
	Book balance of inventory	Proportion to current assets (%)	Book balance of inventory	Proportion to current assets (%)	Book balance of inventory	Proportion to current assets (%)
CMOC	2,133,363.74	22.30	2,605,272.49	31.15	2,250,191.28	26.26

Item	June 30, 2024		December 31, 2023		December 31, 2022	
	Book balance of inventory	Proportion to current assets (%)	Book balance of inventory	Proportion to current assets (%)	Book balance of inventory	Proportion to current assets (%)
Chengtun Mining	779,495.75	40.99	699,382.46	38.86	677,843.49	41.74
CNGR	849,536.83	26.84	805,478.56	26.88	972,530.54	29.84
GEM	847,468.90	36.17	899,959.49	36.61	784,593.82	35.59
Ronbay Technology	158,255.06	10.55	163,700.94	10.89	331,772.19	19.38
Average	953,624.06	27.37	1,034,758.79	28.88	1,003,386.26	30.56
Huayou Cobalt	1,445,265.26	28.85	1,613,608.55	32.84	1,826,845.69	36.85

At the end of 2022, 2023 and June 2024, the proportion of the Company's book balance of inventory to current assets was slightly higher than the average of comparable companies in the same industry, mainly because, affected by the successive operation of the new energy lithium-ion material industry chain integration, investment and expansion projects, the Company expanded its production scale, and the inventory expanded accordingly.

(IV) Historical sales and inventory turnover

In 2022, 2023 and January to June 2024, the Company's sales and inventory turnover were as follows:

Monetary Unit: Ten Thousand Yuan

Item	January to June 2024	2023	2022
Operating income	3,005,031.46	6,630,404.75	6,303,378.55
Operating cost	2,507,208.43	5,694,877.33	5,131,370.42
Beginning inventory	1,576,340.13	1,769,202.27	903,495.70
Ending inventory	1,421,335.82	1,576,340.13	1,769,202.27
Inventory turnover (turnover/year)	1.67	3.40	3.84

Note: In January to June 2024, the inventory turnover is turnover per half year, the same below

In 2022, 2023 and January to June 2024, the comparison between the inventory turnover of the Company and that of comparable companies in the same industry is as follows:

Unit: Turnover/Year

Item	January to June 2024	2023	2022
CMOC	2.65	5.28	5.30
Chengtun Mining	1.23	3.28	3.79
CNGR	2.14	3.36	3.72
GEM	1.81	3.36	3.61
Ronbay Technology	4.14	8.58	11.01
Average	2.39	4.77	5.49
Huayou Cobalt	1.67	3.40	3.84

During each period above, the Company's inventory turnover was low on the whole and lower than the average of comparable companies in the same industry, which was mainly related to the Company's procurement model and multi-link layout of the industry chain. The Company mainly imports raw materials from Africa, Indonesia, Zimbabwe and other regions. Affected by marine logistics, the procurement period is relatively long. Therefore, in order to ensure stable and orderly production and operation, a relatively large number of raw materials have been stored. In addition, as the Company has formed an upstream, midstream and downstream integrated industry chain from the development of nickel, cobalt and lithium resources, nonferrous metal refining to R&D and production of new energy materials, the production scale expanded, and the demand for stock of raw materials increased.

(V) Orders in hand

The Company mainly sells cobalt products, copper products, nickel products, lithium products, ternary precursors, cathode materials, nickel intermediates and other products, and the orders in hand related to the main products are as follows:

1. Cobalt products

The Company's cobalt products include tricobalt tetroxide, cobalt hydroxide, cobalt sulfate, cobalt chloride, etc. The products are standardized products in the industry, and the sales contract is basically in the form of specific orders.

2. Copper products

The Company's copper products are mainly electrodeposited copper, which has strong market liquidity. Compared with large copper smelting enterprises, the Company has a relatively low copper output. The main production base of the Company's copper products is in D.R. Congo. In order to improve management efficiency, the Company signed a framework agreement with Trafigura, an internationally renowned bulk trader, to sell copper products produced in D.R. Congo to Trafigura.

