An [**REDACTED**] *in our H Shares involves risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an* [**REDACTED**] *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, financial condition and results of operations. In any such case, the* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your* [**REDACTED**]. *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.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to the supply-demand dynamics in the lithium-ion battery materials industry and fine chemicals industry.

Our lithium-ion battery-related materials, including carbonate series products, electrolytes, and $LiPF_6$, are key materials used in lithium-ion batteries for power batteries, ESS and consumer electronics. Demand for power batteries is affected by factors beyond our control, including macroeconomic conditions, technological developments, government policies on electrification, end-user preferences and charging infrastructure. ESS demand is influenced by global power trends, renewable energy penetration and grid stability needs, while consumer electronics demand depends on consumer spending, product upgrade cycles and overall economic conditions.

In addition, our fine chemicals product portfolio, primarily including MTBE and fluorobenzene, is influenced by developments in the industries in which they are used. MTBE consumption is affected by changes in regulatory standards on emissions and fuel quality, as well as refinery operating conditions, crude oil quality and the broader transition toward cleaner energy sources. Demand for fluorobenzene is driven by growth in the agrochemical, pharmaceutical and performance chemical sectors, as well as technological developments requiring higher-purity aromatic intermediates.

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

We are exposed to market fluctuations of prices of products we produce and sell.

Our profitability is exposed to volatility in the selling prices of our products, which are influenced by a variety of factors beyond our control, such as raw material costs, competitor pricing, market trends and labor costs. During the Track Record Period, our product prices experienced fluctuations. The average selling price of electrolytes decreased from RMB21,804 per ton in 2023 to RMB13,089 per ton in 2024, and then increased to RMB14,312 per ton in 2025. The average selling price of our solid $LiPF_6$ decreased from RMB142,689 per ton in 2023 to RMB55,182 per ton in 2024, and further decreased to RMB52,093 per ton in 2025. We cannot predict the future trend of the selling prices of our products, nor can we guarantee that the fluctuation of selling prices will not continue. Any decline in the selling prices could result in reduced gross profit margins and net profit, which may adversely affect our results of operations and financial condition.

We are exposed to fluctuations in the price and supply of raw materials.

We rely on third-party suppliers for certain key raw materials in our production. See "Business — Supply chain management." Any increase in the prices of key raw materials may affect our business performance and financial results. In 2023, 2024 and 2025, our cost of raw materials accounted for 84.1%, 85.3% and 84.3% of our total costs of sales, respectively.

Our cost structure is subject to volatility in the prices of these raw materials, utilities, labor, 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. In addition, international geopolitical developments may lead to fluctuations in global energy prices and the prices of other upstream petrochemical raw materials. As a result, any substantial increase in such prices may lead to higher procurement and production costs. 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, our production is vulnerable to any unexpected shortages, delivery delays or substandard quality in key raw materials. While we may seek alternative suppliers in such events, we may not be able to secure comparable terms promptly. As a result, 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 face various risks associated with our international operations.

While the majority of our revenue was derived from the Greater China area during the Track Record Period, we also made sales to overseas customers in regions such as America, Europe, and Asia (excluding Greater China area). We have established overseas subsidiaries in countries including the U.S., Japan and the Czech Republic to further develop our international business. Our strategy includes further international expansion, which subjects us to risks, including fluctuations in foreign exchange rates; increased costs associated with market entry, compliance and maintaining overseas operations; difficulties in staffing, management and establishing effective local controls; and challenges in complying with differing commercial and legal requirements in overseas markets. We may also face risks relating to obtaining or maintaining requisite permits, addressing jurisdiction-specific safety and operational requirements, managing relationships and potential disputes with local communities, and securing or enforcing intellectual property rights. In addition, we may be exposed to trade barriers, tax changes and unexpected economic or regulatory developments in these markets. Furthermore, the success of our overseas growth initiatives depends on whether we can promptly, sufficiently, and effectively manage the risks related to operating within the local regulatory and economic environment. We may encounter difficulties in formulating and executing strategies that are suitable for each location where we operate. Any change in one or more of the factors described above may have a material adverse effect on our business, financial condition and results of operations.

We face competition in our business and may not be able to maintain our leading position in the market.

The industries we operate in are relatively concentrated and each dominated by a limited number of participants. Well-resourced competitors may engage in aggressive pricing, pressuring market rates and industry profitability. In addition, our competitors may also establish cooperative relationships among themselves or with other market players that may further enhance their product offerings or resources. If our competitors gain greater acceptance in their products or adapt more swiftly and effectively to emerging market trends, technological advancements, or evolving customer demands, our sales and future business outlook could be negatively impacted.

We may be required to modify our pricing practices to attract new customers or retain existing customers due to increased competition or excess market supply. This could lead to decreased demand for our products, lower sales revenue, reduced profit margins, financial losses, or an inability to sustain or strengthen our competitive position, any of which could have an adverse impact on our business operations.

Our production capacity may not be fully utilized.

