RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to [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, results of operations and growth prospects. In any such an event, the market price of our H Shares could decline, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.

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 RELATED TO OUR INDUSTRY AND BUSINESS

The solid-state battery industry is an emerging technology sector and an early-stage market, and uncertainties in its development and commercialization, particularly in the electric vehicle and energy storage segments, could materially affect its growth and stability.

The solid-state battery industry is an emerging technology sector and remains at an early stage of technological development and large-scale commercialization, particularly in the power and energy storage segments. As a result, its growth and stability are subject to significant uncertainties. Industry development depends on overcoming fundamental technical and engineering challenges. Compared with conventional lithium-ion batteries, solid-state batteries rely on new electrolyte systems, material interfaces and manufacturing processes that have not yet been fully validated at scale. Issues such as ionic conductivity, interfacial stability, dendrite suppression, cycle life, safety, reliability and consistency in large-format cells remain under active development. There can be no assurance that these challenges will be resolved within expected timeframes or that current technical routes will prove suitable for mass commercialization. In addition, commercialization timelines, particularly for high-capacity power and long-duration energy storage products, remain uncertain, as the transition from pilot validation to high-yield mass production involves risks such as low initial yields, process instability, equipment constraints and higher-than-expected costs. Delays in achieving cost-effective scale could slow customer adoption and overall market growth.

Industry growth also depends on external market and regulatory conditions. Demand for solid-state batteries is influenced by downstream EV and ESS markets, which in turn are affected by policy support, electricity markets, macroeconomic conditions and customer cost considerations. Slower EV penetration or energy storage deployment, or continued preference for alternative technologies, could limit market uptake. At the same time, the industry is highly competitive and capital-intensive, and established battery manufacturers, automotive OEMs and other participants may have greater financial and technical resources. Competing technologies may achieve comparable performance at lower cost or with faster commercialization. Regulatory and standard-setting frameworks are also evolving, and more stringent requirements could increase compliance costs or delay adoption. In addition, volatility in capital markets and fluctuations in raw material supply and pricing may adversely affect industry development. Given its nascent and rapidly evolving nature, the solid-state battery industry may experience uneven growth, and if technological progress, regulatory conditions, competitive dynamics, downstream demand or capital availability develop unfavorably, the overall prospects of the industry could be materially and adversely affected.

Our historical results may not be indicative of our future performance, and we may not be successful in expanding our operations or managing our growth.

We have experienced rapid revenue growth, generating RMB248.2 million, RMB405.3 million and RMB943.0 million in 2023, 2024 and 2025, respectively. However, we cannot assure that we will sustain historical growth rates. As a rapidly growing company operating in an evolving industry, we may face operational, financial and managerial challenges, and our forecasts may be less predictable than those of more mature businesses.

Our future performance depends on our ability to manage growth effectively and execute our strategies, including expanding operations, increasing market penetration and developing new products. Growth may place significant demands on our resources and require stable production capacity and reliable product delivery. Expansion efforts may be more costly than expected, and revenue growth may not offset rising expenses. We may incur losses due to execution risks, unforeseen costs or delays. If we fail to achieve operational efficiency and sustainable profitability, our business, [REDACTED] confidence and the market price of our H Shares could be adversely affected.

We have incurred gross losses and net losses during the Track Record Period and may continue to incur gross losses and net losses in the future, and we may not be able to achieve or maintain profitability.

During the Track Record Period, we recorded gross losses of RMB59.0 million, RMB96.3 million and RMB250.3 million in 2023, 2024 and 2025, respectively. These losses were primarily attributable to the early stage of commercialization, significant upfront investments in production capacity, technology and talent, and operating expenses incurred prior to achieving economies of scale. During the Track Record Period, we recorded net losses of RMB853.0 million, RMB999.1 million and RMB1,302.3 million in 2023, 2024 and 2025, respectively. These losses were primarily attributable to we recorded the finance costs on redemption liabilities of RMB570.3 million in 2023, RMB497.7 million in 2024 and RMB533.7 million in 2025, respectively.

Our ability to reduce gross losses and eventually achieve positive gross margins will depend on, among other things, further commercialization of our products, improved capacity utilization, greater economies of scale, effective cost control and continued reductions in unit production costs. At the same time, our ability to reduce net losses and achieve overall profitability will depend not only on improvements in our gross margin and operating leverage, but also on the extent of finance costs and other non-operating items affecting our results. As we continue to expand capacity, broaden our product offerings, invest in research and development, and strengthen our technological capabilities and market presence, our costs and expenses may remain high, and our revenue growth may not be sufficient to offset such costs and expenses in the near term. There can be no assurance that we will be able to reduce our gross losses or net losses, achieve profitability or maintain profitability in the future, and any continued gross losses or net losses may materially and adversely affect our business, financial condition, results of operations and prospects.

We have incurred net operating cash outflows and net current liabilities during the Track Record Period and may continue to experience negative operating cash flows and net current liabilities in the future.

In 2023, 2024 and 2025, our net cash used in operating activities amounted to RMB542.3 million, RMB466.4 million and RMB529.9 million, respectively. Our ability to improve our cash flow position depends on a number of factors beyond our control, including the pace of growth in customer demand, our ability to collect receivables in a timely manner, and the terms on which we procure raw materials and others from suppliers. There can be no assurance that our operating cash flows will turn positive within any anticipated timeframe, or at all.

We recorded net current liabilities of RMB3,552.9 million, RMB5,694.4 million and RMB6,418.4 million as of December 31, 2023, 2024 and 2025, respectively. We expect to achieve a net assets position upon the [REDACTED], as the preferred shares will be reclassified from redemption liabilities to equity as a result of the automatic conversion into ordinary shares. Our total deficit position exposes us to liquidity risk. We may have a total deficit position in the near future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations and financial condition.

Our business is exposed to the supply-demand dynamics in the solid-liquid hybrid and all-solid-state battery industry; any adverse development of the supply-demand dynamics may materially and adversely affect the price of our products, our financial condition and results of operations.