3. Nickel products

The Company's nickel products mainly include electrolytic nickel, nickel sulfate, etc. Among them, electrolytic nickel produced by the Company is a delivery brand registered on the London Metal Exchange and Shanghai Futures Exchange, has strong market liquidity and can be used for the performance and delivery of futures contracts. The products are liquid. Nickel sulfate is a standardized product in the industry, and the sales contract is basically in the form of specific orders.

4. Lithium products

The Company's lithium products are mainly lithium carbonate, which is a standardized product in the industry. The sales contract is basically in the form of specific orders.

5. Ternary precursors

The sales of the Company's ternary precursors are mostly under a framework long-term contract. Based on the total sales volume within a period of time after the signing of the contract, the actual sales volume can be adjusted dynamically according to the market condition. For example, in 2023, the Company and POSCO

CHEMICAL CO., LTD signed framework long-term contracts with a term from 2023 to 2025.

6. Cathode materials

The sales of the Company's cathode materials are mostly under a framework long-term contract, which stipulates that the parties shall carry out strategic cooperation within a certain period of time. No specific sales volume is agreed in the contract, sales business is carried out according to the market condition, and the actual sales are subject to the specific order. In 2023 and 2024, the Company signed framework long-term contracts with a number of leading battery enterprises.

7. Nickel intermediates

The nickel intermediates produced in the Indonesian resource sector of the Company are underwritten by the shareholders. The Company sells the products to the shareholders in accordance with the proportion agreed upon in the underwriting agreement. After production by the Company, it sells to shareholders in accordance with the agreed proportion, so there is no liquidity pressure.

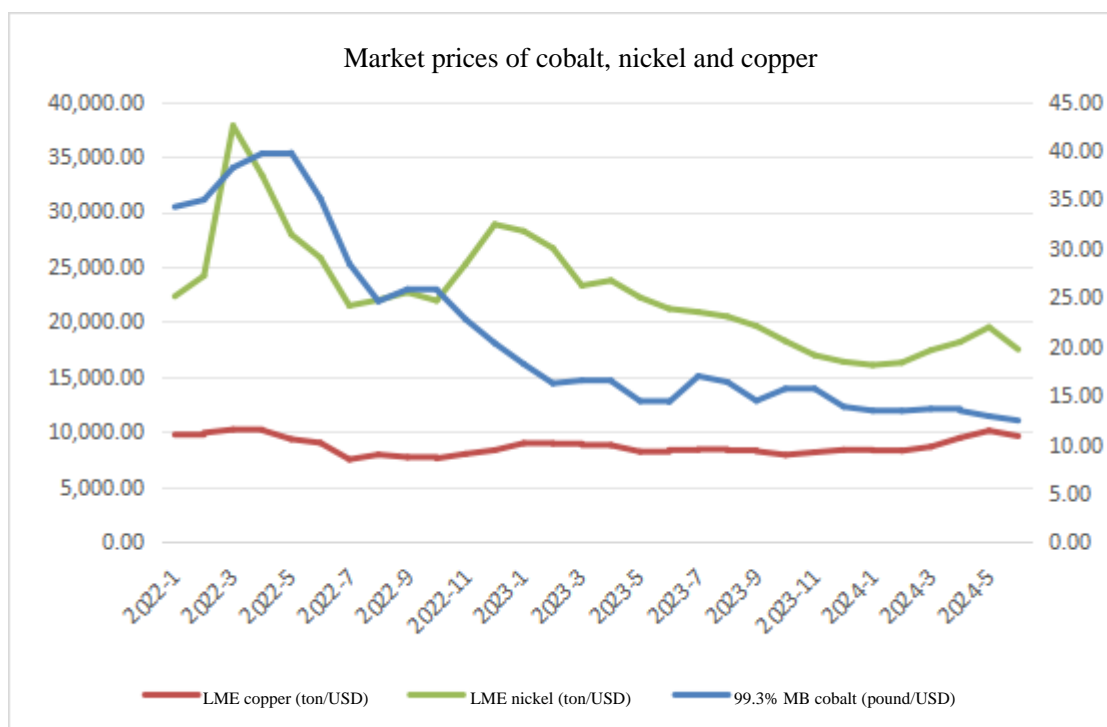
In summary, the large inventory of the Company is mainly due to the long integrated industry chain, the expanded production scale and the long procurement period of raw materials, which is in line with the business model of the Company and commercially reasonable.

