You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial condition and prospects. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

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

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks related to our business and industry, (ii) risks related to where we conduct business, and (iii) risks related to the [**REDACTED**].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, results of operations, financial condition and prospects. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Demand for our products is driven by the demand of our customers' products. If we are unable to respond effectively to these changes, our business, results of operations and financial condition will be materially and adversely affected.

Our products are key materials for the production and manufacture of lithium-ion battery. Demand for our lithium-ion battery materials is closely tied to the market demand for their end applications, including power batteries, ESS, and consumer electronics batteries. The demand for power batteries, ESS and consumer electronics batteries is affected by various factors beyond our control. Power batteries are primarily used in EV, including PV and CV, and the electrification of other emerging areas. The demand for electrification in these applications may fluctuate due to various factors, including but not limited to the macroeconomic environment, end-user preferences, cost efficiency, electrification technology and completeness of the infrastructure. ESS batteries are widely adopted in both FTM and BTM applications. The demand for ESS batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability, technological improvement in relevant areas (such as safety and life cycle), as well as cost efficiency. Consumer electronics batteries are primarily used in portable devices such as smartphones, laptops, tablets, wearable devices, and other personal electronic products. The demand for consumer electronics batteries is influenced by factors such as consumer spending patterns, technological advancements in electronic devices, replacement cycles, overall economic conditions, and shifts in consumer preferences.

In addition, our offerings also include daily chemicals and specialty chemicals. Demand for daily chemicals is influenced by production processes adopted by our customers, their consumer demand, preferences and spending habits, and broader economic conditions. Factors such as disposable income, advances in product technology, changing lifestyle trends, and the market reputation of both our customers' products and those of competitors can cause customer demand to fluctuate. Demand for specialty chemicals is affected by technology upgrades, industrial process changes among industrial users, shifts in industrial standards, and innovation requirements across the sectors where we have presence.

As a result, changes in these factors may affect the demand in the end applications of our products. If we are unable to adapt promptly to these changes, our business, financial condition and operating results may also be adversely affected.

Our success depends not only on our own ability but also on our customers' ability to develop and produce, market and sell their products in a timely and cost-efficient manner to address evolving preferences of their customers, regulatory standards and technological advancement.

Our revenue is principally generated from sales to corporate customers. Therefore, our business performance largely relies on our customers' ability to develop and produce, market and sell their end products in a timely and cost-efficient manner to address the evolving preferences of their customers, regulatory standards and technological advancement. We cannot assure you that our customers will continue to strengthen their sales and marketing efforts, comply with the relevant regulatory standards and respond to the technological advancement, and will not make any adjustments to their existing sales and marketing strategies. Inability to do so could reduce the demand for our products, which in turn could cause the decline in our revenue and profitability. Further, any such adjustments to their sales and marketing strategies may affect their sales, and may in turn, result in a material and adverse impact on our business, financial condition and results of operations.

We face intense competition in the industries in which we operate.

We compete with a number of domestic and international companies focusing on the production of lithium-ion battery materials and daily chemicals and specialty chemicals, including those with extensive marketing and sales networks and strong industry experience. According to CIC, the global lithium-ion battery electrolyte industry was relatively concentrated in 2024, with the top five market participants accounting for approximately 75.4% of the global shipment volume of lithium-ion battery electrolyte. The top five market participants accounted for approximately 89.0% of the global shipment volume of $LiPF_6$ in 2024. As competition intensified, particularly following upstream capacity expansion, prices for electrolytes dropped sharply from 2023 onwards. The growth in production capacity and supply of key raw materials outpaced the growth in downstream market demand, resulting in heightened price pressure across the industry. See "Industry Overview — Overview of the Global and China's Lithium-ion Battery Electrolyte Industry — Competitive landscape of the lithium-ion battery electrolyte industry".

New and existing competitors strive to increase their market share with continued R&D efforts, optimized production processes and active marketing campaigns. We expect to face competition from both existing and new competitors as we expand into new business lines, geographic markets and product categories. Competition could also have a material and adverse impact on the customers' demand for, and product pricing of, our lithium-ion battery materials and daily chemicals and specialty chemicals, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to maintain or enlarge our market share, which would have a material adverse effect on our businesses, financial condition and results of operations.

We may not be able to achieve the desired benefits from our R&D efforts and achieve the most advanced technology, or respond to the evolvement in industry standards.

We rely on technological innovation for our continued growth. The lithium-ion battery materials industry is undergoing rapid technological change, with new materials and technologies continuously emerging, which places increasingly high demands on our product R&D capabilities. As expectations for lithium-ion battery performance and safety increase, the requirements for the performance of lithium-ion battery materials are also becoming more stringent. In order to maintain and expand our competitive advantage, we may devote more resources in the future. For the years ended December 31, 2023, 2024 and 2025, our research and development expenses amounted to approximately RMB645.5 million, RMB668.2 million and RMB846.9 million, respectively. However, R&D activities are inherently uncertain. We may not always be able to achieve the desired benefits from R&D investments, reach the industry's technological frontier, or respond promptly to changes in industry standards. If our R&D and technology cannot deliver timely product updates, we may fall behind market trends and be unable to launch new or improved products promptly. This could result in a loss of market share as customers choose competing products that better meet evolving industry requirements or consumer preferences. There is no assurance that our product development efforts will succeed, be completed within the expected time frame or budget, or that new products will achieve broad market acceptance. Even if commercialized, there is no guarantee that new products will meet anticipated sales targets or profitability levels.

Furthermore, we cannot guarantee that competitors will not develop products that are similar, superior, or more cost-effective than ours, or that we can quickly respond to changes in industry standards. Product development cycles are often unpredictable, and the window for market adoption may be brief. As a result, products under development may have to be abandoned, even after substantial investment, if it becomes commercially unviable. This could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, technological advancements and the development of substitute chemicals or materials for lithium-ion batteries could significantly affect demand for our lithium-ion battery materials, and could cause our customers to reduce the volume of their orders. Furthermore, the commercial maturity of other emerging new energy technologies, such as hydrogen fuel cells, advanced supercapacitors, or alternative energy storage solutions, may dilute the use of batteries in certain application scenarios. As these alternative technologies become more technologically and economically viable, especially for specific sectors or end uses, reliance on lithium-ion batteries could decrease. This trend may lead to reduced demand for our products in those segments. In addition, alternatives to our products may become more economically attractive as global commodity prices shift in the future. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

The average selling price of our products may face downward pressure, which will adversely affect our profit margins, result of operations and financial condition.