Our results of operations have been, and are expected to continue to be, affected by downstream demand from both the EV and ESS markets. Demand from these end markets is influenced by a range of factors, including government policies and regulatory frameworks supporting the development of new energy, electrification and energy storage industries, the pace of EV adoption and energy transition, grid investment, customer cost considerations, and the availability and continuity of government incentives and subsidies across the industry value chain. If demand growth in either the EV market or the ESS market falls short of expectations, or if customers continue to prefer competing technologies or alternative battery solutions, demand for our products may be adversely affected.

In addition to downstream demand, our business is also significantly affected by the supply and pricing of key raw materials used in the production of our products. During the Track Record Period, our cost of raw materials accounted for a substantial portion of our cost of sales. Fluctuations in the prices of raw materials, particularly any sustained increases, may lead to significant increases in our production costs. If we are unable to pass on such cost increases to our customers in a timely manner, our gross profit margin may be adversely affected. In particular, during the Track Record Period, we recorded gross loss which was partly attributable to the relatively high costs of raw materials and other production inputs during the early stage of our commercialization.

There is no assurance that the downstream demand for our products will remain at the same level as we experienced during the Track Record Period which drove our revenue increase, or continue to increase in the future. If future market demand for our products is materially adversely different from forecast, our business growth may also be limited, and our results of operations and financial condition may be materially adversely impacted.

If we are unable to retain existing customers and attract new customers, or if our connected party transactions do not continue on favorable terms, our business, financial conditions and results of operations could be materially and adversely affected.

There is no assurance that we will be able to retain existing customers in each year or attract new customers at levels comparable to the Track Record Period. If our products fail to meet market requirements, our pricing becomes uncompetitive, or other adverse factors arise, our business, financial condition and results of operations may be materially and adversely affected.

Our reliance on these major customers subjects us to the concentration and counterparty risk from these customer. We cannot assure you that we will be able to maintain relationships with our major customers in the future. During the Track Record Period, revenue from our five largest customers in each year amounted to RMB108.3 million, RMB153.7 million and RMB706.2 million, respectively, representing 43.6%, 37.9% and 74.9% of total revenue for the respective years, respectively. Revenue from our largest customer in each year accounted for RMB75.4 million, RMB61.4 million and RMB394.6 million, respectively, representing 30.4%, 15.1% and 41.8% of total revenue for the respective years, respectively. See "Business — Sales, Marketing and Customers — Our Customers." Accordingly, our results are sensitive to changes in the purchasing patterns, financial condition and business strategies of these key customers. If any major customer reduces, delays or terminates orders due to procurement adjustments, supplier diversification, project changes or financial difficulties, and we are unable to offset such reduction through other sales, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We expect that connected party transactions will account for a significant portion of our revenue following the [REDACTED]. See "Connected Transactions" for further details. There can be no assurance that we will be able to maintain or grow the volume of business conducted with our connected parties, that such parties will not adjust their procurement strategies or shift volume away from us, or that the pricing and commercial terms applicable to such transactions will remain favorable to us. Any reduction in, or deterioration of the terms applicable to, our connected party transactions could have a material adverse effect on our business, financial condition, results of operations and prospects.

If we fail to compete effectively with our competitors, our business, results of operations and financial condition may be materially and adversely affected.

The global solid-liquid hybrid battery and all-solid-state battery market is highly competitive and concentrated, and competition is expected to intensify. Established battery manufacturers and emerging developers may seek to expand market share through continued R&D, capacity expansion, process optimization and aggressive marketing, and some competitors may have substantially greater financial and industrial resources. As we expand into new applications, regions and product categories, we will face competition from both solid-state developers and conventional lithium-ion manufacturers pursuing solid- or semi-solid technologies, as well as new entrants. Competitive pressures may adversely affect product pricing, gross margins, customer allocations and our ability to secure nominations, long-term supply agreements and volume orders, even if overall market demand grows.

Competition also depends on the timely development and commercialization of new technologies. Battery development involves complex and lengthy processes, including materials research, cell design, pilot production, validation, customer qualification and mass production. Technical, cost, yield and certification challenges may arise at each stage. Any delay or failure in product development, funding, scale-up or market acceptance could weaken our competitive position, render products less competitive or obsolete, and limit returns on our R&D and capital investments, which could materially and adversely affect our business, financial condition, results of operations and growth prospects.

Our research and development activities involve significant uncertainty, and we may not realize the expected technological, commercial or financial benefits from these efforts, which could adversely affect our competitiveness and profitability.

Technological innovation is critical to our competitiveness, and we invest significantly in R&D. In 2023, 2024 and 2025, our research and development expenses were RMB142.0 million, RMB295.6 million and RMB376.9 million, respectively. See "Financial Information — Description of Key Components of Consolidated Statements of Profit or Loss — Research and Development Expenses." We expect to continue allocating substantial resources to R&D. However, R&D is inherently uncertain, and projects may not be completed on schedule or within budget, or may fail to achieve expected performance, market acceptance or profitability. Failure to keep pace with technological advances and industry trends could weaken our competitive position. In addition, competitors may develop similar or superior products at lower cost. Given uncertainties in development cycles and market windows, we may need to discontinue products that become commercially unviable after significant investment. If our R&D efforts do not generate anticipated returns, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may fail to keep up with rapid technological changes and evolving industry standards, the effects of which cannot be accurately predicted nor fully mitigated, which could render our products in production or under research and development and our production facilities uncompetitive or obsolete, and the demand for our products may decrease as a result.

The markets in which we operate are subject to rapid technological change and evolving standards. New technologies and product introductions may render our products under production or development less competitive or obsolete. The technological pathway for all-solid-state batteries has not been fully validated, and the relevant technologies are subject to material uncertainties in terms of material systems, manufacturing processes, product consistency, large-scale production and commercial application. If we fail to achieve the relevant technological breakthroughs, or if the research and development and industrialization progress of such technologies falls short of expectations, our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, numerous companies and research institutions are developing energy storage technologies that may compete with our solid-state battery products. If competitors commercialize technologies with superior performance, safety, cost efficiency or scalability and we fail to respond in a timely manner, our technological advantages and market position could be eroded. Although we focus our R&D on advancing solid-state battery materials and structures, we cannot assure that our technology roadmap will remain aligned with future trends or market demand. Alternative battery or energy storage technologies may achieve broader adoption due to superior or lower-cost performance, which could reduce demand for our products and materially and adversely affect our business, financial condition, results of operations and growth prospects.