II. In combination with the cost and price changes of raw materials, explain the process of calculating the provision for raw material depreciation, and in combination with the Company's inventory composition, downstream demand, impairment test procedures, etc., explain the reasons and rationality of the decline in the proportion of provision for inventory depreciation, and whether the relevant provision is accurate and adequate. The accountant is invited to give opinions.

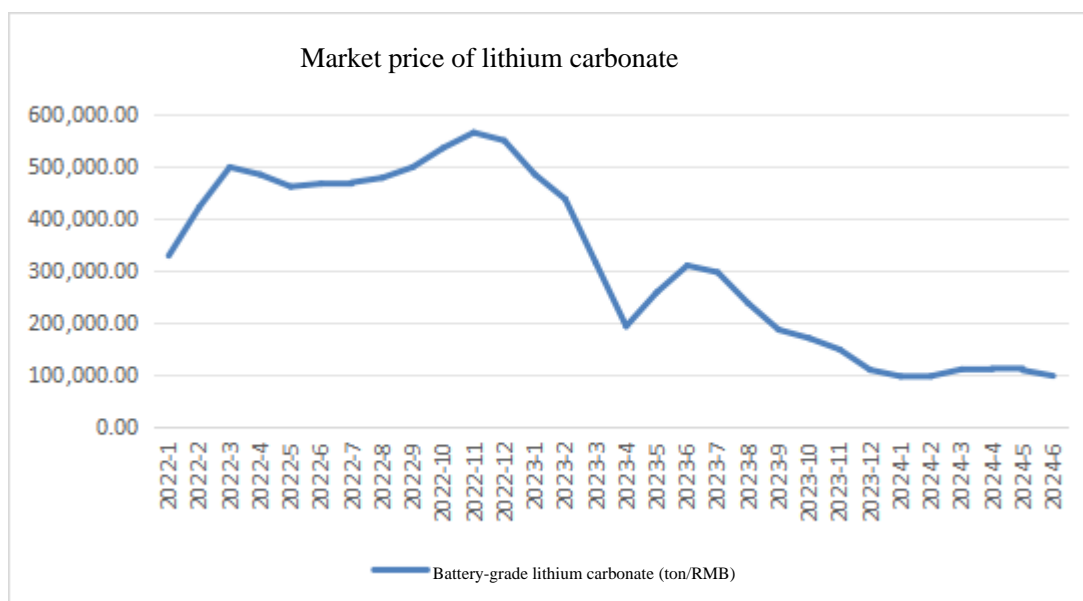
(I) Changes in market prices of major metals

In terms of the procurement price of the Company's main raw materials, the procurement price of cobalt, nickel and copper raw materials is mainly linked to the metal trading price in the international market, the procurement price of lithium carbonate and other raw materials is mainly based on the market price of battery-grade lithium carbonate, and the procurement price of ternary precursors is mainly based on the market price of nickel, cobalt and other metals, in combination with the technical content of the products and the market supply and demand. From 2022 to June 2024, the market prices of cobalt, nickel, copper and lithium carbonate are as follows:

1. Market prices of cobalt, nickel and copper



2. Market price of lithium carbonate



The reasons for changes in market prices are analyzed as follows:

1. MB cobalt price

With the increase in supply brought by increased cobalt production in D.R. Congo and Indonesia, and the decline in demand caused by the slowdown in the growth of new energy vehicles, the change in the supply and demand relationship has

led to a sharp fall in cobalt price.

2. LME nickel price

LME nickel price surged in March 2022 due to factors such as corner events. Later, under the influence of factors such as slowing global economic growth and increasing nickel supply from Indonesia, nickel price fell sharply on the whole.

3. LME copper price

In 2022, affected by the global economic and market environment, LME copper price experienced a rapid rise and then bottomed out. In 2023, the price fluctuated within a narrow range. In the first half of 2024, affected by the Federal Reserve's interest rate cut, the development of emerging industries such as wind power, etc., the demand for copper continued to grow, while copper production in many countries around the world was lower than expected, and the change in the supply and demand pattern led to a sharp short-term rise in copper price.

4. Price of lithium carbonate

In 2022, with the growth of new energy vehicle and energy storage markets, the demand for lithium-ion batteries was strong, and the price of lithium carbonate continued to rise. Since 2023, the increase in industry supply and the slowdown in the growth of new energy vehicles have led to a decline in demand, and the change in the supply and demand structure has led to a sharp decline in the price of lithium carbonate on the whole.