If our products face insufficient or unstable demand, our utilization of production capacity will be affected. For more information, please refer to "Business — Production — Production Bases". As of the Latest Practicable Date, we had a series of production expansion plans. The ramp-up of our planned production expansion may be delayed or exceed cost estimates, and historical demand levels during the Track Record Period may not be sustained, amplifying the risk of low utilization rates. Furthermore, our actual production volume may vary depending on the demand for our products, which in turn may be affected by market trend, customers' preferences or other factors beyond our control. If the orders from our existing customers are not sufficient to fully utilize our production capacity and there is a lack of new customers, our production lines might be operated at a utilization rate lower than our desired rate, which may adversely affect our business, financial condition and results of operations.

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

Our revenue depends on contracts that are subject to renewal. We cannot assure you the retention or renewal of our key contracts, nor the securing of new contracts of equivalent quality or volume. As such, any loss of our major customers or significant decrease in the number or size of contracts with our customers may materially and adversely affect our financial condition and operating results. Besides, customer liquidity issues may delay or default payments, adversely impacting our cash flow. Furthermore, our ability to diversify our customer base or expand sales to other customers cannot be guaranteed, in which event our business, financial condition and results of operations could be materially and adversely affected.

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

Our production process involves hazardous materials and complex operations, which pose inherent risks of accidents. 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.

In addition, our production processes involve complex operations utilizing machinery, equipment and chemical materials, which entail inherent safety risks. On August 11, 2024, an explosion involving a container of residual ethylene sulfate occurred near the workshop of our subsidiary Shinghwa Dongying in Dongying, resulting in one fatality and one injury. See "Business — Legal Proceedings and Compliance — Safety Incident." We cannot assure you that similar accidents will not happen in the future. Any of these consequences, if significant, could disrupt operations, damage our reputation and result in business interruption and legal liability.

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

As governments worldwide promote green, low-carbon and sustainable development, shifts in policies relating to energy transition and electrification directly influence demand for lithium-ion batteries and, in turn, the lithium-ion battery materials we produce.

Over the past few years, our business has benefited from the increased demand for lithium-ion battery-related materials resulting from supportive policies in China. These policies include subsidies for electric vehicle purchases and measures to promote energy storage development. These policies have driven demand for our products. However, any reduction, adjustment or removal of such subsidies, or the introduction of more stringent industry standards, may adversely affect downstream demand and, in turn, our business and operating results. Similarly, 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 policies may suppress demand for the end products that use our products and have negative impact on our business. As a result, 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 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, and performance and safety requirements are becoming increasingly stringent. However, R&D activities inherently carry uncertainties. We may not always achieve the intended results, keep pace with industry technological breakthroughs, or promptly adapt to evolving regulatory requirements and market trends. There is no assurance that our R&D efforts will achieve the intended results, keep pace with industry developments, or meet evolving regulatory and market requirements. Failure to deliver timely product upgrades or innovations may result in loss of market share to competitor.

Furthermore, we cannot guarantee that competitors will not develop products that are more advanced or cost-effective, 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, substitute materials, or the adoption of alternative energy technologies, such as hydrogen fuel cells or alternative energy storage solutions, may reduce reliance on lithium-ion batteries and weaken demand for our products. In addition, the fine chemicals industry is also evolving rapidly, and increasing expectations for product quality and environmental compliance place further demands on our R&D capabilities. There is no assurance that our increased R&D investment will result in commercially viable products or improve our competitiveness, and any failure in this regard may materially and adversely affect our business, financial condition and results of operations.

Any disruption in our manufacturing facilities could adversely affect our business, financial condition, and results of operations.

As of December 31, 2025, we located five production bases in Shandong, Sichuan, Hubei and Fujian in China. Damage or interruption at any of these sites caused by natural disasters such as floods, fires or earthquakes, or other unforeseen events, could result in significant repair costs and operational downtime. Given the specialized and large-scale nature of our production, securing alternative manufacturing capacity would be difficult and may lead to increased costs and supply disruptions. Besides, our operations may be disrupted for other reasons as well. Any disruption in our operations would have a material adverse impact on our ability to produce sufficient quantities of products or may require us to incur additional expenses in order to produce sufficient quantities, and could impair our ability to meet the demand of customers and cause customers to cancel purchase orders, any of which 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 RMB1,652.4 million, RMB1,254.4 million and RMB1,052.8 million in 2023, 2024 and 2025, respectively, representing 29.3%, 22.6% and 15.5% of our total revenue for the respective periods. Our overseas revenue is primarily generated from America, Europe, and Asia (excluding Greater China area). These cross-border transactions could be materially and adversely affected by the change of 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-related materials and daily use 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 recent years, the United States has significantly expanded export control restrictions on China. As a Chinese enterprise, our international operations and sales subject us to potential U.S. export control laws and regulations, including, without limitation, the Export Administration Regulations ("**EAR**") administered by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**"). The U.S. export control laws and regulations govern the export, re-export, and/or in-country transfer of certain technology, software, data, services, and other items subject to the EAR. The BIS also maintains the "Entity List," which identifies foreign individuals, companies, and organizations deemed to pose national security or foreign policy risks to the United States and are subject to heightened export control and license requirements.