The average selling price of our products is influenced by a variety of factors beyond our control, including but not limited to raw material costs, competitor pricing, market trends and labor costs. During the Track Record Period, our product prices have experienced fluctuations. The average selling price of our lithium-ion battery materials decreased from 2022 to 2023 and further decreased from RMB23,043 per tonne in 2023 to RMB13,810 per tonne in 2024, which subsequently increased to RMB14,392 per tonne in 2025. The higher product prices in 2022 were primarily driven by a global shortage in lithium carbonate supply due to rising demand for lithium-ion batteries globally, which resulted in a significant surge in global lithium carbonate prices. In contrast, the subsequent price drop from 2023 to 2024 was mainly the result of a rebalancing of supply and demand dynamics, whereby excess lithium carbonate production capacity was rationalized and supply levels aligned more closely with actual demand following a period of significant oversupply, combined with intensified competition within the industry. Growing overcapacity and greater price competition have placed further downward pressure on average selling prices. We cannot predict the future trend of the average selling price of our products, nor can we guarantee that the fluctuation of average selling price will not continue. Any decline in the average selling price could result in reduced gross profit margins and net profit, which may adversely affect our results of operations and financial condition.

Changes in supply and costs of key raw materials, utilities, transportation, warehousing and other necessary supplies or services with respect to our business may impact our business, financial condition and results of operations.

We rely on third-party suppliers for the supply of certain key raw materials used in the production of our lithium-ion battery materials and daily chemicals and specialty chemicals, such as lithium carbonate, EMC, EC, DMC, fatty acid and ADP. See "Business — Procurement and Suppliers." Any increase in the prices of these key raw materials may have a material and adverse effect on our business performance and financial results. For instance, the lithium market experienced significant price fluctuations in recent years, with a particularly sharp increase in 2021. Such volatility in lithium prices, and prices of key raw materials, directly impacts our production costs.

For the years ended December 31, 2023, 2024 and 2025, our direct material cost accounted for approximately 77.4%, 71.5% and 78.0%, respectively, of our total costs of sales. As we procure certain key raw materials based on market pricing, our cost structure is subject to volatility in the prices of these raw materials, as well as fluctuations in the prices of utilities, transportation, warehousing, and other necessary supplies and services. Such volatility is influenced by factors beyond our control, including inflation, currency exchange rate fluctuations, extreme weather events, and changes in the broader supply and demand environment. We may not be able to offset increases in input prices by raising the prices of our products, which could result in a reduction in profit margins and, consequently, a material adverse impact on our financial condition and operating results. Furthermore, significant increases in the prices of our products may erode our competitive advantage, potentially leading to a loss of sales and customer attrition. Accordingly, our business, financial condition, and results of operations may be materially and adversely affected.

In addition, any unexpected shortages, delivery delays or substandard quality in key raw materials may disrupt our supply chain and, consequently, interrupt our production schedule. In such circumstances, we may be required to source key raw materials from alternative suppliers. If we are unable to identify alternative suppliers promptly or on comparable commercial terms, both the quality of our products and our profitability could be adversely affected. Failure to secure sufficient and high-quality supply of key raw materials for our operations at reasonable cost, or at all, may have a material and adverse impact on our business, financial condition, and results of operations.

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

Our business is principally focused on lithium-ion battery materials, which may lead to a certain amount of product concentration risk. During the Track Record Period, we generated revenue from lithium-ion battery materials of RMB14,104.4 million, RMB10,974.2 million and RMB15,050.5 million, accounting for 91.6%, 87.7% and 90.4% of our total revenue in 2023, 2024 and 2025, respectively. Market acceptance of our lithium-ion battery materials is critical to our future success. Any negative changes in the demand for, or prices of, these materials could materially and adversely affect our business, financial condition and results of operations.

We may seek to expand our product portfolio over time. During the Track Record Period, the proportion of revenue from daily chemicals and specialty chemicals products accounting for 6.6%, 9.2% and 7.7% of our total revenue in 2023, 2024 and 2025, respectively. In addition, we have pursued further product development initiatives. For example, our work on certain adhesive and solid-state electrolytes is currently at the pilot stage, with only limited shipments and not yet achieving large-scale commercialization. However, there can be no assurance that any new products we develop will achieve market acceptance. The market for these products is highly competitive, with many active participants, which further increases uncertainty around the future success of our development efforts. Failure to successfully develop, launch, and market new products could prevent us from recovering our investments, which in turn may materially and adversely affect our business, financial condition, and results of operations.

We are subject to the risk of concentration of customers.

During the Track Record Period, a majority of our products were sold to a relatively limited number of customers, and we expect our customer concentration to remain at a relatively high level in the near future. For the years ended December 31, 2023, 2024 and 2025, the revenue contributed by our top five customers accounted for 71.2%, 58.7% and 58.5%, respectively, of our total revenue.

In these periods, revenue from our largest customer amounted to RMB8,118.3 million, RMB5,002.0 million and RMB6,011.0 million, respectively, representing 52.7%, 40.0% and 36.1% of total revenue for the respective periods.

Despite our efforts to mitigate the concentration of customers, we may be subject to concentration risks from these major customers. We cannot assure you that we will be able to maintain our relationships with our major customers in the future. Our major customers are not obliged in any way to continue to cooperate with us in the future at a level that is similar to that in the past, or at all. Should any of our major customers reduce substantially their demand for our products or terminate its business relationship with us entirely, or fail to settle its payments on time, we may not be able to secure new business from other customers to compensate for such reduction in sales demand or loss of business. If our relationships with these major customers deteriorate, our sales to these major customers may decrease accordingly. In addition, if any of our major customers experiences liquidity issues, this may result in delayed payments or defaults, which could negatively impact our cash flows and financial condition. Also, we may be required to suspend or terminate our business with our customers due to regulatory restrictions or other factors beyond our control. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We face various risks associated with our international operations and overseas manufacturing, and our inability to effectively manage and contain them could adversely affect our business and performance.

While we generated a substantial majority of our total revenue during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers in regions such as North America and Southeast Asia. As of December 31, 2025, we have established overseas subsidiaries in United States, Europe, Africa, Northeast Asia and Southeast Asia to further develop our international business. The demand for and market acceptance of our products marketed and sold abroad are subject to uncertainties.