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 capacity in a timely manner or at all as envisaged.

We plan to expand our production capacity to meet expected customer demand. Such expansion will require substantial management attention and financial resources, increase overhead and operational complexity, and subject us to budgeting, financing and process control risks. It also requires various governmental approvals, permits and inspections, and we cannot assure timely completion or implementation of our expansion plans. Any delay or failure in obtaining required approvals or completing inspections may materially delay or cancel our expansion and adversely affect our business, financial condition and results of operations.

Our capacity expansion plans are premised on assumptions regarding future customer demand that may not materialize. During the Track Record Period, our capacity utilization rates were relatively modest, reflecting the early-stage commercialization of our products and the time required for customers to complete qualification and validation processes. There can be no assurance that demand will grow at the pace we anticipate, or that new capacity, once commissioned, will be utilized at levels sufficient to achieve our targeted production economics. Underutilized production bases could result in elevated fixed cost absorption and impairment of capital expenditure already incurred. Even if capacity is expanded as planned, we may be unable to increase production volume in a timely manner or achieve expected cost reductions due to supplier or equipment delays, cost overruns, regulatory approvals, production line configuration challenges, equipment performance issues or diversion of management resources. Our manufacturing and testing processes are complex, and changes or new product introductions may result in production errors, temporary suspensions or delays. The manufacturing processes for our battery products involve demanding materials and process controls, and our ability to scale these processes without compromising product quality or yield rates remains subject to meaningful execution risk. Failure to maintain effective quality control could lead to product failures, customer loss, higher costs or warranty exposure.

If we cannot scale production as expected, we may be unable to fulfill customer orders or achieve anticipated growth, which could harm our reputation and materially and adversely affect our business, financial condition and results of operations.

We may face failure or delays in the design, manufacture and launch of our new products.

The development and launch of new products involve complex efforts and there may be uncertainties at various stages before a product is launched, which may be attributable to factors beyond our control. Any delay in the design, production and eventually the launch of our new products could materially damage our brand, business, prospects, financial condition and results of operations. To the extent that we delay the launch of our new products, our growth prospects could be adversely affected as we may fail to grow our market share, keep up with competing products or satisfy customers' demands or needs. Due to the uncertainty in the market window for the new products, any delay in launch of new products may result in the obsolescence of such products and our investments in developing such products may become sunk costs, which will materially and adversely affect our business, results of operations and financial condition.

We rely on demand from our customer and third-party suppliers for key raw materials and components, and any disruption in supply or significant increases in raw material prices may materially and adversely affect our business.

Demand for our products is driven by our customers' end markets and projects. Our customers typically procure our products for use in electric vehicles, energy storage systems and related applications. Accordingly, demand for our products depends on the development of downstream end markets, including the pace of deployment of energy storage projects and investments in related infrastructure.

Any slowdown in downstream markets, project delay, reduced capital expenditure, or lower system utilization by our customers may reduce their procurement of our products. In addition, demand from our customers may fluctuate due to various factors beyond our control, including changes in government policies and regulatory frameworks supporting the development of new energy and energy storage industries, adjustments to subsidies or incentives, changes in electricity demand, or broader macroeconomic conditions. If our customers reduce or delay their procurement of our products for any reason, our production capacity may become underutilized, and our revenue and operating efficiency may be adversely affected. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We rely on third-party suppliers for key raw materials and components, primarily cathode materials, anode materials, separators and electrolytes, which are essential to the production of our products. We cannot assure that such raw materials will be available in sufficient quantities, in a timely manner, or at commercially reasonable prices. The prices and supply of these raw materials may fluctuate significantly due to factors beyond our control, including changes in market supply and demand, resource availability, geopolitical developments, logistics disruptions, and changes in environmental or regulatory requirements affecting upstream industries. If our suppliers fail to meet our quality, quantity or delivery requirements, we may need to source alternative suppliers, internalize certain production processes or redesign our products. Any such adjustments may increase our procurement or production costs, disrupt our manufacturing schedules, or delay product deliveries. In addition, significant increases in raw material prices may increase our cost of sales. If we are unable to pass on such cost increases to our customers in a timely manner, our gross profit margin and profitability may be adversely affected. As a result, our manufacturing operations, delivery capability, and customer relationships may be negatively impacted, which could expose us to potential liabilities, reputational harm and other operational risks, and materially and adversely affect our business, financial condition and results of operations.

Potential unsatisfactory performance of or defects in our products may cause us to incur significant additional expenses and costs, result in product recalls, tarnish our reputation, expose us to product liability claims and cause our sales and market share to decline.

Our products are subject to quality and performance requirements, and any failure to meet such requirements could expose us to significant risks. Our sales arrangements generally provide for customer inspection upon delivery, and we offer warranties for our products based on specified charge cycles or periods of use, under which we are obligated, subject to applicable terms and conditions, to repair, maintain or replace products that are found to have quality issues. As a result, if we experience an increase in product returns, warranty claims or other quality-related issues, we may incur substantial costs for repair, replacement and related services.

If we experience a significant increase in product return incidents and/or warranty claims, we may incur significant repair and replacement costs associated with such claims. In addition, our failure to maintain the consistency and quality throughout our production process could result in substandard quality or performance of our products. If we deliver our products with defects, or if there is a perception that our products are of substandard quality, we may incur substantially increased costs associated with returns or replacements of our products, our credibility and market reputation could be harmed, and our sales and market share may be materially adversely affected. This could have a material adverse effect on our business, financial condition and results of operations.

Designing, manufacturing and selling safe and reliable products is critical to our business. Defective products may expose us to product liability claims, recalls or redesign efforts, which can be costly and time-consuming. A successful claim could result in substantial damages, and even unsuccessful claims may involve significant defense costs and adverse publicity, harming the marketability of our products and our reputation. We cannot assure that product liability claims will not arise in the future. In addition, we may not be fully indemnified for liabilities arising from defective components supplied by third parties or faulty assembly by integrators.

Our ability to mitigate such risks depends in part on the availability and adequacy of insurance and other risk management arrangements. There can be no assurance that coverage will be maintained on commercially reasonable terms or be sufficient to cover all potential claims or recalls. To the extent liabilities exceed available protection, we may be required to bear such costs, which could materially and adversely affect our business, financial condition and results of operations.