We established an Export Control Compliance Management System designed to address these risks, including product classification and jurisdiction determinations, screening of counterparties and end uses, licensing processes, contract provisions, employee training, and internal controls. However, these measures involve judgment and are subject to evolving laws, regulatory interpretations, and enforcement priorities. We cannot assure that our compliance management will prevent all violations, that licenses will be granted or renewed on a timely basis or at all, or that changes in law or policy will not materially and adversely affect our operations, financial condition, or results of operations. As of the Latest Practicable Date, the U.S. export control restrictions and regulations have not had a material adverse effect on our business operations. Based on our understanding and interpretation of the current U.S. export control regimes, we do not expect them to have a material adverse impact on our business operations.

In recent years, the complexities of international relations, particularly the geopolitical tensions between the United States and China, have introduced new challenges. There has been considerable volatility in the imposition and adjustment of tariffs and other trade restrictions by both nations during the relevant period. Looking forward, substantial uncertainty persists regarding the future trajectory of these tariffs and trade policies. Any escalation in political tensions or further adjustments to tariffs and trade regulations between the U.S. and China could materially affect our customers' operations, which may consequently lead to a decline in demand for our products and adversely impact our business.

The United Nations (UN) and several countries and jurisdictions, including the United States, the European Union (EU), the United Kingdom (UK), and Australia, have implemented economic sanctions against certain countries, industry sectors, companies, organizations, and individuals within through executive orders, legislation, or other regulatory means. Given our global presence, we are required to comply with the international sanctions rules and requirements.

During the Track Record Period and as of the Latest Practicable Date, we have not engaged in any business activities that could potentially subject us to primary sanctions under the aforementioned various sanctions regimes and we believe that risks arising from secondary sanctions should be low in the foreseeable future. Further, we have formulated a comprehensive and robust sanctions compliance policy and are committed to strictly and effectively implementing the corresponding internal control measures. See "Business — International Sanctions Relevant to Certain Business Activities" in this Document for further details.

Nevertheless, sanctions and export control regimes are complex, rapidly evolving, and subject to broad enforcement discretion. We could face investigations, penalties, fines, limitations on our ability to receive or make payments, reputational harm, supply chain or customer disruptions, or prohibitions on certain business activities if authorities were to disagree with our assessments, if licenses are not renewed or are conditioned in a manner that constrains our operations, if sanctions are expanded, or if our internal controls prove inadequate in practice. We cannot assure you that our policies, procedures, screening, training, and monitoring will prevent all violations or that we will not incur liability, remediation costs, business interruption, or other adverse consequences in connection with existing or future sanctions or export control developments.

If we are unable to manage our growth or execute our strategies, such as expansion into high-end new materials sector effectively, our business and prospects may be affected.

As our business, product portfolio and market coverage continue to expand, we will need to manage a broader supplier base and strengthen relationships with existing and new customers to support our growth. Expanding our markets and enhancing customer penetration requires substantial managerial, financial and human resources, and there is no assurance that these efforts will achieve the expected results. We may also face challenges in ensuring that our existing infrastructure, systems and controls, or any enhancements, can adequately support our expanding operations. Industry developments may further require adjustments to our business model or long-term strategies. Failure to adapt to such changes, or failure of new initiatives to deliver anticipated benefits, may materially and adversely affect our business, financial condition and results of operations.

We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

We expect to further expand our production capacity to meet customers' increasing demands for our products. See "Business — Production — Production Capacity Expansion." Such expansion will require significant management attention and substantial financial and human resources. Our proposed expansion will also increase our overhead costs and expose us to operational risks such as equipment failure, quality control challenges and workforce management issues. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition.

Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain the necessary government clearances may postpone or result in the cancelation of our expansion projects, which could materially and adversely affect our business, financial condition and results of operations.

However, even if we manage to expand our production capacity as planned, there is no assurance that we may increase our production output in a timely manner or at all as envisaged. Our ability to increase our production output is subject to significant constraints and uncertainties, including but not limited to including delays by suppliers and equipment vendors, cost overruns, failure to complete required legal and regulatory procedures, difficulties in configuring production lines for specific products, insufficient technical reliability of equipment, the performance of procured machinery and retained production expertise, and the diversion of significant management attention and other resources.

Moreover, our product development, manufacturing and testing protocols are complex and require significant technological and operational expertise. Any changes in our processes could cause production errors, requiring a temporary suspension or delay in our production line and limiting our production output, particularly when we introduce new products, modify production techniques, or expand our production capacity. In addition, failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, or increased production and logistics costs, and delays. If we are unable to fulfill customer orders, our reputation could be affected and customers may turn to other competitors, which could materially and adversely affect our business, financial condition and results of operations.