In addition, we are planning to establish production bases in Morocco and the United States and may further expand production capacity with the aim of gradually meeting the demand from our overseas customers, subject to prevailing market conditions. In line with our strategies, we intend to continue to expand our international operations in the coming years. Our overseas manufacturing and international operations thus expose us to a number of risks, including, but not limited to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- potential liabilities as a result of existing pollutants and contaminations related to our site that are unknown at the time of site selection;
- inability to complete the construction and establishment of production bases in accordance with the anticipated timeline, or at all;
- providing customer service and support in these markets;
- relationships with business counterparts in these markets;
- difficulty with staffing and managing overseas operations;
- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;

- difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products;
- failure to obtain or maintain permits for our products or services in these markets;
- different safety concerns and measures needed to address accident-related risks in different countries and regions;
- difficulties in managing relationships with local communities and potential disputes with them;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

The success of our overseas expansion plans depends on whether we could adequately, timely and effectively address the risks associated with overseas operations and manufacturing, such as failure to adopt a different legal framework and government policies, restrictions or requirements relating to foreign investments, non-compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations, failure to protect our reputation from negative publicity against us, and limitations on ability of non-nationals to reside and work in such countries. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. A change or materialization in one or more of the factors described above may have a material adverse effect on our business, financial condition and results of operations.

Our business is susceptible to policy changes affecting the end market of our products.

To address global climate change challenges, countries and regions worldwide are increasingly emphasizing green and low-carbon, and sustainable development, and implementing supportive policies for green and low-carbon development and energy transition. Our products are key materials for the production and manufacture of EVB and ESS lithium-ion battery, which plays a pivotal role in energy transitioning and low-carbon society. Demand for our lithium-ion battery materials is closely tied to the market demand for their end applications, and the policy and regulatory environment, both in China and overseas, has a direct and material impact on these markets. As such, our business, financial condition, results of operations and prospects are sensitive to policy shifts affecting these sectors. New policy for lithium-ion battery materials or changes in the regulatory requirements concerning the end markets for lithium-ion battery materials may affect our business, financial condition, results of operations and prospects.

Over the past few years, our business has benefited indirectly from the increased demand for lithium-ion battery materials resulting from supportive policies in China. These policies include subsidies for electric vehicle purchases and measures to promote energy storage development. See "Regulatory Overview." However, these policies are subject to certain limits, and we cannot assure you that any new legislations or regulatory requirements, if any, would be favorable to our business or financial condition. Reductions or discontinuations of subsidies, or the introduction of more stringent industry standards, can decrease demand for our products and negatively affect our operations.

Similarly, outside China, the other jurisdictions in which we operate, such as the United States and the European Union, maintain distinct legal frameworks and evolving governmental policies. Changes in these overseas regulations or policy priorities may encourage or suppress demand for the end products that use our products, and could require us to adjust our business focus.

We may need to change or adapt our business focus from time to time in response to new rules and regulations regarding the end markets of our products, but may not be able to do so timely and efficiently. Any new legislation or changes in the regulatory requirements regarding our end markets could have a material and adverse effect on our end customers, which in turn could materially and adversely affect our business, financial condition and results of operations.

We are subject to risks associated with international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions.

We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions, which could adversely affect our business, financial condition and results of operations. Our revenue generated overseas amounted to RMB461.3 million, RMB548.7 million and RMB633.5 million in 2023, 2024 and 2025, respectively, representing, 3.0%, 4.4% and 3.8% of our total revenue for the respective periods. Our overseas revenue is primarily generated from Southeast Asia, the United States and South Korea, and certain components used in our products were sourced from overseas countries, such as Chile. These cross-border transactions could be materially and adversely affected by international trade regulations, which could disrupt our supply chain, impact the competitive position of our products, or affect our capability to sell products in certain countries or regions. Moreover, as our business is closely interrelated with the performance of our customers' end-use products in the marketplace, if our customers are subject to restrictive measures of trade protection, our performance and income will be adversely affected. There may be an increase in the severity and frequency of international trade friction and disputes related to products such as lithium-ion battery materials and daily use and specialty chemicals. We cannot guarantee that foreign governments will not further tighten import policies or impose more stringent product certification requirements for these categories in the future. In addition, some governments have implemented, or may implement, stricter import restrictions within the supply chain, including prohibitions on sourcing raw materials and components from specified regions. Compliance with these restrictions may increase our operational costs and complexity, and inability to demonstrate compliance could lead to restrictions on our ability to export products into certain countries or otherwise adversely affect our business or reputation.

In addition, the PRC government has imposed, and may impose additional export restrictions on battery material technologies in the future. For example, the Announcement on Adjustment and Promulgation of the Catalogue of Technologies Prohibited or Restricted from Export by China issued by the Ministry of Commerce and the Ministry of Science and Technology, effective on July 15, 2025, has resulted in new export restrictions on specific battery cathode material preparation technologies, including those related to lithium ferro phosphate and similar compounds. In addition, effective on October 9, 2025, the PRC government has imposed further export controls on items related to lithium-ion batteries and artificial graphite anode materials, include $LiFePO_4$. The export control decision has been suspended, and may be reinstated in the future. Certain technology exports now require a license or are prohibited, and any failure to obtain the necessary approvals could limit or delay our ability to supply technologies, products, or services to overseas markets, potentially resulting in a material adverse effect on our overseas operations.

In recent years, complexities in international relations, such as the geopolitical tensions between the United States and China, have presented new challenges. There has been substantial fluctuation in the level and scope of tariffs and other trade restrictions imposed by both countries over the past period. Looking ahead, there remains significant uncertainty on how the relevant tariffs or other trade restrictions measures may evolve. Any escalation in political tensions, as well as increases in tariffs or changes to trade policies between the U.S. and China, may have a significant impact on our customers' business, which may in turn reduce their demands for our products and business.