We may be exposed to risks related to litigation and administrative proceedings that could materially and adversely affect our business, financial condition, and results of operations.

We may be subject to claims and various legal and administrative proceedings, and, as a result, penalties and new claims may arise in the future. In addition, agreements we entered into sometimes include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party. Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time-consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or further licensing agreements or other arrangements to settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

Legal or administrative proceedings and claims may arise in the future and the current legal or administrative proceedings and claims we face are subject to inherent uncertainties. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and operating results. For details regarding our legal proceedings and compliance matters, see "Business — Compliance and Legal Proceedings."

The success of our business depends on our ability to attract and retain senior management, highly skilled employees and key personnel.

Our success depends on our highly skilled employees, particularly our R&D team, senior management and other key personnel. If we are unable to retain or replace them in a timely manner, our business and results of operations could be materially and adversely affected. Intense competition for talent may require us to offer higher compensation, and our ability to recruit, train and integrate new employees may not keep pace with our growth. Departing personnel may disclose commercially sensitive information, join competitors or form competing businesses, potentially weakening our technological advantages and customer relationships. In addition, we cannot assure you that agreements with key personnel would be enforceable in relevant jurisdictions.

Our patent applications may not be issued as patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting solutions similar to ours.

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application covering the same subject matter as we have developed, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results. Also, the costs associated with enforcing patents, confidentiality and invention agreements, or other intellectual property rights may make aggressive enforcement impracticable.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our solutions.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

Even if patent applications that we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

We may be subject to intellectual property infringement claims or other allegations, which could expose us to substantial liability for intellectual property infringement and other losses.

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 or other intellectual property rights held by third parties. We may from time to time be subject to proceedings and claims relating to intellectual property rights in the future. We cannot assure you that holders of patents and other intellectual properties purportedly relating to some aspect of our technology infrastructure or business, if any such holders exist, would not seek to enforce such patents and other intellectual properties against us in China or any other jurisdictions. 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 we may incur licensing fees or be forced to develop alternatives of our own. Defending against such infringement or licensing allegations and claims is relatively costly and time consuming and may divert management's time and other resources from our business and operations. 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 and results of operations could be materially and adversely affected.

We may be subject to risks associated with international trade policies, geopolitics tensions and trade protection measures, including imposition of trade restrictions, export control, and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.

We are exposed to risks arising from international trade policies, geopolitical tensions and trade protection measures, including tariffs, export controls, and sanctions. Our operations are increasingly affected by deteriorating relations between major economies. As a China-based enterprise engaged in the research, development, manufacturing and commercialization of solid-state lithium batteries, including EV batteries and ESS batteries, as well as related specialty materials, manufacturing equipment and other supporting industries, our business may be affected by worsening relations among major economies, particularly between China and the United States, and by regulatory actions targeting strategic and advanced manufacturing sectors.

For example, the Office of the United States Trade Representative has determined to increase tariffs on certain Chinese-origin battery-related products, including lithium-ion batteries, certain battery parts and natural graphite, and trade measures in this area continue to be subject to further review and proceedings. To the extent we pursue international expansion, our products, components or supply chain inputs could be directly or indirectly affected by such measures, and our costs, competitiveness, delivery schedules and business relationships could be adversely affected. The U.S. government has also imposed economic sanctions and regulatory measures affecting China-based technology companies and may introduce additional export controls or other restrictions. These rules are subject to frequent change and uncertain interpretation, particularly where national security considerations are involved.

In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce. The EAR includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the "**Entity List**"). Where a foreign person is included on the Entity List, the export, re-export and/or transfer (in-country) of items which are controlled under the EAR generally is prohibited unless the specified license requirements are met. If certain of our customers and suppliers are listed on the Entity List and subject to restrictions on sourcing or selling technologies, software, or solutions from/to us, there is no guarantee that we will be able to obtain as well as extend and maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers, or that such permits will cover all our existing and potential transactions with such customers and suppliers. As such, our business relationships with such customers and suppliers may be affected.

If we, or our directors, officers, employees, agents, customers, suppliers or other business partners, are found to have violated applicable trade, export control or sanctions laws, or if regulators determine that our products, technology, transactions or counterparties are subject to heightened restrictions, we could become subject to investigations, administrative actions, penalties, supply disruptions, contractual disputes, reputational harm and other adverse consequences. Any of the foregoing could materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

We cannot be certain what additional export control actions the U.S. government may take that could impact our products, suppliers or customers. The U.S. government could further expand the scope of items subject to the EAR in a manner that captures our solutions. Additional actions could also take the form of additional designations on the Entity List, which could make our solutions subject to the EAR for certain transactions if involving those parties. Furthermore, other countries may continue to adopt similar export controls that could impact our products and operations. The aforementioned restrictions, and similar or more expansive restrictions or sanctions, including sanctions currently imposed or may be imposed in the future by the U.S. Department of Treasury's Office of Foreign Assets Control or other relevant authorities in other jurisdictions, may materially and adversely affect our customers' and suppliers' ability to acquire or use technologies, systems, software, devices or components that may be critical to their products, service offerings and business operations, which in turn may adversely affect our business, results of operations and financial condition.

U.S. persons purchasing our Shares in the [REDACTED] may be required to file notifications with the Treasury under the U.S. government's new China-focused Outbound Investment Program, and we could be negatively impacted by possible changes to this program; these requirements and possible changes to the program may adversely affect our business, financial condition, results of operations, and the value of our Shares.

On August 9, 2023, Executive Order 14105 (Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern) was issued and the U.S. Department of the Treasury ("**Treasury**") published an advanced notice of proposed rulemaking (the "**ANPRM**") providing a conceptual framework for outbound investment controls focused on China, including the Special Administrative Regions ("**SAR**") of Hong Kong and Macau. On June 21, 2024, Treasury issued a proposed rule for such outbound investment controls. On October 28, 2024, Treasury issued a final rule (the "**Final Rule**"; and such program as in effect on the date hereof pursuant to the Final Rule, the "**OIP**") setting forth the OIP regulations that implement the executive order of August 9, 2023. The Final Rule took effect on January 2, 2025.