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

Our business relies on our ability to deliver products with consistent quality and reliability. Product quality issues, product recalls or similar events may occur and could disrupt our operations or expose us to regulatory actions. Lithium-ion batteries materials and fine chemicals are inherently complex. Any quality issues could compromise our product performance, lose customers and/or orders, and reduce our profitability. Moreover, product liability claims may also lead to negative publicity, which would materially and adversely affect our brand, business, prospects and results of operations.

We incurred losses during the Track Record Period, and we may not be able to increase profitability in the future.

We incurred loss and total comprehensive income for the year of RMB65.2 million, RMB70.4 million and RMB5.9 million in 2023, 2024 and 2025, respectively. We plan to continue investing in expanding our product portfolio, sales and marketing, market expansion and technology upgrades, which may require greater resources than expected. However, there is no assurance that these initiatives will result in improved financial performance in the near term. If we fail to effectively manage our cost structure or generate adequate revenue, we may not be able to increase profitability and improve liquidity position in the future.

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 support our operations and expansion. 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 various uncertainties, including but not limited to our market position, financial performance, industry conditions in the lithium-ion battery materials and fine chemicals sectors, as well as broader economic and political developments in China and globally. There is no assurance that we will be able to secure additional financing in a timely manner or on commercially acceptable terms, or at all. If adequate funding is unavailable when needed, our ability to support business growth may be materially and adversely affected.

We recorded net current liabilities in the past.

We recorded net current liabilities of RMB171.2 million as of December 31, 2023. See "Financial Information — Discussion of Certain Key Items from Our Consolidated Statements of Financial Position" for details. We recorded net current assets of RMB231.1 million and RMB446.2 million as of December 31, 2024 and 2025, respectively. However, we cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, capital expenditures, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate an adequate cash flow from our operating activities. If we have a shortage in the cash flow generated from operations, our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. In such event, our business, financial condition and results of operations could be materially and adversely affected.

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

We enter into a variety of contractual arrangements with different customers in the ordinary course of our business. Our trade and other receivables amounted to RMB946.5 million, RMB1,784.2 million and RMB2,740.6 million as of December 31, 2023, 2024 and 2025, respectively. For the year ended December 31, 2023, 2024 and 2025, our trade and bills receivables turnover days were 54.9 days, 75.5 days and 111.3 days, respectively. We have purchased credit insurance to cover all trade receivables credit exposure.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's background and financial strengths, past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as the economic environment in which the customer operates. Trade receivables under credit sales arrangement are normally due within six to 11 months from the date of delivery of goods or services.

Our customers may experience financial difficulties due to changes in their industries, market conditions or government policies, which may adversely affect their ability to make payments to us. Any deterioration in their ability to make payments may adversely affect the recoverability of our receivables. If we fail to collect trade receivables in a timely manner or at all, or if there are material delays in payment, our liquidity and cash flow may be materially and adversely affected, which in turn could impact our business, financial condition and results of operations.

We are subject to inventory management risks.

Our inventories primarily consist of raw materials, finished goods and other materials. During the Track Record Period, we did not have, nor did we encounter any problems associated with, any obsolete inventory. As of December 31, 2023, 2024 and 2025, the balance of our inventories amounted to RMB425.3 million, RMB603.4 million, and RMB682.2 million, respectively. Our inventories turnover days were 28.5 days, 35.7 days and 37.1 days in 2023, 2024 and 2025, respectively.

Our inventory risk arises from potential market demand fluctuations, evolving industry conditions, and regulatory changes that could affect our products specifications or usage. We cannot guarantee our inventory management policies will always be effective and that we will be able to maintain an appropriate inventory level. We may still be exposed to the risk of holding excessive inventory, which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs. This could have a material adverse effect on our business, results of operations and financial condition.

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 bank loans and other borrowings of RMB1,033.0 million, RMB3,546.2 million and RMB4,027.5 million, respectively, with effective interest rates range of 2.8% to 4.0%, 2.5% to 4.0% and 2.2% to 4.6% per annum, respectively. Our interest expenses 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 depends on our operating performance and our customers' ability to make timely payments. 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 our ability to expand our business may be constrained.

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

In 2023, 2024 and 2025, our VAT refund and super deduction amounted to RMB0.6 million, RMB40.6 million and RMB40.9 million, respectively. During the same periods, our other government grants amounted to RMB6.8 million, RMB7.2 million and RMB11.6 million, respectively. Not all of those grants and subsidies are recurring in nature. In addition, our Company and 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. These preferential treatments and subsidies are subject to specific criteria and government approval procedures, and their continuation is not guaranteed. There is no assurance that we will continue to qualify for such tax benefits or receive government grants and subsidies in the future, or that they will be available at levels comparable to prior periods. Any reduction or termination of such preferential treatment may adversely affect our profitability.

We incurred net operating cash outflows during the Track Record Period, which may continue into the foreseeable future and expose us to liquidity risk.