(II) Process of provision for inventory depreciation

At the end of June 2024, the process of the Company's provision for inventory depreciation is as follows:

1. Goods in stock

Monetary Unit: Ten Thousand Yuan

Inventory	Unit	Physical quantity in stock	Balance	Estimated selling price	Estimated processing cost	Estimated sales tax	Net realizable value	Provision for depreciation
			a	b	c	d	e=b-c-d	f=a-e
Ternary precursors	T	4,090.66	31,047.08	24,572.66		1,662.09	22,910.57	8,136.51
Lithium cobalt oxide	T	495.66	6,193.82	6,230.34		293.31	5,937.03	256.79
Ternary cathode materials	T	1,415.45	20,090.58	15,994.58		794.35	15,200.23	4,890.35
Subtotal		6,001.77	57,331.48	46,797.58		2,749.75	44,047.83	13,283.65

2. Goods in production

Monetary Unit: Ten Thousand Yuan

Inventory	Unit	Physical quantity in stock	Metal quantity in stock				Balance	Estimated selling price	Estimated processing cost	Estimated sales tax	Net realizable value	Provision for depreciation
			Cobalt	Nickel	Copper	Lithium	a	b	c	d	e=b-c-d	f=a-e
Ternary precursors in production	T		238.51	2,227.02			20,234.12	91,249.01	66,552.93	5,849.92	18,846.16	1,387.96

Inventory	Unit	Physical quantity in stock	Metal quantity in stock				Balance	Estimated selling price	Estimated processing cost	Estimated sales tax	Net realizable value	Provision for depreciation
			Cobalt	Nickel	Copper	Lithium						
Cathode materials in production	T	1,163.99					11,498.14	10,270.77	755.60	87.30	9,427.87	2,070.27
Subtotal		1,163.99	238.51	2,227.02			31,732.26	101,519.78	67,308.53	5,937.22	28,274.03	3,458.23

3. Materials on consignment for further processing

Monetary Unit: Ten Thousand Yuan

Inventory	Unit	Physical quantity in stock	Metal quantity in stock				Balance	Estimated selling price	Estimated processing cost	Estimated sales tax	Net realizable value	Provision for depreciation
			Cobalt	Nickel	Copper	Lithium						
Ternary precursor materials	T		213.34	257.74			9,587.07	13,814.86	4,541.78	1617.63	7,655.45	1,931.62
Cathode materials	T	87.68					562.63	558.13	180.61	11.04	366.48	196.15
Subtotal		87.68	213.34	257.74			10,149.70	14,372.99	4,722.39	1,628.67	8,021.93	2,127.77

4. Raw materials

Monetary Unit: Ten Thousand Yuan

Inventory	Unit	Physical quantity in stock	Metal quantity in stock				Balance	Estimated selling price	Estimated processing cost	Estimated sales tax	Net realizable value	Provision for depreciation
			Cobalt	Nickel	Copper	Lithium	a	b	c	d	e=b-c-d	f=a-e
Reworked materials	T		409.86	866.71	30.43	903.64	14,086.02	18,430.53	3,908.17	1,561.61	12,960.75	1,125.27
Cathode materials	T	11,495.48					124,799.78	236,398.97	112,246.92	3,286.79	120,865.26	3,934.52
Subtotal		11,495.48	409.86	866.71	30.43	903.64	138,885.80	254,829.50	116,155.09	4,848.40	133,826.01	5,059.79

(III) Explain the reasons and rationality of the decline in the proportion of provision for inventory depreciation

At the end of 2022, 2023 and June 2024, the Company's provision for inventory depreciation and the proportion of provision are as follows:

Monetary Unit: Ten Thousand Yuan

Item	June 30, 2024	December 31, 2023	December 31, 2022
Provision for inventory depreciation (A)	23,929.44	37,268.43	57,643.43
Inventory balance (B)	1,445,265.26	1,613,582.81	1,826,845.69
Proportion of provision for inventory depreciation (A/B)	1.66%	2.31%	3.16%

At the end of 2022, 2023 and June 2024, the proportion of the Company's provision for inventory depreciation was 3.16%, 2.31% and 1.66% respectively, decreasing year by year. The main reasons are as follows:

1. Inventory structure change

In order to provide more cost competitive raw materials for the development of the Company, in recent years, the Company carried out the projects of developing nickel resources in Indonesia and lithium ore in Zimbabwe. In 2022, the Indonesia nickel-cobalt hydroxide project with an annual output of 60,000 tons of nickel metal was put into normal production in the first half of 2022, and the Indonesia nickel matte project with an annual output of 45,000 tons of nickel metal was put into normal production in the fourth quarter of 2022; in 2023, the Indonesia MHP project with an annual output of 120,000 tons of nickel metal was put into normal production in the second half of 2023, and the Zimbabwe Arcadia lithium mine project was put into normal production in the first half of 2023. As the lithium mine project in Zimbabwe was put into operation and the development of nickel resources in Indonesia was further promoted, in the Company's inventory at the end of 2023 and June 2024, the proportion of low-cost raw materials supplied by the resource sector and the products formed was significantly increased compared with that at the end of 2022, and the inventory was not subject to depreciation. Therefore, at the end of 2023 and June 2024, the proportion of provision for inventory depreciation declined compared with that at the end of 2022.

2. Price change

From 2022 to June 2024, the downstream demand and market price changes of cobalt, nickel, copper and lithium carbonate are detailed as explained in “4. Inventory (II)1”. At the end of 2023 and June 2024, the Company’s provision for inventory depreciation was mainly formed from the ternary precursors, cathode material products and the raw materials thereof. In 2023, the cobalt price still showed a downward trend on the whole, the nickel price continued to fall, the lithium price fell sharply on the whole, and affected by the decline in base metal prices and the market supply and demand relationship, the prices of ternary precursors and cathode materials fell sharply on the whole; in January to June 2024, the price change of nickel, cobalt and lithium metal was small, and the price change of ternary precursors and cathode materials was small on the whole, so the proportion of the Company’s provision for inventory depreciation declined at the end of June 2024 compared with that at the end of 2023. Affected by the change in the range of metal price change in 2023 and January to June 2024, the proportion of provision for raw material depreciation at the end of June 2024 declined compared with that at the end of 2023.

III. Opinions and conclusion of the annual audit accountant

(I) Verification procedures

1. Understood the Company's internal control system related to inventory, evaluated whether its design is effective, and tested the operational effectiveness of relevant internal control;

2. Obtained the Company's inventory balance list and aging statistics table at the end of each period, and analyzed the reasons and rationality of the Company's large inventory in combination with the Company's procurement and stock policy, comparable companies in the same industry, historical sales and inventory turnover, orders in hand, etc.;

3. Obtained the statistical table of market prices of major metals, reviewed the process of the Company's provision for inventory depreciation, checked the accuracy and adequacy of the Company's provision for inventory depreciation, and analyzed the reasons and rationality of the decline in the proportion of provision for inventory depreciation in combination with the inventory composition, downstream demand and price changes.

(II) Conclusion

Upon verification, the annual audit accountant believes that:

1. The large inventory of the Company is mainly due to the long integrated industry chain, the expanded production scale and the long procurement period of raw materials, which is in line with the business model of the Company and commercially reasonable;

2. The decline in the proportion of provision for inventory depreciation is mainly due to the inventory structure change and price change, the reasons are sound, and the relevant provision is accurate and adequate.

5. Prepayment. At the end of 2021, 2022, 2023 and June 2024, the Company’s prepayment balance was RMB 1.05 billion, RMB 1.635 billion, RMB 1.811 billion and RMB 2.339 billion respectively, increasing year by year, and the ending balance of prepayment to the top five suppliers accounted for 48.06%. Among them, the balance with aging of less than 1 year, 1-2 years, 2-3 years and more than 3 years was RMB 2.154 billion, RMB 146 million, RMB 6 million and RMB 34 million respectively.

The Company is required to: (1) make a supplementary disclosure of the details of the top five suppliers, including but not limited to name, association relationship, transaction content, transaction amount, aging, proportion of prepayment, and related assets or service delivery period, etc.; (2) in combination with the procurement model, procurement objects and contents, funding arrangements, comparable companies in the same industry, etc., explain the reasons for the growth of prepayment for many years, and explain whether the prepayment actually flows to related parties. The accountant is invited to give opinions.