Under the Final Rule, a Covered Transaction (as defined in the Final Rule) may be a Prohibited Transaction which is outright prohibited or a Notifiable Transaction that is subject to notification requirements. In addition, certain transactions that would have been considered prohibited or notifiable transactions may be exempted from the prohibition or notification requirements and may be considered an Excepted Transaction under the Final Rule if certain conditions are met.

We do not believe we are a Covered Foreign Person under the Final Rule, because we do not currently engage in a Covered Activity or otherwise meet the definition of a Covered Foreign Person. However, there is no assurance that the U.S. Department of the Treasury will take the same view as ours. As our business continues to evolve, we may, in the future, be deemed a Covered Foreign Person engaged in activities described in the definition of Notifiable Transaction under the OIP. Certain U.S. person transactions with Covered Foreign Persons that meet the criteria described in the "Notifiable Transaction" definition under the OIP are covered by the OIP's U.S. person notification requirements unless an exception is available. U.S. persons' or their non-U.S. person subsidiaries' purchase of certain publicly traded securities may be eligible for the Publicly Traded Securities Exception (provided such U.S. persons or their non-U.S. person subsidiaries are not afforded rights beyond standard minority shareholder protections with respect to the Company), it appears unlikely that U.S. persons' or their non-U.S. person subsidiaries' purchase of our Shares to be issued in the [REDACTED] would be eligible for the Publicly Traded Securities Exception. If the Publicly Traded Securities Exception is unavailable for U.S. persons that either purchase our Shares in the [REDACTED] or are the parent of a non-U.S. person that purchases our Shares in the [REDACTED], such U.S. persons may be required to file a notification regarding such purchases with Treasury no later than 30 days after the relevant purchase. It would be U.S. persons, but not their non-U.S. persons subsidiaries, whose reliance would be at issue because the OIP applies to the actions of U.S. persons. [REDACTED], including those that are U.S. persons or are subsidiaries of U.S. persons, should consult their legal counsel regarding the applicability of the Publicly Traded Securities Exception to the [REDACTED], notification obligations, if any, applicable to them under the OIP, and the procedures for filing such notifications.

Failing to comply with the OIP notification requirements or failing to provide accurate and complete information in a filing under the OIP may subject the relevant U.S. persons to civil penalties including fines of up to the greater of two times the transaction value or US$377,700 (as such amount may be adjusted for inflation), and — for willful violations — criminal penalties of fines of up to US$1 million and imprisonment of up to 20 years. No publicly available precedent exists for application of the OIP regulations by Treasury or any court or other regulatory, judicial or other legal authority to specific transactions. In addition, the OIP may be changed by executive actions of the U.S. government, including changes to the scope of activities and technologies applicable to notifiable or prohibited transactions or the scope and availability of exceptions to the OIP's prohibitions or notification requirements. Specifically, on January 20, 2025, the U.S. government issued a national security presidential memorandum, entitled "America First Trade Policy," which, among other things, directs the Secretary of the Treasury and several other executive departments and offices of the U.S. government to review the OIP to determine if it includes "sufficient controls to address national security threats" and to determine whether the executive order implementing the OIP "should be modified or rescinded and replaced." In addition, on February 21, 2025, the U.S. government issued a national security presidential memorandum entitled "America First Investment Policy" which, among other things, states that the U.S. government will consider possible application of the OIP to a wider range of technology sectors, including biotechnology, hypersonics, aerospace, advanced manufacturing, directed energy, and other areas "implicated by the PRC's national Military-Civil Fusion strategy" and application of restrictions to a wider range of investments, including publicly traded securities.

On April 3, 2025, the Trump Administration stated that it plans to evaluate whether the scope of outbound investment restrictions should be expanded "to be responsive to developments in technology and the strategies of countries of concern." Additionally, The Comprehensive Outbound Investment National Security Act of 2025 (COINS Act), included in the Fiscal Year 2026 National Defense Authorization Act signed on December 18, 2025, broadened the scope of the OIP and authorized Treasury to promulgate implementing regulations within 450 days. As such, additional possible changes to the OIP could limit or, in the worst-case scenario, eliminate our ability to raise capital or contingent equity capital (such as convertible bonds) from U.S. [REDACTED] in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. In addition, changes to the Publicly Traded Securities Exception or other aspects of the OIP could prohibit the purchase or trading of our Shares by U.S. persons, impose new notification or other regulatory requirements, or make our Shares less attractive to such [REDACTED]. In such cases, the value of our Shares may significantly decline, or in extreme cases, become worthless, and our liquidity may be materially and adversely affected.

Our manufacturing operations are subject to liabilities, delays and disruption in operations in connection with accidents that occur during the manufacturing process at our production facilities and natural disasters, extreme weather conditions, health epidemics and other catastrophic events.

Our manufacturing operations involve heavy equipment and the use of certain regulated materials and production inputs. Despite internal safety policies and training, we cannot assure full compliance or prevention of workplace accidents. Any significant incident could disrupt production, damage facilities, harm employee morale and reputation, and expose us to injury claims, property damage, fines, compensation and remediation costs. Our insurance coverage may not fully cover such losses.

In addition, our facilities and operations may be affected by events beyond our control, including natural disasters, extreme weather, war, epidemics or other catastrophic events. Such events may cause production interruptions, system failures or data loss, and materially and adversely affect our business, financial condition and results of operations.

Our products and solutions rely on complex software and hardware. Any undetected errors, vulnerabilities, or failure to mitigate cybersecurity risks could adversely affect our business.

Our products and solutions are complex and require ongoing upgrades. Such hardware and software may contain undetected defects, errors, or vulnerabilities. These issues may only be discovered after use, and our attempts to remedy them may be delayed or fail to satisfy customers. Furthermore, our systems face cybersecurity risks, including unauthorized access, data misappropriation, or service interruptions. Our measures may not detect or prevent all threats, such as malicious software or phishing attacks. Any failure to prevent or effectively remedy these defects or security breaches could result in reputational damage, loss of customers and revenue, or legal liabilities, which may adversely affect our business and results of operations.

We rely on third parties for utilities, services and components.