We recorded net cash outflow from operating activities of RMB392.4 million, RMB1,036.3 million, and RMB701.8 million in 2023, 2024 and 2025, respectively, which were attributable primarily to loss incurred and the increase in prepayments, trade and other receivables for the same period. For a detailed operating cash flow analysis, see "Financial Information — Liquidity and Capital Resources — Cash Flow Analysis."

We cannot guarantee that our prospective business activities and/or other matters beyond our control (such as market competition and changes to the macroeconomic environment) will not adversely affect our working capital and lead to net current liabilities and net operating cash outflows in the future. If we encounter long-term and continuous net current liabilities and net operating cash outflows in the future, we may lack sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected.

We are exposed to foreign currency exchange fluctuations.

A portion of our business settles transactions in foreign currencies such as US dollar. Our revenue generated overseas amounted to RMB1,652.4 million, RMB1,254.4 million and RMB1,052.8 million, respectively, in 2023, 2024 and 2025, accounting for 29.3%, 22.6% and 15.5% of our total revenue during the same periods, respectively. In addition, we recorded exchange gains of RMB1.1 million, RMB10.2 million and RMB0.6 million in 2023, 2024 and 2025, respectively. Significant 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 are subject to various risks relating to third-party settlement arrangement.

During the Track Record Period, certain of our customers (individually or collectively, the "**Relevant Customer(s)"**) settled transactions through the accounts of third parties other than the contractual counterparties under the corresponding sales agreements (the "**Arrangements**"). In 2023, 2024 and 2025, the number of Relevant Customers was one, nine and 20, respectively, and the aggregate amount of payment made under the Arrangements was RMB4,000, RMB30.7 million and RMB21.4 million, respectively, representing 0.0%, 0.6% and 0.3% of the total revenue for the same periods, respectively. As of the Latest Practicable Date, we had ceased substantially all the Arrangements and payments made under the ceased Arrangements had been fully settled.

We were subject to various risks relating to such Arrangements during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) potential risks arising from our limited understanding of the source and use of funds by third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or noncompliance of laws and regulations, we may need to allocate additional financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold, which could adversely affect our business, financial condition, results of operations and prospects. See "Business — Customers — Third-Party Payment Arrangements" for details.

We are exposed to risks in relation to our engagement of chemical trading companies for sale of our products.

During the Track Record Period, we sold to chemical trading companies our carbonate series products and fine chemicals. In 2023, 2024 and 2025, the total revenue generated from sales through chemical trading companies amounted to RMB2,888.0 million, RMB2,128.6 million and RMB1,523.0 million from 644, 629 and 653 chemical trading companies, respectively, representing 51.3%, 38.4% and 22.4% of our total revenue for the same periods, respectively.

Our sales to such chemical trading companies are primarily on an order-by-order basis. There is no assurance that these companies will continue to source products from us or that we can secure replacement trading partners on commercially acceptable terms. Any reduction, delay or termination of purchases by these chemical trading companies may materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, we do not have control over these chemical trading companies, and there is no assurance that they will not breach sales agreements or will comply with their obligations thereunder. If our sales agreements cannot be renewed or if the chemical trading companies breach any of the terms thereunder, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

We rely on our employees for the day-to-day operation of our business. Strikes, work stoppages, labor disputes or other disruptions may occur from time to time. There is no assurance that these events will not occur in the future. Any such events could disrupt our operations or increase our labor costs.

In addition, labor costs in the regions where we operate have been increasing and may continue to rise due to inflation, minimum wage adjustments, greater demand for skilled workers and regulatory changes requiring enhanced employee benefits. Competition for skilled personnel may also require us to offer higher compensation. We may not be able to pass these increased costs on to customers due to market competition, which may reduce our profit margins and materially and adversely affect our financial condition and results of operations.

Our legal rights to certain leased and owned properties may be challenged.

As of the Latest Practicable Date, the lease agreements with respect to 35 of our leased properties were not registered with the appropriate government authorities in Chinese Mainland. As advised by our PRC Legal Adviser, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant authorities in Chinese Mainland for each of these lease agreements if we fail to complete the registration of lease agreements within the stipulated period.

As of the Latest Practicable Date, the ownership certificates or other similar proof of one parcel of leased land and two leased building, had not been provided to us by the relevant lessors, despite the proactive requests we previously made. Based on the advice of our PRC Legal Adviser, if the lessors of the leased properties do not have the requisite rights to lease the relevant properties, we would not be subject to any administrative penalties with respect to these properties, but our leases may be affected, and, as a result, we may be required to relocate the relevant properties. In this event, our operation may be impaired and we may not be adequately indemnified by the landlords for our related losses. Also, we will incur additional costs in relocating our warehouse to other suitable sites, thus affecting our business operations, financial condition and results of operations.