In addition, certain foreign jurisdictions may impose investment restrictions, economic sanctions and trade restrictions directly or indirectly affecting China-based technology companies. For example, the U.S. government issued the regulations implementing Executive Order 14105, *Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern* (such regulations, the Outbound Investment Rule). The Outbound Investment Rule, effective on January 2, 2025, imposes investment prohibition and notification requirements by U.S. persons on a wide range of investments, including acquisition of equity, in companies engaged in specified activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence. U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "Covered Transactions," and include certain acquisitions of an equity interest or contingent equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Outbound Investment Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. While we believe that we are not a "Covered Foreign Person" as defined in the Outbound Investment Rule, we cannot assure you that the U.S. authorities will not take a different view on the applicability of the Rule. Notably, President Trump issued the America First Investment Policy Memorandum on February 21, 2025, which proposes to further expand industry sectors covered by the U.S. outbound investment regulations. These rules may limit our ability to engage in certain kinds of research or to invest or maintain investments in China; they may also limit our ability to raise capital from U.S. and other sources. Such laws and regulations are likely subject to frequent changes, and their interpretations and enforcements involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are outside of our control. On December 18, 2025, U.S. President Trump signed into law the National Defense Authorization Act for Fiscal Year 2026, which includes the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"). The existing Outbound Investment Rule remains in effect, but the COINS Act requires the Treasury to propose certain revisions to the Outbound Investment Rule within 450 days of December 18, 2025. Those revisions ultimately will include, among other changes, an expansion of the countries of concern, an expansion of the technologies covered to include hypersonic systems, revisions to key defined terms, and the establishment of a formal advisory opinion process. If our ability to raise capital from U.S. investors is significantly and negatively affected by the COINS Act or if there are any such changes in the future, either to the rules or interpretation thereof, or to our business, U.S. investors may be subject to the requirements for notification of or prohibition from certain transactions with us, and our fundraising activities may potentially be subject to restrictions regarding investments or otherwise. Continuing changes in both U.S. and non-U.S. jurisdictions to foreign investment laws and rules could adversely affect our strategic initiatives, financial performance and growth prospects. On July 4, 2025, the One Big Beautiful Bill Act (the "**OBBBA**") was enacted. The OBBBA provides a series of clean energy tax credits but restricts certain foreign entities, including entities under the control or influence of Chinese citizens, from claiming these tax credits. Moreover, the OBBBA imposes other restrictions, such as sourcing, licensing and payment restrictions, on these foreign entities. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be burdensome or costly to comply with and may materially and adversely affect our strategic initiatives, financial performance and growth prospects. There is no guarantee that we will continue to be able to operate in existing geographic markets or enter into new markets given the investment restrictions, economic sanctions and trade restrictions that may be promulgated from time to time. In addition, our suppliers, customers and other business counterparties, either in China or overseas, may be subject to sanctions or other restrictions themselves. Any of our dealings with, or any failure by us to effectively and timely identify, sanctioned or other high-risk counterparties and adopt compliance measures accordingly could expose us to the risks of investigations, penalties, sanctions, additional regulatory scrutiny or reputational damage. Additionally, we may be required to suspend or terminate our business with our suppliers, customers and other business counterparties due to regulatory restrictions or other factors beyond our control, which could adversely affect our business and results of operations.

We may be subject to liabilities associated with fire and other work-related accidents and the handling and storage of hazardous materials.

Our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. During the Track Record Period, our Company received an administrative penalty from the local fire department in 2024 in relation to certain violations of fire safety codes and paid a fine of RMB83.0 thousand. In addition, a small fire also broke out in 2024 in one of our campuses. The storage of these hazardous, toxic or flammable materials near our production facilities and the handling of these materials in the production process pose inherent risks. See "Business — Compliance" for details. Any such incident relating to our production processes or the handling and storage of hazardous materials, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damage due to personal injuries or property damage, thereby adversely impacting our business, financial condition and results of operations.

If we are unable to execute our growth strategies and operation expansion plans effectively, our business and prospects may be materially and adversely affected.

Our business, financial condition and results of operations depend in part on our ability to effectively implement our expansion strategies and operation expansion plans. With our rapid development, the scale of our capacity has continued to grow and is expected to further expand, which will increase the responsibilities of our management. To effectively manage the expected growth of our operations and personnel, we will need to continue to improve our technological, operational and financial systems, policies, procedures and controls. There is no assurance that we will be able to effectively manage our growth or to implement all these systems, procedures and control measures successfully or that our new business initiatives will be successful. If our management fails to properly manage the expansion of our business, or our organizational structure and management system do not improve in line with our expansion, our competitiveness may be weakened, and we may face management risks caused by rapid expansion.

Unauthorized use of our intellectual property, including our patents, trademarks, copyrights, or trade secrets, by third parties may harm our brand and reputation, materially and adversely affect our business, and we may incur substantial expenses to protect our intellectual property rights.

We regard our patents, trademarks and other intellectual properties as critical to our success. We seek to protect our intellectual properties and proprietary rights primarily through a combination of patents, trademarks, trade secret and other forms of intellectual property protection in China and other countries. See "Business — Intellectual Property."

We have made advanced progress and attained a large number of R&D achievements since our inception. We have successfully applied for patents for most of our technologies. However, some of our R&D is still in the process of patent applications. We may face risks that our applications may be rejected. In addition, some of our proprietary technologies are protected as trade secrets or remain unpatented, which increases their vulnerability to leaks or misappropriation. Any loss or unauthorized disclosure of these technologies could adversely affect our business and financial condition. Furthermore, even where patents have been granted, third parties may challenge, circumvent, or invalidate our patents, which could limit or eliminate their protective value.

In addition, although we enter into employment agreements with non-competition covenants, and confidentiality and intellectual property ownership clauses with our employees, consultants and advisors, we cannot assure you that these agreements will not be breached, that we will have adequate remedies to prevent any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise be disclosed to third parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position. Furthermore, our business partners or any other third-parties may not always comply with our contract terms prohibiting the unauthorized use of our brands, images and other intellectual property rights. The agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. For example, on July 3, 2025, our wholly-owned subsidiary TINCI Jiujiang commenced civil proceedings in the Jiangxi Provincial Higher People's Court against twelve defendants alleging misappropriation of TINCI Jiujiang's proprietary $LiPF_6$ production technology and related trade secrets, seeking damages of approximately RMB887.1 million. See "Business — Legal and Arbitration Proceedings and Compliance Matters — Legal Proceedings." In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties.

Implementation of intellectual property laws in China has been growing. Monitoring the unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of resources, including management time and attention, and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

We may be subject to intellectual property infringement claims, including claims relating to patents, trademarks, copyrights, or trade secrets, which could be time-consuming or costly to defend and may result in the diversion of our financial and management resources.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, trademarks, copyrights, trade secrets or other intellectual property rights held by third parties without our being aware of such. During the Track Record Period, we are involved in legal proceedings in relation to intellectual property infringement. See "Business — Legal and Arbitration Proceedings and Compliance Matters — Legal Proceedings." We may from time to time be subject to additional proceedings and claims pending or threatened against us in the future relating to the intellectual property rights of others. We cannot assure you that holders of patents or other intellectual property rights purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents or other intellectual property rights against us. Further, the application and interpretation of laws relating to patents and other intellectual property rights and the procedures and standards for granting such patents or other intellectual property rights are evolving and may be subject to change, and we cannot assure you that the courts or regulatory authorities would agree with our analysis. As we face increasing competition from competitors, there may be a higher risk of us being subject to intellectual property infringement claims or other legal proceedings. We may incur additional costs in monitoring and detecting potential infringement.