Reply of the Company:

I. Make a supplementary disclosure of the details of the top five suppliers, including but not limited to name, association relationship, transaction content, transaction amount, aging, proportion of prepayment, and related assets or service delivery period, etc.

As of June 30, 2024, the details of the top five suppliers are as follows:

Monetary Unit: Ten Thousand Yuan

Company name	Related party or not	Transaction content	Book balance	Aging	Transaction amount from January to June 2024
EVE Energy Co., Ltd.	No	HPAL intermediates of nickel	34,617.11	Less than 1 year	45,087.53
Customs of the People’s Republic of China	No	Import VAT prepaid for procurement of mineral materials	34,473.39	Less than 1 year	32,803.36
KUVIMBA MINING HOUSE	No	Lithium concentrate, etc.	17,817.00	Less than 1 year	0.00

(PVT) LTD					
TRAFIGURA PTE. LTD.	No	HPAL intermediates of nickel	15,942.25	Less than 1 year	21,773.57
IXM (Shanghai) Enterprise Management Co., Ltd.	No	HPAL intermediates of nickel and cobalt	8,810.33	Less than 1 year	396.61

(Continued)

Company name	Proportion of prepayment	Related assets or service delivery period	Arrival condition
EVE Energy Co., Ltd.	100%, temporary price, by wire transfer	Long-term cooperation agreement, monthly delivery according to the shipment period, payment for goods before delivery	All arrived in warehouse after each period
Customs of the People's Republic of China	N/A	According to the current customs approval process, when raw materials are imported to the factory for inspection and settlement, the first declaration shall be made in advance according to the provisional data, and the import VAT deposit shall be paid in accordance with the provisions. After the settlement data is confirmed for the second customs declaration, the pre-paid deposit shall be converted to import VAT	All mineral materials have been subject to import declaration, and the customs authority will issue the VAT invoice after settlement
KUVIMBA MINING HOUSE (PVT) LTD	Fixed prepayment of USD 25 million	Expected to deduct from the procurement amount of lithium concentrate and other products produced by the project company	The project company is still being established
TRAFIGURA PTE. LTD.	100%, by sight letter of credit	Long-term cooperation agreement, monthly delivery according to the shipment period, payment by letter of credit upon receipt of proforma invoice or before expected shipment (whichever is earlier)	All arrived in warehouse after each period
IXM (Shanghai) Enterprise Management Co., Ltd.	100%, by sight letter of credit /110%, temporary price, by wire transfer	Long-term cooperation agreement, monthly delivery according to the shipment period/ delivery according to the time shown in the stock and payment notice, payment of temporary price by letter of credit upon issuance of proforma invoice or by wire transfer before delivery	All arrived in warehouse after each period

II. In combination with the procurement model, procurement objects and contents, funding arrangements, comparable companies in the same industry, etc., explain the reasons for the growth of prepayment for many years, and explain whether the prepayment actually flows to related parties

(I) Procurement model, procurement objects and contents, and funding arrangements

For the procurement of mineral materials, the Company mainly adopted a combination of three methods: self-owned mines in Africa, local procurement in Africa and Indonesia (mining companies and middlemen), and procurement from international mining companies or large traders.

Among them, subsidiaries CDM Company and MIKAS Company purchased mineral materials from local mining enterprises and middlemen in D.R. Congo, and generally adopted the method of procurement under a short-term order according to the situation, while the subsidiaries such as Indonesia Huayue and Indonesia Huafei purchased from local mining enterprises and middlemen in Indonesia, and adopted the method of procurement under a long-term order to lock the mine supply or directly purchase from local mining enterprises. The Company and international mining companies or large traders generally adopted the method of procurement under a long-term order, in which the annual purchase quantity and price determination method are agreed, with delivery completed at the destination port or bonded warehouse. After years of operation, the Company has formed a relatively mature and stable procurement network, and the supply of main raw materials can guarantee its normal production and operation. The procurement price of purchased mineral materials is generally based on the weight and grade of cobalt, nickel and copper in raw materials, and linked to the metal trading price in the international market.