As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties we use or lease. If any such challenges, lawsuits or other actions are successful, our rights to use or occupy these premises may be affected and we may be required to relocate. If we are unable to secure suitable alternative premises on acceptable terms, or if we incur material liabilities arising from such challenges, our business, financial condition, results of operations and prospects may be materially and adversely affected. For details, see "Business — Properties — Leased Properties."

As of the Latest Practicable Date, we had not obtained the property ownership certificates of the eight buildings with an aggregate GFA of 11,410.62 sq.m. Also, we were in the process of applying for the property ownership certificates of 38 buildings, with an aggregate GFA of 77,780.68 sq.m. Although our PRC Legal Adviser is of the view that the absence of such property ownership certificates would not have a material adverse effect on our production and operations, we may not receive any property title certificates that indicate the validity of our title in the future. In the event that the demolishment of such properties is inevitable, our results of operations and financial condition may be adversely affected. For details, see "Business — Properties — Owned Properties."

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 Certificates." Certain licenses, permits or registrations we hold are subject to periodic renewal. Failure to obtain, maintain or renew any of these in a timely manner may lead to operational disruptions or suspension of production, which could adversely affect our business. In addition, as the regulatory environment governing our operations continues to evolve, compliance requirements may become increasingly onerous. Any non-compliance may expose us to penalties, require us to incur additional costs and management resources to rectify deficiencies, and result in negative publicity. These factors may adversely affect our business, financial condition and results of operations.

Unauthorized use of our intellectual property by third parties may harm our brand and reputation, 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 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, we are still in the process of patent applications for some of our R&D achievements, and there is no assurance that such applications will be granted. 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, third parties may challenge, circumvent, or invalidate our patents, which could limit or eliminate their protective value.

In addition, our employees, consultants and advisers are generally subject to non-competition, confidentiality and intellectual property ownership obligations, however, we cannot assure you that these agreements will not be breached, or that adequate remedies will be available. Any unauthorized disclosure or misuse of our proprietary technology or know-how could adversely affect our competitive position. Business partners or other third parties may also fail to comply with contractual restrictions on the use of our brands or other intellectual property, and third parties may independently develop similar technologies, limiting our ability to assert trade secret rights.

Furthermore, monitoring 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. Such actions could result in substantial costs, diversion of management attention and disrupt our business, may materially and adversely affect our business, financial condition and results of operations.

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

Our production involves the use, storage and disposal of hazardous materials, including but not limited to ammonia nitrogen, sulfur dioxide, nitrogen oxides, and by-product wastes generated during our production processes. These substances and wastes pose inherent risks to our operations, and any mishandling or incident related to them could directly lead to operational disruptions, personal injuries, property damage, environmental harm and liability for fines, penalties or compensation. Our facilities may also be required to suspend operations pending investigations, which could adversely affect our business and financial performance.

In addition, our operations are subject to PRC environmental protection laws governing emissions and disposal of waste gas, wastewater, solid waste and noise. Failure to comply with the applicable PRC environmental laws or regulations may result in local environmental protection authorities imposing fines or suspending operations, and may lead to the loss of environmental and production licenses. In the event that the PRC government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may also be forced to suspend production.

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, legal proceedings, or administrative penalties in our ordinary course of business, including matters relating to contracts, employment, intellectual property, antitrust and environmental issues. 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, some claims may arise from defective supplies provided by our suppliers, who may not be able to indemnify us in a timely manner or at all. Any of these events may materially and adversely affect our business, financial condition and results of operations.

Our business operations are subject to risks relating to ESG.

We operate under increasingly stringent environmental protection laws and rising expectations on corporate responsibility. While we invest resources to develop low-carbon technologies and maintain environmentally responsible operations, there is no assurance that our practices will always align with good international industry standards. Developing or upgrading production technologies to meet ESG requirements can be complex, costly and uncertain, and such investments may not achieve the expected commercial outcomes. In addition, competitors may adopt less demanding ESG standards, which could affect our relative competitiveness. Compliance with evolving ESG requirements may require additional resources, and any failure to comply could result in fines, penalties, suspension of production, loss of licences, operational disruptions, litigation or reputational harm. If we are perceived as failing to meet ESG expectations or fall short of disclosed ESG targets or initiatives, we may face negative publicity, loss of investor confidence and damage to our brand. Any of these events could materially and adversely affect our business, reputation, financial condition and results of operations.

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

Certain key raw materials, such as lithium carbonate, are commodities with significant price volatility. During the Track Record Period, we undertook hedging activities, including futures contracts, to manage raw material price fluctuations. While hedging may reduce pricing risk, it may also limit our ability to benefit from favorable market trends, and the effectiveness of such hedging depends on our ability to accurately forecast market movements. If market prices move contrary to our expectations, we may incur losses on hedging positions that are not offset by changes in raw material prices. In addition, inadequate monitoring of hedging activities may require us to post additional margin, affecting our cash position. We have implemented risk control procedures, but they may not function as intended, and there is no assurance that they will prevent or adequately address the associated risks. We may incur losses from hedging activities in the future, which could materially and adversely affect our financial condition and results of operations.