If we are found to have violated the intellectual property rights of others, we may be subject to liability for our infringement activities or may be prohibited from using such intellectual property, and may incur licensing fees or be forced to develop alternatives of our own. Defending against any infringement or licensing allegations and claims can be costly and time-consuming and may divert management's time and other resources from our business and operations, and the outcome of many of these claims and proceedings cannot be predicted. If a judgment, a fine or a settlement involving a payment of a material sum of money were to occur, or injunctive relief were issued against us, it may result in significant monetary liabilities and may materially disrupt our business and operations by restricting or prohibiting our use of the intellectual property in question, and our business, financial position, results of operations and reputation could be materially and adversely affected.

We may not be able to properly manage our production capacity.

As of December 31, 2025, we had 16 production bases in operation and one production base under construction in the PRC. Our overall annual production capacity increased from approximately 862,171 tonnes and 209,372 tonnes for lithium-ion battery materials and daily chemicals and specialty chemicals, respectively, as of December 31, 2023, to approximately 1,341,000 tonnes and 298,372 tonnes for lithium-ion battery materials and daily chemicals and specialty chemicals, respectively, as of December 31, 2025(1). Despite the increase in our production capacity, our ability to meet the growing demands for our customers may still be constrained by limitations in our production facilities.

We intend to continue maintaining a high level of production capacity and will actively seek opportunities to expand our capacity internationally. However, there is no assurance that such plan will be successfully implemented as scheduled or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, failure to obtain requisite approvals from regulatory authorities, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve the planned production capacity expansion on time.

Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. If the expansion results in production capacity that exceeds our business growth or does not align with market demand for certain product categories, we may encounter issues such as low utilization rates of production capacity, overproduction, increased fixed costs, and reduced margins. If any of the foregoing events occur, our results of operations, financial performance and business prospects could be materially and adversely affected.

We may be subject to risks associated with our product quality.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period, there is no assurance that we will not be involved in those events in the future. Lithium-ion batteries materials and daily chemicals and specialty chemicals products are inherently complex. In addition, as technologies continue to advance, the products manufactured by third parties that incorporate our components are becoming increasingly sophisticated and complicated. We cannot guarantee that there are no and will not be any quality issues with our products. Any quality issues with our products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In addition, third parties who have suffered losses may bring product liability claims or legal proceedings against us, which could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate considerable negative publicity about our products and business, which would materially and adversely affect our brand, business, prospects and results of operations.

Note:

(1) The production capacity represents the solid-state equivalent of our $LiPF_6$, LiFSI and certain additives. We pioneered the application of continuous solvent-based production process to produce these materials in liquid-state, while the other industry participants are using a more traditional method to produce these materials in solid-state. Consequently, we have converted our data to the solid-state equivalent to ensure comparability.

Our production processes are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to manufacturing difficulties or potential accidents.

Our production processes are complex, requiring equipment that is periodically modified and upgraded to improve production yields and product performance. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter production issues in achieving acceptable output or timely product delivery due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations.

In addition, we may experience disruptions in our production lines due to additional factors such as labor shortages or natural disasters, which may delay our production and delivery, leading to sales loss, increased costs and damaged customer relationships. Any such event may adversely affect our business, financial condition and results of operations.

Work stoppages, increase in labor costs and other labor-related matters may have a material and adverse effect on our business.

We believe that we have a good working relationship with our employees. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may have an adverse effect on our business, financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or negatively impact our sales.

Our inventories primarily included raw materials, work-in-progress, finished goods and goods in transit. As of December 31, 2023, 2024 and 2025, the balances of our inventories amounted to RMB1,171.9 million, RMB1,363.7 million and RMB1,619.1 million, respectively. Our average inventory turnover days were 55.9 days, 44.9 days and 41.5 days in 2023, 2024 and 2025, respectively. However, we may not be able to effectively manage our inventory level or to identify any excessive build-up or insufficient stock of inventory in our global operations. We may misjudge market demand. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices could impair the image of our brands and harm our gross margin. However, if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damages to our reputation and relationships with our customers. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could adversely impact our business, financial condition and results of operations.

We are exposed to credit risk of our customers and we may fail to collect our accounts receivables in a timely manner or at all.

We enter into a wide variety of contractual arrangements with different customers in the ordinary course of our business. We generally grant credit periods up to 120 days to our customers. Our trade and bills receivables amounted to RMB5,402.6 million, RMB5,525.1 million and RMB7,829.7 million as of December 31, 2023, 2024 and 2025, respectively. As of December 31, 2025, our trade and bills receivables with an age of one year or less was RMB7,820.2 million, and we have made sufficient provision for bad debts for account receivables.

Although our major customers are well-known players in the lithium-ion battery industry with good reputations, and we have established a relatively strict management system for our trade receivables, if any of our customers experience financial difficulties in settling the trade receivables due to factors beyond their control such as adverse changes in the competitive landscape and government policies of the industries in which they operate, not only will the receivables recoverability of our corresponding trade be adversely affected, our ability to meet payment obligations to our suppliers due to the nature of our payment arrangements may also be challenged. This could further expose us to potential disputes with the corresponding suppliers or additional liquidity pressure. If we are unable to collect our trade receivables from our customers in a timely manner per contractual terms or at all, or if there are any material delays in payment by our customers, our liquidity and cash management will be materially and adversely affected, which, in turn, might affect our business, financial condition and results of operations.

We are exposed to foreign currency exchange fluctuations.

A portion of our business settles transactions in currencies such as US dollar. Our revenue generated overseas amounted to RMB461.3 million, RMB548.7 million and RMB633.5 million, respectively, in 2023, 2024 and 2025, accounting for 3.0%, 4.4% and 3.8% of our total revenue during the same periods. In addition, we recorded net foreign exchange gains of RMB1.0 million and RMB8.7 million in the years ended December 31, 2023 and 2024, respectively, and we recorded net foreign exchange losses of RMB18.3 million in 2025. Significantly fluctuations in the foreign exchange markets may adversely affect our financial condition and results of operations. As we have expanded in, and expect to continue to explore, overseas markets, we are increasingly subject to risks associated with foreign exchange fluctuations.