We depend on third-party providers for utilities, warehousing, logistics and other services. If they fail to provide timely, compliant or satisfactory services, materially increase prices or terminate their relationships with us, we may incur higher costs, operational disruption and reputational harm. As we do not control these providers, their non-compliance with applicable laws or failure to meet our or our customers' requirements could adversely affect our reputation and materially and adversely affect our business, financial condition and results of operations.

In addition, quality defects or delivery delays may not be identified until after shipment and installation, and we may have limited recourse against suppliers for resulting warranty claims. Any failure of such components to meet our specifications or delivery schedules could harm our business, reputation and results of operations.

Our insurance coverage may not be sufficient to cover losses and liabilities arising from various operational risks and hazards.

Our operations involve hazardous materials and may result in fires, explosions, spills or other accidents causing injury, property or environmental damage and business interruption. Our insurance coverage is limited and may not cover all losses or liabilities arising from such incidents, including product liability claims. To the extent losses exceed coverage or fall outside policy scope, we may bear substantial costs, which could materially and adversely affect our business, financial condition and results of operations.

We are also exposed to product liability risks if the use of our products results in injury, and we may lack sufficient resources to satisfy significant judgments. In addition, our production bases may be disrupted by operating hazards, power failures, equipment breakdowns or natural disasters, and any significant interruption could materially and adversely affect our results of operations.

If we fail to maintain optimal inventory levels and manage our inventory effectively, our inventory holding costs could increase and cause us to lose sales.

To meet production needs and delivery schedules, we maintain inventory based on expected orders, demand forecasts and raw material price trends. As of December 31, 2023, 2024 and 2025, we had inventories of RMB270.5 million, RMB361.6 million and RMB570.5 million, respectively, and we recorded provision for impairment of RMB78.0 million, RMB152.9 million and RMB258.3 million as of the same dates.

Demand forecasts are inherently uncertain, and fluctuations between order placement and delivery may result in excess or obsolete inventory, or shortages. Inaccurate inventory planning could lead to write-downs, production delays and reputational harm, which may materially and adversely affect our business and results of operations.

We may fail to recover our trade receivables in a timely manner, which may affect our financial condition and results of operations.

As of December 31, 2023, 2024 and 2025, our trade receivables, net of impairment allowance, amounted to RMB226.0 million, RMB323.2 million and RMB407.6 million, respectively, with turnover days of 378, 247 and 141 days. We recorded allowance for credit losses of RMB120.5 million, RMB140.5 million and RMB173.8 million as of the same dates. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Positions — Trade and Bill Receivables."

We cannot assure that we will maintain trade receivables turnover at reasonable levels. If our customers' creditworthiness, business operations or financial condition deteriorate, or if customers delay or fail to settle amounts due, we may incur additional impairment losses and experience liquidity pressure. Any material delay or default in payment could adversely affect our financial condition and results of operations.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

Our contract liabilities comprise advances received from our customers to deliver products. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB66.9 million, RMB69.9 million and RMB46.6 million, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Positions — Contract Liabilities." Our recognition of contract liabilities as revenue is subject to future performance of contract obligations and may not be representative of revenue for future periods. The continued operation of our production facilities may be substantially interrupted and materially and adversely affected due to a number of factors, many of which may be beyond our control. As a result of disruption to any of our production facility or any problems in manufacturing our products, we may fail to fulfill our contract obligations or meet market demand for our products, and our results of operations, liquidity and financial position could be adversely affected.

To the extent we grant share-based awards, it may further increase our share-based payments expenses, adversely affect our financial performance, and dilute existing Shareholders' stake.

In recognition of the contributions of our employees and to incentivize them to further promote our development, we have granted share-based awards to our employees. In 2023, 2024 and 2025, we incurred share-based payments of RMB5.2 million, RMB5.4 million and nil, respectively. To further incentivize our Directors, senior management, key technicians and key employees, we may grant additional share-based awards in the future which may dilute the shareholding percentage of our existing Shareholders. Share-based payments in relation to the granting of share-based awards may also increase our expenses and therefore have a material and adverse effect on our financial performance.

The reduction, modification, delay or elimination of government subsidies, and other economic incentives may materially and adversely affect our business and financial results.

We recorded other income from government grants of RMB30.8 million, RMB34.1 million and RMB142.9 million in 2023, 2024 and 2025, respectively. See "Financial Information — Description of Key Components of Consolidated Statements of Profit or Loss — Other Income." Our business benefits from government policies and incentive programs that support the development of the new energy and energy storage industries. However, such programs are subject to change and may be reduced, modified or discontinued at any time due to budgetary constraints, shifts in policy priorities or other economic or political considerations. We cannot assure you that we will continue to receive government grants in the future or that any grants we may receive will be at levels comparable to those received during the Track Record Period. Any reduction in, delay in, or elimination of government grants could adversely affect our results of operations and financial condition.

Our operations are subject to and may be affected by changes in tax laws and regulations in jurisdictions in which we operate.

Our operations are subject to applicable tax laws and regulations, including potential changes in tax rules, policies, or enforcement practices, as well as the imposition of additional taxes, surcharges or penalties. Evolving tax regimes may affect our effective tax rate, transfer pricing arrangements or expose us to additional liabilities. We cannot assure that our interpretations or practices will not be challenged by tax authorities, which could result in additional taxes, interest or penalties.

Tax authorities may scrutinize our related-party transactions and challenge the pricing or commercial rationale of such transactions. Any adverse determination may result in additional tax liabilities, surcharges, fines or other penalties, which could materially and adversely affect our financial condition, results of operations and prospects.

If we are unable to fully recover our contract assets, our liquidity and financial position may be adversely affected.

During the Track Record Period, we recorded contract assets from the sales of products, the receipt of the consideration of which is conditional. Contract assets will be transferred to receivables upon the expiration of warranty period when we have unconditional right to receive consideration from the customers. As of December 31, 2023, 2024 and 2025, we had contract assets of RMB5.0 million, RMB9.1 million and RMB55.8 million, respectively. We cannot assure you that the financial position of our customers will remain solvent or that we will be able to recover our contract assets in full or at all in the future. If we are unable to recover our contract assets, our liquidity and financial position may be materially and adversely affected, in particular as we have already incurred costs and expenses when conducting preliminary research and development for products and producing such products.

Dependence on bank financing exposes us to short-term funding risks.