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.

Our success depends upon our core management and key personnel, and any failure to attract and retain necessary talents may adversely affect our business, financial condition, results of operations and prospects.

Our success depends, to a significant extent, on the capability, expertise and continued services of our key personnel, including, among others, key executives and R&D personnel. We rely on the expertise and experience of our key personnel in developing business strategies, product research and development, business operation and maintaining relationships with customers. If we lose the services of any of our key personnel, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

Disputes with joint ventures, R&D partners and other business partners may also adversely affect our businesses.

In the course of our business, we have formed, and may continue to form, joint ventures 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-related materials and fine chemicals and others. Under such arrangements, we may be jointly and severally liable with our partners and could incur losses arising from their breaches.

Our joint venture, R&D and other business partners may have interests that differ from ours, act contrary to our policies or instructions, fail to perform their obligations, including capital contributions, or face 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 partners, R&D partners 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.

Failure to detect or prevent fraudulent or illegal activities or other misconduct or negligence by our employees, customers, suppliers or other third parties may 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. Any fraud, corruption, bribery, money laundering or other improper conduct may expose us to penalties, legal liabilities and negative publicity, which could damage our brand and reputation. 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 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. If any provider fails to perform, reduces or increases the scope or cost of services, or terminates its relationship with us, we may need to seek alternatives or take remedial actions, which could increase our operating costs. As we do not have direct control over these third parties, any failure by them to comply with our requirements or applicable laws may adversely affect our reputation. Any of these circumstances may materially and adversely affect our business, financial condition and results of operations.

Our performance may suffer from business disruptions associated with information technology, system implementations or catastrophic losses affecting our IT system.

IT systems are essential to competitiveness and efficient operations. Our IT systems may be vulnerable to damage or interruption from factors beyond our control, including computer viruses, acts of hacking, vandalism, power outages, fire or other natural disasters. Any significant failure of our IT system, or loss or leakage of confidential information could result in transaction errors, process inefficiencies and loss of sales, which could further harm our reputation and 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 safety liability insurance, property insurance and credit 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 business, financial condition and results of operations may be adversely affected in the event of fire, breakdown, failure of our equipment and machinery, power shortage, water supply shortage, electricity shutdown, labor strikes, acts of war, political unrest, outbreak of a contagious or epidemic disease and natural disasters.

Our revenue is dependent on the uninterrupted operation of our production facilities. Our business operations are subject to risks beyond our control including, among others, fire, breakdown, failure of our equipment and machinery, power shortage, water supply shortage, electricity shutdown, labor strikes, acts of war, political unrest and outbreak of a contagious or epidemic disease and natural disasters. Any or a combination of these could cause material damage to, or the loss of, our operational facilities. Such events may also result in limitations on our ability to travel, delays in transportation and delivery of our products, disruption of raw material supplies, as well as temporary closure of our production facilities for quarantine or for preventive purposes. The time required to rectify such problems could be lengthy and could result in significant increases in costs or reduction in sales. Frequent or prolonged occurrences of any of the aforesaid events may have a material and adverse effect on our business, financial condition and results of operations.

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

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

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction.

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 rely partly on government policies and internal interpretations, some of which may not be published in a timely manner, or at all, and may even have retroactive effect. In some cases, key regulatory definitions may be unclear or inconsistently interpreted by regulators and courts. As a result, we may not be aware of certain compliance issues until after a violation has occurred. In addition, administrative and court proceedings in some jurisdictions 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.

Changes in economic, political and social conditions or the industry practice guidelines in the countries and regions where we operate could affect our business and operations.

We are headquartered in Shandong, China and our operations are conducted in both China and globally. Accordingly, our business, financial condition and results of operations may be influenced by the economic, political and social conditions in countries and regions where we operate. The lithium battery materials and fine chemicals market in general is affected by macro-economic factors, including changes in economic conditions, consumer demand and discretionary spending. Such changes in economic, political, industry practice guidelines and social conditions may directly affect our business financial performance.

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 [REDACTED].

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. While current-account foreign exchange transactions, such as dividend payments, do not require prior approval from the SAFE, they must be supported by proper documentation and conducted through licensed banks. 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 the required foreign exchange for dividend distributions, capital expenditures or other purposes, which could adversely affect our business, financial condition and results of operations.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities offering and listing issued by PRC government authorities.

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures and five supporting guidelines, which had become effective on March 31, 2023 (the "**Overseas Listing Regulations**"). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. See "Regulatory Overview — Laws and Regulations on the Overseas Issuance and Listing of Securities by Domestic Enterprises" for details. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

You may encounter difficulty in effecting service of legal process upon, and enforcing foreign judgments against, us, our Directors and senior management.

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. The majority of our Directors and senior management reside within the PRC. The assets of these Directors and senior management may also be located within the PRC.