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

Certain of the principal raw materials are commodities such as lithium carbonate. During the Track Record Period, we conducted commodity hedging activities to effectively manage the risks of significant price fluctuations of such raw materials and enhance the stability and sustainability of our operating performance. In addition, to further mitigate raw material price volatility, support the stability of our production costs and optimize the use of funds, our Board authorized us to carry out commodity futures hedging transactions. See "Business — Procurement and Suppliers — Hedging Policies." While these hedging activities potentially reduce our exposure to changes in commodity prices, the use of such hedging instruments may ultimately limit our ability to benefit from favorable price trends. The successful use of hedging instruments depends on our ability to accurately forecast the direction and extent of market movements within a given time frame. In 2023, 2024 and 2025, the aggregate amount of hedging transactions in relation to the commodity prices of our raw materials were RMB65.3 million, RMB1,660.8 million and RMB1,610.9 million, respectively. However, to the extent selling prices remain stable or fluctuate in a direction opposite to our anticipations, we may realize losses on hedging transactions that are not offset by decreases in raw material prices. Furthermore, if we fail to properly monitor and manage our hedging positions, we may be required to deposit and utilize additional funds, which could adversely affect our cash and cash equivalent position. There can be no assurance that our internal risk control procedures of hedging transactions will be effective and adequate. There is no guarantee that we will not experience losses from these hedging transactions in the future, or that such losses will not have a material adverse effect on our financial condition and results of operations.

Fluctuations in the interest rates of our borrowings may affect our financial condition.

We have borrowings to support our business expansion and provide financing for our operation. As of December 31, 2023, 2024 and 2025, we had borrowings of RMB5,873.8 million, RMB6,394.7 million and RMB2,884.1 million, respectively, while effective interest rates range of 2.03% to 4.25%, 0.55% to 3.00% and 0.93% to 2.42% per annum, respectively. Our interest expense may increase in the future if interest rates increase, which may have a material and adverse effect on our financial condition and results of operations.

Our ability to meet our financial obligations largely depends on our operating performance and the ability of our customers to fulfil their payment obligations to us. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we encounter difficulties in generating sufficient cash to repay our outstanding financial liabilities, our liquidity, business, financial condition and results of operations may be materially and adversely affected, and we may not be able to expand our business.

We are subject to the risk of loss of ownership of certain subsidiaries due to the pledged shares related to our borrowings

Certain shares in our subsidiaries have been pledged to banks as security for borrowings. See note 32 in the Accountants Report set out in Appendix I to this document for details. If we or our subsidiaries default on these borrowings or fail to comply with the terms of the relevant financing agreements, the banks may enforce their rights over the pledged shares. This could lead to a change of control or loss of ownership of these subsidiaries. Such an event may disrupt our business operations, limit our ability to consolidate the financial results of these subsidiaries, reduce expected cash flows, and therefore may have a material adverse effect on our business, financial condition and results of operations. In addition, the enforcement or release of these pledges may require contractual or regulatory approvals, which could introduce further uncertainty or delays. Any enforcement action, or perceived risk associated with these pledged shares, could have a material adverse effect on our business, financial condition and results of operations.

We may need additional capital for business operations and expansion, and may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We may require additional capital beyond those generated by the operating activities from time to time to grow our business, better serve our customers, develop and enhance our products, and improve our operating facilities. Accordingly, we may need to issue additional equity or debt securities or obtain a credit facility. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders.

Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the markets in which we operate;
- our future profitability, overall financial condition and results of operations;
- general market conditions for capital-raising activities by companies in the lithium-ion battery material market, daily chemicals and specialty chemicals market or other relevant markets, which in turn are dependent on the prospects of such industries; and
- economic, political and other conditions in China and globally.

We may be unable to obtain additional capital in a timely manner or on commercially acceptable terms, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth could be significantly impaired, and our business and prospects may be adversely affected.

Any preferential income tax treatment and the government grants and subsidies that we enjoy may be altered or terminated.

Our government grants and subsidies recorded as other income amounted to RMB145.2 million, RMB128.3 million and RMB148.5 million for the years ended December 31, 2023, 2024 and 2025, respectively. Not all of those grants and subsidies are recurring in nature. In addition, certain of our subsidiaries are accredited as "High and New Technology Enterprise" under the Administrative Measures for Recognition of High and New-Technology Enterprises promulgated by the Ministry of Science and Technology of the PRC, and were entitled to a preferential EIT rate of 15% during the Track Record Period. Both the preferential income tax treatment and the government grants and subsidies we have received are subject to certain criteria and procedures stipulated by local governments, and their continuity is not guaranteed. We cannot assure you that we will be able to receive any such tax treatment or grants and subsidies in the future, or that they will be provided at the same levels as in past periods. If we are unable to obtain future government grants and subsidies or preferential tax treatment at comparable levels, or at all, our profitability for the period may be adversely affected.

Share-based compensation may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.

We have implemented share incentive scheme. For the years ended December 31, 2023, 2024 and 2025, share-based payment expenses incurred were RMB10.0 million, nil and RMB69.1 million, respectively. See note 38 to the Accountants' Report set out in Appendix I to this document for details of the share incentive scheme. To further motivate our employees and non-employees to contribute to us, we may grant additional share-based compensation in the future. Issue of additional Shares in respect of such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred in respect of such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

We may need to devote additional efforts and resources to obtain and maintain the requisite licenses and approvals required in any jurisdiction where we operate.

Our operations require multiple licenses, permits, filings and approvals. See "Business — Licenses, Permits and Approvals." Certain licenses, permits or registrations we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted or suspended, which could affect our ability to continue production and our overall business operations. In addition, given the government regulations governing our business is evolving, it might become increasingly onerous for us to comply with such changes in regulation, and any non-compliance may expose us to liability. In case of non-compliance, we may have to incur monetary expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our business and financial performance.

We are subject to environmental, health and safety laws and regulations and production standards and it may become more stringent and costly to comply with such regulations and standards.

We are subject to a number of environmental, health and safety laws and regulations, including, but not limited to, the treatment and discharge of pollutants into the environment during our business operations. See "Regulatory Overview." In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, health and safety have examined and approved the relevant facilities. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to develop, manufacture and commercialize our products as planned. As such laws and regulations may evolve, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, fines, potential monetary damages, or production suspensions in our business operations.

Failure to comply with PRC property laws and relevant regulations may affect our business, results of operations and financial condition.

As of December 31, 2025, for three properties we used as production facilities in China, we were not able to obtain the required ownership related certificate from the local government authorities. As advised by our PRC Legal Advisers, we may face the risks of, among others, (i) being unable to dispose of, transfer, lease or mortgage the properties in accordance with PRC laws and regulations; and (ii) being requested to rectify such incident or demolish the relevant properties. Considering the cumulative book value of these properties is less than 1% of the total book value of our owned properties and that these properties primarily serve as auxiliary production facilities, the risk of any material adverse effect on our business, results of operations or financial condition is remote. As advised by our PRC Legal Advisers, as of the Latest Practicable Date, the ownership of our properties had not been challenged by any third parties and we had not been fined by any regulatory authorities for failure to obtain property ownership certificates.

We face risks related to title defects related to our properties.