Our operations require substantial working capital. In addition to internally generated cash flow, we may use bank borrowings, letters of credit and bills payable to fund manufacturing and other operating needs. Changes in government policies relating to the solid-liquid hybrid battery and all-solid-state industry may affect commercial banks' lending practices. If banks tighten credit conditions, reduce exposure to the industry, or decline to renew or extend our existing facilities, we may be unable to refinance short-term borrowings or obtain additional funding on acceptable terms, or at all. Any limitation on our access to bank financing could constrain our liquidity and materially and adversely affect our operations.

RISKS RELATED TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in economic, political or social conditions could have a material adverse effect on our business and results of operations.

Our results of operations, financial condition and prospects are substantially affected by economic, political, and social conditions. In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the new energy industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the world.

If we fail to obtain and maintain the requisite licenses, permits, registrations and filings applicable to our business according to evolving legal requirements, our business, results of operations, financial condition and prospects may be adversely affected.

Under PRC laws and regulations, we are required to obtain and maintain various licenses, approvals, registrations and filings for our operations. As we expand and adjust our business activities, we may become subject to additional regulatory requirements. If we fail to obtain, renew or maintain such approvals in a timely manner, we may face administrative penalties, operational disruption or restrictions on business expansion. In addition, evolving laws and regulatory interpretations may render our existing licenses or filings insufficient, potentially subjecting us to fines or other regulatory actions. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and prospects.

Regulatory requirements regarding data protection and information security are constantly evolving, the changes of which or any data protection and information security incidents may have a material and adverse effect on our business and results of operations.

We are subject to data protection and cybersecurity laws in the jurisdictions in which we operate, governing the collection, storage, use, processing, transmission and transfer of personal information and other data. Any improper handling of data or security incident, including unauthorized access by third parties, could result in reputational harm, regulatory investigations, civil claims and significant legal, financial or operational consequences. However, regulatory requirements and their interpretation continue to evolve. If we fail, or are alleged to have failed, to comply with applicable data protection laws or to address privacy concerns, we may be subject to penalties, litigation or business disruption, which could materially and adversely affect our reputation, results of operations and business prospects.

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

Under current PRC tax laws, non-PRC resident individuals and enterprises are subject to PRC tax on dividends paid by us and potentially on gains from the sale or other disposition of H Shares.

Non-PRC resident individual holders whose names appear on the [REDACTED] are generally subject to PRC individual income tax on dividends at rates ranging from 5% to 20%, depending on applicable tax treaties or arrangements, with a default withholding rate of 20% where no treaty applies. Under PRC individual income tax laws, gains from the transfer of H Shares are subject to a 20% tax. Although a 1998 circular provides an exemption for gains from transfers of listed shares, and no such tax has been levied in practice on transfers of overseas-listed shares of PRC resident enterprises as of the Latest Practicable Date, there is no explicit exemption for such transfers. If such tax is imposed in the future, the value of H Shares may be adversely affected.

Non-PRC resident enterprises without establishments in China, or whose income is not effectively connected with such establishments, are generally subject to a 10% enterprise income tax on PRC-sourced income, including dividends and potentially gains from H Shares, subject to reduction under applicable treaties. We intend to withhold 10% on dividends to non-PRC resident enterprise holders (including [REDACTED]), with treaty benefits available upon application and approval by PRC tax authorities. The interpretation and enforcement of the EIT Law remain subject to PRC tax authorities, and any future imposition of tax on capital gains could materially and adversely affect the value of H Shares.

It may be complex to effect service of process upon us or our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgments obtained from non-Chinese courts.

Most of our Directors and executive officers reside in the PRC, and substantially all of our and their assets are located there. Due to differences in legal systems, it may be difficult for [REDACTED] to effect service of process on us or such persons outside the PRC or to enforce judgments obtained in non-Chinese courts against us or them in the PRC.

The recognition and enforcement of foreign judgments in the PRC are subject to statutory conditions, including the existence of reciprocal arrangements. The PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments with many countries. In addition, Hong Kong does not have a reciprocal enforcement arrangement with the United States. Accordingly, judgments obtained in U.S. or certain other courts may not be recognized or enforceable in the PRC or Hong Kong.

In January 2019, the PRC Supreme People's Court and the Government of the Hong Kong Special Administrative Region entered into the Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance on reciprocal recognition and enforcement of civil and commercial judgments. While parties may apply for recognition and enforcement under this arrangement, such applications remain subject to review and satisfaction of prescribed conditions by the relevant courts, and there is no assurance that enforcement will be granted.

We, our Directors, management, employees and Shareholders and their affiliates may be subject to lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

As of the Latest Practicable Date, we are not a party to any material legal or administrative proceedings. However, we may in the future be subject to or involved in lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines relating to our business operations. Lawsuits and other administrative or legal proceedings that may arise during our operations can involve substantial costs, including the costs associated with investigation, litigation and possible settlement, judgment, penalty or fine. Lawsuits and other legal and administrative proceedings may be costly and time consuming and may require a commitment of management and personnel resources that will be diverted from our normal business operations. There may also be negative publicity associated with litigation that could decrease consumer acceptance of our solutions, regardless of whether the allegations are valid or whether we are ultimately found liable. If any of these happens, our business, financial condition, results of operations or liquidity could be materially and adversely affected. In addition, our Directors, management, shareholders and employees and their affiliates may from time to time be subject to litigation, regulatory investigations, proceedings and/or negative publicity or otherwise face potential liability and expense in relation to commercial, labor, employment, securities or other matters, which could adversely affect our reputation and results of operations.

We face inherent risks related to patent disputes and litigation in our business. Such disputes can divert management's focus, incur substantial legal costs, and damage our reputation. Unfavorable outcomes could result in financial liabilities, operational disruptions, or restrictions on the use of certain technologies, adversely affecting our business, financial condition, and operational results.

These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners and customers, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents.

We face certain risks in relation to our leases and leased properties.