As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside the PRC. Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares may not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

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

Under current PRC tax laws, non-PRC resident individuals and enterprises have different tax obligations on dividends from us and gains from H Share disposal. Pursuant to 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, non-PRC resident individuals pay 20% PRC individual income tax on PRC-sourced dividends or share transfer gains. We withhold such tax from dividends, unless applicable PRC tax treaties reduce or exempt it.

Under 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》), PRC tax on dividends to HKSAR residents (individuals or legal entities) is capped at 10% of the total amount of such dividends (5% if the resident directly holds 25% or more of the PRC company's equity). The Fifth Protocol to this Arrangement (《〈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》) excludes arrangements or transactions whose primary purpose is to obtain such tax benefits.

For non-PRC resident enterprises that do not have an establishment or premise in the PRC, or that have an establishment or premise in the PRC but whose income is not related to such establishment or premise, dividends paid by us and gains derived from the disposal of H Shares by such enterprises are generally subject to PRC enterprise income tax at a rate of 10% pursuant to 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. 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 State Taxation Administration of the PRC ("STA") specifies that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, which may be reduced pursuant to applicable tax treaties.

Despite the arrangements mentioned above, the interpretation and application of PRC tax laws and regulations are subject to the prevailing laws and regulations in effect from time to time. If the relevant preferential tax treatments are revoked, all non-PRC resident individual holders may be subject to PRC individual income tax at a flat rate of 20%. Any changes to the applicable tax laws and regulations or their interpretation or application may materially affect the value of your investment in our H Shares.

RISKS RELATING TO THE [REDACTED]

The characteristics of the A Share and H Share markets may differ.

Our A Shares are listed on the Shanghai Stock Exchange. Following the [**REDACTED**], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [**REDACTED**] on the Stock Exchange. Under current PRC laws and regulations, A Shares and H Shares are not interchangeable or fungible without regulatory approval, and there is no trading or settlement between the two 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 [**REDACTED**] 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 [**REDACTED**] of our H Shares, and vice versa. Furthermore, 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 [**REDACTED**] decision in our H Shares.

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

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

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

Prior to the [**REDACTED**], there was no [**REDACTED**] for our H Shares. We cannot assure you that a [**REDACTED**] for our H Shares with adequate liquidity will develop and be sustained following the completion of [**REDACTED**]. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations, and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the H Shares following the [**REDACTED**]. If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares could be materially and adversely affected.

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could lead to substantial losses for [REDACTED].

The [**REDACTED**] and [**REDACTED**] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and [**REDACTED**] of our H Shares. In addition to market and industry factors, the price and [**REDACTED**] of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, 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 the PRC have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance that we will declare and distribute dividend in the future.

We have declared dividends in the past. However, there is no assurance that we will declare dividends in the future. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations, and the calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. The declaration, payment and amount of our future dividends will depend upon our earnings and financial condition, operating requirements, capital requirements, applicable laws and regulations and any other conditions that our Directors may deem relevant and will be subject to the approval of our Shareholders. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations, and would require approval at our Shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. See "Financial Information — Dividends" for details. There can be no assurance that dividends of any amount will be declared or distributed in any year in the future. Our historical dividends should not be taken as indicative of our dividend policy in the future.

You will incur immediate and significant dilution if the [REDACTED] is higher than the net tangible asset value per Share and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] 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 Share if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to any future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

Future [REDACTED] or perceived [REDACTED] of substantial amounts of our Shares in the [REDACTED] could have an adverse effect on the price of our Shares and our ability to raise additional capital in the future.

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

Our Single Largest Group of Shareholders are able to exercise significant influence over us. The interests of our Single Largest Group of Shareholders may not align with that of our other Shareholders.

Immediately upon the completion of the [**REDACTED**], without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Single Largest Group of Shareholders will control approximately [**REDACTED**]% of the voting power at our Shareholders' meetings. Our Single Largest Group of Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Single Largest Group of Shareholders may not act in the best interests of our minority Shareholders. In addition, without the approval of our Single Largest Group of Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Certain facts, forecasts and other statistics in this Document are derived from various publicly available official sources and independent third-party sources, including the industry expert reports.

Certain facts, forecast and other statistics in this Document are derived from various official government 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. However, such information has not been independently verified by us, any of the Sole Sponsor, [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of their respective directors and advisers, or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. Further, we cannot assure our [**REDACTED**] 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 [**REDACTED**] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to ourselves on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to our H Shares. Such information does not and will not form a part of this Document. As a result, prospective [**REDACTED**] in our H Shares are reminded that, in making their [**REDACTED**] 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 should read the entire Document carefully, and we caution you to not rely on any information contained in press articles or other media regarding us or the [REDACTED].

There may have been, prior to the publication of this Document, and there may be, subsequent to the date of this Document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**]. We have not authorized the disclosure of any information concerning the [**REDACTED**] in the press or media. None of us, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of their respective directors, officers, representatives and advisers, or any other persons or parties involved in the [**REDACTED**] accepts any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. You should rely solely upon the information contained in this Document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding our H Shares. 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**].