As of the Latest Practicable Date, our lessors had not provided title certificates of two properties we leased in China for production purpose, as the lessors had not obtained property ownership certificates and may not have followed the prescribed procedures to apply for and obtain approval from the relevant authorities. According to the relevant PRC laws and regulations and as advised by our PRC Legal Advisor, our rights as occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. See "Business — Properties." We cannot assure you that the landlord of these properties has the right to lease the relevant property to us. As advised by our PRC Legal Advisor, we may not be able to continue to use such property if the ownership of the property we have leased and/or the validity of such lease is challenged by third parties. In such a scenario we will have to relocate to other premises, which could result in additional costs. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate in the future. As advised by our PRC Legal Advisers, as of the Latest Practicable Date, considering that (i) we had established new production facilities, (ii) our lease agreements had not been challenged by any third parties; and (iii) there are alternative properties available in the surrounding area of these properties, the relocation difficulty and costs would be relatively low and would not have a material adverse impact on our production and operations.

We have not completed lease registration procedures with the relevant authorities for some of the properties we lease.

Under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, certain of our leased properties have not been registered and filed with the relevant land and real estate administration bureaus in the PRC. As advised by our PRC Legal Advisors, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may require us to complete registrations within a specified time frame and may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business — Properties."

Potential legislative restrictions could affect our U.S. expansion.

As of the Latest Practicable Date, we owned a parcel of land in Texas, U.S. (the "**Texas Land**") primarily intended for the construction of a production base. See "Business — Production Bases and Process — Our Overseas Production Bases Currently In Planning — Production Base in the United States." The Texas Land is currently owned by one of our wholly owned subsidiaries, and leased to a Texas-based subsidiary of our Group, for an initial term ending on August 29, 2075, with options to renew. This Texas-based subsidiary also leases an office premises in Texas from a third party landlord, for a term up to June 30, 2028. While to-come interpretations, clarifications, and regulations will confirm the details of its restrictive scope, Texas Senate Bill 17, effective September 1, 2025, restricts entities held by the owner from designated countries, including the PRC, from acquiring additional Texas real property interests, renewing leases for a term for more than one year (both leasing as a tenant from a designated country, and leasing to other entities from designated countries as a landlord) or certain transfers. As such, there is uncertainty regarding the renewal of leases for periods of longer than one year and the possibility of further restrictions. Any forced divestment, inability to renew or extend leases on acceptable terms or at all, restrictions on acquiring, transferring, or selling equity to individuals from designated countries, or equity of entities from designated countries involving Texas real property interests, or other limitations in respect of our real property could delay or prevent the development of our Texas production base, increase costs, and adversely affect our business, results of operations, and financial condition.

Failure to make adequate contributions to various employee benefit plans as required by regulations may subject us to penalties.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments. Employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties. During the Track Record Period and up to the Latest Practicable Date, we have not received any administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. However, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident funds will at all times satisfy the relevant regulatory requirements mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of any non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the PRC, we may be exposed to penalties or be required to compensate employees.

Our business operations are subject to risks relating to ESG.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. While we believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint and maintain environmentally friendly business operations, there is no assurance that our practice will always be in line with the Good International Industry Practice. The process of developing new production technologies and enhancing existing production technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could adversely affect our competitiveness in the relevant market.

Compliance with these ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. If we are unable to satisfy such new criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to invest in our competitors. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business, reputation, financial conditions and results of operations could be materially and adversely impacted.

Any negative publicity regarding our Company, Directors, employees or products, regardless of its veracity, could adversely affect our business.

Our image is sensitive to the public's perception of us as a business in its entirety, which includes not only the quality and competitiveness of our products, but also our corporate management and culture. We cannot guarantee that no one will, intentionally or otherwise, distribute information about us, especially information regarding the quality of our products or our internal management matters, that may result in a negative perception of us by the public. Any negative publicity about our Company, Directors, employees or products, regardless of veracity, could lead to potential loss of customers or difficulty in retaining or recruiting talent that is essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

Disputes with joint ventures and other business partners may also materially and adversely affect our businesses.

In the course of our business, we have in the past formed, and may in the future continue to form, joint ventures, consortiums or other cooperative relationships with other parties to jointly engage in certain business activities, which include, among other things, acquiring and operating development projects, production of lithium-ion battery materials and daily chemicals and specialty chemicals and others.

We may bear joint and several liabilities to other parties with other consortium members or joint venture or business partners under the relevant consortium, joint venture or other agreements, and as a result, we may incur damages and other liabilities for any breaches by other consortium members or joint venture or business partners. Our joint venture and other business partners may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests contrary to our policies or objectives;
- be unable or unwilling to fulfil our obligations under the relevant joint venture agreements or other cooperative agreements, including our obligation to make the required capital contribution; or
- have financial difficulties.

We may have disputes with these counterparties over various aspects, such as performance of each party's obligations, scope of each party's responsibilities and product quality. A serious dispute with our joint venture or other business partners may cause the loss of business opportunities or disruption to or termination of the relevant project or business venture. If such dispute or litigation cannot be settled in a timely manner, our business and financial condition may be materially and adversely affected. Such dispute or litigation may also divert our management's attention and other resources, and if a decision or award is rendered against us, we could be required to pay significant monetary damages, assume other liabilities and suspend or terminate the related projects or operations.

We are exposed to risks relating to the retention of our senior management.

The composition and continued commitment of our senior management team has been a key element of our success and our ability to operate effectively. Our future success is also significantly dependent upon the continued service of our key executives and other personnel who make up our management team, and our ability to attract and retain personnel who have the necessary experience and expertise. If we lose any of our senior management members, our business, financial condition, results of operations and ability to grow may be materially and adversely affected.

Our business depends substantially on the continuous efforts of our talent pool comprising employees and scientists who support our existing operations and future growth. If we are unable to retain, attract, recruit or train such personnel, our business may be materially and adversely affected.

Our success depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key personnel including scientists and experts. In particular, we rely on our R&D team to develop technologies and our experienced sales personnel to maintain relationships with our customers. In order to compete for talent, we may need to offer higher compensation, better training, more attractive career opportunities and other benefits to our employees, which may be costly. We cannot assure you that we will be able to attract or retain the qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively affect staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our business, reputation, financial condition and results of operations.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities. Although we have established internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, suppliers, customers or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could also subject us to negative publicity that could severely damage our brand and reputation and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties could materially and adversely affect our business, reputation, financial condition and results of operations.