The raw materials such as cobalt sulfate and nickel sulfate required for the Company's ternary precursors are partly supplied through the Company's own cobalt and nickel smelting, and partly purchased from outside. The raw materials such as ternary precursors and lithium carbonate required for ternary cathode materials are partly supplied through the Company's own production and partly purchased from outside.

Other raw and auxiliary materials required for the production of ternary precursors and cathode materials are purchased from suppliers at market prices.

(II) Comparable companies in the same industry

At the end of 2021, 2022, 2023 and June 2024, the comparison between the prepayment and total assets of the Company and those of comparable companies in the same industry is as follows:

Monetary Unit: Ten Thousand Yuan

Company name	Item	June 30, 2024	December 31, 2023	December 31, 2022	December 31, 2021
CMOC	Prepayment	187,042.25	118,177.04	212,954.50	147,306.87
	Total assets	18,587,988.21	17,297,453.07	16,501,921.95	13,744,977.26
	Proportion (%)	1.01	0.68	1.29	1.07
Chengtun Mining	Prepayment	135,924.88	95,503.20	81,447.38	128,845.54
	Total assets	3,910,860.51	3,768,445.83	3,253,877.32	2,734,095.07
	Proportion (%)	3.48	2.53	2.50	4.71
Ronbay Technology	Prepayment	34,894.21	33,397.94	77,209.00	18,863.50
	Total assets	2,469,153.56	2,463,909.66	2,566,004.63	1,470,141.66
	Proportion (%)	1.41	1.36	3.01	1.28
GEM	Prepayment	243,681.81	210,082.62	236,367.69	147,723.19
	Total assets	5,925,428.24	5,263,237.98	4,412,960.74	3,438,228.72
	Proportion (%)	4.11	3.99	5.36	4.30
CNGR	Prepayment	246,194.33	192,120.19	82,364.24	28,255.52
	Total assets	6,816,496.80	6,218,628.38	5,387,997.49	2,819,976.23
	Proportion (%)	3.61	3.09	1.53	1.00
Huayou Cobalt	Prepayment	233,925.40	181,082.56	163,471.99	104,973.44
	Total assets	13,124,614.30	12,552,027.73	11,059,241.87	5,798,905.63
	Proportion (%)	1.78	1.44	1.48	1.81

As shown in the above table, the prepayment of comparable companies in the same industry is also at a relatively high level. The proportion of the Company's prepayment to the total assets is within the scope of comparable companies in the same industry, and the prepayment generally increases with the expansion of the business scale.

There are large prepayments in the Company's book, mainly for the purchase of mineral materials. The amount of a single contract for commodities such as mineral materials is large, the delivery period is long, and the market prices of mineral materials fluctuate greatly. In order to reduce the risk of fluctuations in the market prices of mineral

materials and ensure the stable supply of raw materials at the resource end, the Company often adopts the prepayment method to lock the procurement price and supply of raw materials in advance, which is in line with industry practices. In recent years, the Company has further expanded its layout in the vertically integrated capacity construction of new energy lithium-ion battery materials, the scale of operation has continued to expand, and the demand for raw materials has increased, so the Company's prepayment has grown for many years. The Company's prepayment is related to its production and operation, and there is no actual flow to related parties.

III. Opinions and conclusion of the annual audit accountant

1. Verification procedures

(1) Obtained a detailed account of the Company's prepayments, understood details of the top five suppliers, checked the procurement contracts related to the top five suppliers, and verified whether the payments were paid according to the contracts and the arrival of goods after the period;

(2) Interviewed the person in charge of the Company's procurement, understood the Company's main procurement model, procurement objects and contents and the funding arrangements for the procurement, compared with the prepayment situation of comparable companies in the same industry, and understood the reasons for the increase of the Company's prepayment;

(3) Checked the detailed account of prepayment at the end of the period, understood the relevant information of the counterparty and the contents of the prepayment, and judged whether the prepayment was actually made to related parties.

2. Conclusion

Upon verification, the annual audit accountant believes that:

The Company's large prepayments were mainly made for procurement of mineral materials. With the expansion of the Company's business scale, the demand for raw materials has increased, and the Company's prepayment has grown for many years. The Company's prepayment is related to its production and operation, and there is no actual

flow to related parties.

It is hereby announced the above.

Board of Directors of Zhejiang Huayou Cobalt Co., Ltd.

November 8, 2024