As of the Latest Practicable Date, we leased four operating properties for our offices, and research and development, totally accounting for approximately 133,269 sq.m. As of the same date, all of our lease agreements for operating properties have not been registered and filed with the relevant real estate administration bureaus in the PRC. Although failure to do so does not in itself invalidate the leases, the lessors and the lessees may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. According to the relevant PRC laws and regulations, if a property is pledged before it is leased, the lease may not be binding on the transferee of the property if the pledgee exercises its rights to foreclose on the property. As a result, we may be required to vacate the relevant properties. If we are required to relocate, we may incur additional costs and our business operations may be interrupted. We cannot assure you that we will be able to find suitable alternative premises on commercially reasonable terms, or at all. The occurrence of such events could disrupt our operations, and materially and adversely affect our business, financial condition and results of operations.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive substantial revenue in RMB and may need to convert RMB into foreign currencies to fund overseas operations. RMB convertibility and the remittance of funds out of Chinese Mainland are subject to PRC foreign exchange regulations. Any restrictions or shortages in foreign currency availability may limit our ability to remit funds abroad or meet foreign currency obligations. If we are unable to complete required foreign exchange procedures or obtain sufficient foreign currency, we may be unable to pay dividends in foreign currencies to our Shareholders, purchase overseas raw materials or components, or fund foreign-currency-denominated business activities. Any tightening of currency controls could materially and adversely affect our liquidity, financial condition and business operations.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially and adversely affect our financial performance.

Our revenue and expenses are primarily denominated in Renminbi, while dividends on our Shares, if any, and the [REDACTED] from the [REDACTED] are denominated in foreign currencies, including Hong Kong dollars. Exchange rates are set by reference to rates determined by the People's Bank of China and are influenced by global and domestic political and economic factors. We cannot predict future movements in the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies.

Any appreciation of the Renminbi against the Hong Kong dollar may reduce the Renminbi value of the [REDACTED] [REDACTED], while any depreciation of the Renminbi may adversely affect the foreign currency value of our Shares and dividends. In addition, instruments available to hedge foreign exchange exposure may be limited or costly. Accordingly, exchange rate fluctuations may materially and adversely affect the value of, and any dividends payable on, our Shares.

We may be subject to additional contributions of social insurance and late payments and fines imposed by relevant governmental authorities.

During the Track Record Period, we did not fully contribute to social insurance and housing provident fund for a certain of our employees. As advised by our PRC Legal Adviser, according to the relevant PRC laws and regulations, if we fail to make contributions to social insurance funds on time and in full, the relevant government authority can require us to rectify the shortfall in our contributions within a prescribed period, and we may be liable for a late payment fee equal to 0.05% of the shortfall in our contributions for each day of delay. If we fail to make the payments within the prescribed period, we may be liable for a penalty of one to three times the amount of the shortfall in our contributions. In addition, as advised by our PRC Legal Adviser, both risks for above-mentioned are considered as remote.

Assuming there have been no material changes to the policies and regulations relating to social insurance and housing provident fund contributions or to the enforcement and supervision requirements of the local authorities, and on the basis that (i) based on the compliance certification from or interviews with competent authorities in regions where we operate, we had not been subject to any administrative penalties for violations of laws and regulations relating to social insurance and housing provident fund contributions during the Track Record Period, (ii) we and our PRC subsidiaries have not been ordered to rectify or required to fully pay social insurance contributions/housing provident contributions by competent authorities as of the Latest Practicable Date; and (iii) we and our PRC subsidiaries will comply with any individual or collective payment demands and rectification notices within the prescribed time limits, our PRC Legal Adviser is of the view that the likelihood of us being subject to collective recovery or administrative penalties by the social insurance and housing provident fund authorities is remote.

We cannot assure you that the relevant government authorities will not require us to rectify such incidents or impose late payment fines or other penalties on us. If we are required to rectify the shortfall in our contributions or are imposed severe penalties, our business, financial condition and results of operations may be adversely affected.

RISKS RELATED TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and their [REDACTED] and [REDACTED] maybe volatile.

Prior to the [REDACTED], there has been no [REDACTED] for our H Shares. The [REDACTED] will be determined through negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and may differ significantly from the [REDACTED] following [REDACTED]. Although we have applied for [REDACTED] on the Stock Exchange, there is no assurance that an active and liquid market will develop or be sustained, or that the [REDACTED] will not decline after the [REDACTED].

The [REDACTED] and [REDACTED] of our H Shares may be volatile and may fluctuate significantly due to factors including variations in our financial performance, business interruptions, changes in key personnel, regulatory developments, competitive pressures, macroeconomic conditions, stock market movements, changes in analysts' estimates and material litigation. Market prices may also fluctuate for reasons unrelated to our operating performance, and [REDACTED] may incur substantial losses. In addition, as we will not grant an [REDACTED] and no [REDACTED] has been appointed, it is expected that no price stabilization activities will be conducted in connection with the [REDACTED]. The absence of such stabilization measures may result in greater price volatility and potential losses during the period when stabilization might otherwise have occurred.

Substantial future sales or the expectation of substantial sales of our H Shares in the [REDACTED] could cause the [REDACTED] of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the [REDACTED] as described in "[REDACTED]" in this Document, future sales of a significant number of our H Shares by our Controlling Shareholders in the [REDACTED] after the [REDACTED], or the perception that these sales could occur, could cause the [REDACTED] of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the [REDACTED] of the Shares. Sale or issuance of a substantial number of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing [REDACTED] of the Shares.

According to the PRC Company Law, the unlisted Shares issued by the Company prior to the [REDACTED] are restricted from trading within one year from the [REDACTED]. Such restriction from [REDACTED] will limit the number of H Shares to be circulated on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period.

As the [REDACTED] of our H Shares is higher than our consolidated net tangible asset book value per Share, purchasers of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our H Shares may experience further dilution of their interest if we issue additional Shares in the future to raise additional capital.

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding 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], our Controlling Shareholders will be entitled to exercise approximately [REDACTED]% of the voting rights of the Company. This concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the 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 Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise its 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. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that 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. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

Certain facts, forecasts and statistics derived from official government sources contained in this Document have not been independently verified and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this Document, particularly those relating to the general economy and the industry, from information provided by official government sources. We have not independently verified information and statistics from official government sources, and there can be no assurance as to the accuracy and reliability of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other data problems, the statistics herein may be inaccurate. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Market opportunity estimates included in this Document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there can be no assurance that our market opportunity estimates will materialize as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this Document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.