We may be involved in claims, disputes, legal proceedings and administrative penalties in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, infringement of intellectual property rights, and environmental matters. If we fail in defending ourselves against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We have implemented risk management and internal control systems, and adopted risk management tools available to us with respect to our business operations. However, there is no assurance that our risk management, internal control systems and risk management tools are adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management and internal control systems depends on our management and employees. There is no assurance that our management and employees will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management and employees will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

We have engaged and may continue to engage in acquisition and investment activities, which could require significant management attention, disrupt our business, dilute shareholder value, and adversely affect our operating results.

From time to time, we may acquire or invest in other companies, products, services, or technologies to strengthen our business, broaden our service offerings, or enhance our competitive position. These activities may be an important part of our strategy, and we may continue to assess and pursue potential acquisitions or investments in the future.

However, we may not be able to identify suitable acquisition or investment targets or complete transactions on favourable terms. Even if we successfully complete such transactions, they may not achieve their intended benefits or strengthen our business as expected. Any acquisition or investment may be viewed negatively by customers or investors, and could subject us to additional legal, financial, or operational risks.

In addition, acquisitions and investments may disrupt our ongoing operations, divert management attention from their primary responsibilities, subject us to additional liabilities, increase our expenses, and adversely impact our business, financial condition, operating results, and cash flow. We may not accurately forecast the financial impact of an acquisition or investment transaction, including accounting charges. We would have to pay cash, incur debt, or issue equity securities to pay for any such acquisition and investment, each of which may affect our financial condition or the value of our capital stock and could result in dilution to our shareholders. Moreover, we may receive indications of interest from other parties interested in acquiring some or all of our business. The time required to evaluate such indications of interest could require significant attention from management, disrupt the ordinary functioning of our business, and adversely affect our operating results.

We rely on various services from third-party providers for our business. If these third parties fail to provide reliable and timely services, our business, financial condition and results of operations may be adversely affected.

We rely on third-party service providers for various business functions, including the stable, timely, and appropriate supply of logistics services and utilities essential to our production processes. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner and the services provided by them may not be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of their services, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or applicable laws and regulations, our reputation in the industry will be affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.

We maintain a number of insurance policies to cover potential liabilities in our daily operations, such as property insurance, business interruption insurance, cargo insurance, employer liability insurance and public liability insurance. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate for all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to production, quality control, inventory management, supply chain, sales and customer relations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Our business and operations may be materially and adversely affected by natural disasters, epidemics and pandemics.

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events especially in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations with respect to our supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner, or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional requirements in freight, relevant policies affecting the movement of products between regions, delays in the ramp-up of the production capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

RISKS RELATING TO WHERE WE CONDUCT BUSINESS

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

A substantial majority of our assets are located in China, and a majority of our revenue is derived from our business in China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies in the PRC could affect our business and financial condition. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. See "Regulatory Overview." Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected. Furthermore, the pace of global or regional economic growth may vary from year to year and can be uneven across different geographic regions and industry sectors. If the business environment in the markets where we operate changes, our business may be materially and adversely affected.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, results of operations and financial condition, may be affected.

We could be subject to changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities.

The EIT Law imposes a tax rate of 25% on business enterprises. Our Company and some of our subsidiaries are entitled to preferential tax treatment. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC government may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with the tax laws and regulations in China may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations in China and tax penalties or fines could affect our businesses, financial condition and results of operations.

If we fail to meet the extensive requirements relating to supervision of listed companies in the PRC, our business, results of operations and financial condition could be adversely affected.

As a listed company in the PRC, we are subject to extensive requirements relating to the supervision of listed companies in the PRC, which are designed to standardize the operation of listed companies, enhance the corporate governance of listed companies, protect the legal rights and interests of investors, promote the steady and healthy development of China's capital market and safeguard the social and economic order and social and public interests. These regulations often impose corresponding requirements on all aspects of listed companies, including, but not limited to, governance structure, trading practices and information disclosure. The PRC regulatory authorities, including, but not limited to, the CSRC and the Shenzhen Stock Exchange, conduct periodic inspections, examinations and inquiries in respect of our compliance with such requirements. Despite our efforts to comply with applicable regulations, we cannot assure that we will be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations and guidelines at all times. Failure to comply with such requirements could result in self-regulatory measures, disciplinary sanctions, rectification, warning or fines. In the event we are penalized, our business, results of operations and financial condition could be adversely affected.

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

We may, from time to time, undertake capital raising activities, including offerings of equity or debt securities in the PRC or overseas markets. In connection with such activities, we may become subject to approval, filing, registration or other regulatory requirements imposed by the CSRC or other relevant PRC governmental authorities, particularly in light of evolving regulatory frameworks governing offshore listings and securities offerings by PRC-related entities. Any failure or delay in obtaining the necessary approvals or completing the required filings could materially and adversely affect our ability to access capital markets in a timely manner or on commercially favorable terms, which may in turn impact our funding strategy, expansion plans and overall financial condition.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region ("HKSAR") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) issued by the State Taxation Administration of the PRC ("STA") effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the STA, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our most Directors and senior management.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for investors to effect service of process upon or to enforce judgments outside of China against us and most of our Directors and senior management outside China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court promulgated the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2008 Arrangement"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2024 Arrangement"), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

Any failure to comply with relevant regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We, our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options of H shares will be subject to these regulations when we become an H-share listed company upon the completion of the [**REDACTED**]. Failure to complete SAFE registrations may subject them to fines and legal sanctions. In light of the above, we cannot assure you that we will continuously adopt additional H shares incentive plans for our directors, executive officers and employees under PRC law. In addition, the STA has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. We have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of China and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be listed on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A Shares are listed on the Shenzhen Stock Exchange. The characteristics of the A share and H share markets may differ.

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

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

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

The liquidity, trading volume and market price of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows and investments, changes in our pricing policies and expenditures, regulatory developments, demand for our services, unexpected business interruptions resulting from natural disasters or power shortages, our ability to obtain or maintain regulatory approval for our operations, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility and fluctuations in trading volume in the past, and it is possible that our H Shares may be subject to fluctuations in price and volume not directly related to our performance but related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

Our historical dividends may not be indicative of our future dividend policy. We cannot guarantee when and in what form dividends will be paid on our H Shares following the [**REDACTED**]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. See "Financial Information — Dividend Policy."

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

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

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

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma consolidated net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue Shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

Our Controlling Shareholder has a significant influence in determining the outcome of major corporate transactions that require shareholders' approval and may take actions that conflict with the interest of the other shareholders.

Our Controlling Shareholder has substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, our Controlling Shareholder will hold approximately [**REDACTED**] of our Shares in issue. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholder may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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

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

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

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

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

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