RISK FACTORS

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 market price 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".

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We recorded net losses during the Track Record Period, and had net cash outflows in operating and investing activities. Our profit margins will further be adversely affected as the average selling prices of our products may face downward pressure.

We had net losses of RMB33.9 million, RMB188.6 million and RMB2.6 million, respectively, in 2023, 2024 and 2025. During the Track Record Period, we recorded gross profit of RMB34.6 million in 2023 and RMB84.0 million in 2025, while gross loss of RMB115.8 million in 2024. We recorded gross profit margin of 6.6% in 2023 and 9.7% in 2025, while gross loss margin of 22.9% in 2024. The fluctuation in our gross profit/loss and gross margin positions were consistent with the fluctuations of the average selling prices of our VC and FEC products during the Track Record Period. See "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income". The average selling price of our products is influenced by a variety of factors beyond our control, including but not limited to market trends, competitor pricing, raw material cost and labor costs. During the Track Record Period, our product prices have experienced fluctuations. The average selling prices of VC and FEC decreased from RMB60.9 thousand per tonne and RMB57.4 thousand per tonne, respectively, in 2023 to RMB42.6 thousand per tonne and RMB31.8 thousand per tonne, respectively, in 2024, and the average selling price of VC increased to RMB46.5 thousand per tonne in 2025, while the average selling price of FEC further decreased to RMB29.8 thousand per tonne in 2025. The average selling prices of our VC products decreased from 2023 to 2024, primarily due to the intensified industry competition and the corresponding overcapacity in 2024, while slightly recovered from 2024 to 2025, primarily due to the phase out of overcapacity and the increased market demand in the ESS and NEV industries. The average selling prices of our FEC products reached an extremely low position in 2024 in line with industry trend, primarily due to the intensified industry competition and the corresponding overcapacity. FEC's selling prices continued to decrease in the first half of 2025 and started to recover in the second half of 2025, which result in a slight decrease in the average selling prices in 2025. This recovery in FEC's selling prices was primarily as a result of the phase out of overcapacity within the industry and the strong market demand in the ESS and NEV industries. As downstream demand continues to grow, together with the gradual reduction in excess supply-side capacity, the selling prices of VC and FEC are expected to enter an upward cycle starting from 2026, according to CIC. However, we cannot accurately predict the future trend of the average selling price of our products, nor can we guarantee that the fluctuation of average selling price will not continue. Any decline in the average selling price could result in reduced gross profit margins and net profit, which may adversely affect our business, financial condition and results of operations.

In addition, we recorded net cash outflows in operating and investment activities. We recorded net cash outflow used in operating activities of RMB134.9 million, RMB110.7 million, and RMB257.5 million in 2023, 2024 and 2025, respectively. We recorded net cash outflows used in investing activities of RMB466.4 million, RMB1,154.2 million, and RMB216.4 million in 2023, 2024 and 2025, respectively. See "Financial Information — Description of Selected Items of Our Consolidated Statements of Comprehensive Income" and "Business — Business Sustainability". There can be no assurance we can achieve or sustain profitability in the future. We plan to continue to invest significant resources to further expand our production capacity. As a result, we anticipate incurring considerable operating costs and expenses in the foreseeable future, which may adversely affect our overall financial position. We may also face increased compliance costs associated with growth. Our efforts to grow our business may be costlier than we expect, or the rate of our revenue growth may be lower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses.

We may be exposed to credit risk arising from our trade and notes receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our trade and notes receivables primarily include amounts due from our customers for products in the ordinary course of business. As of December 31, 2023, 2024 and 2025, our trade and notes receivables amounted to RMB167.8 million, RMB310.6 million and RMB592.8 million, respectively. The credit period granted to our customers was generally within 30 days to 120 days. See "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position — Trade and Notes Receivables".

We cannot assure you that we will be able to collect all or any of our trade and notes receivables on time, or at all. Our customers may face unexpected circumstances. Our trade receivables turnover days increased from 127 days in 2023 to 173 days in 2024, and further increased to 190 days in 2025, in line with the levels at our trade and notes receivables. We may not be able to receive such customers' payment of uncollected debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our business, financial condition and results of operations.

If we are unable to effectively adjust our products to adapt to market needs and development in a timely manner, our business, financial condition and results of operations will be materially and adversely affected.

We offer primarily lithium-ion battery materials comprising (i) lithium-ion battery electrolyte additives, including VC and FEC; and (ii) other products, including anode materials, LiBOB, MMDS and specialty silicones. Different lithium-ion battery electrolyte formulas require different types of lithium-ion electrolyte additives with different ratios. As a result, demand for our lithium-ion battery electrolyte additives is based on the various lithium-ion battery electrolyte formulas adopted by lithium-ion battery electrolyte manufacturers as designed by themselves or designated by battery manufacturers. If the lithium-ion battery electrolyte formulas are adjusted, based on their customized demands in relation to the specific lithium-ion battery electrolyte formulas and out of consideration for supply chain stability, our end-customers or industry chain participants may request electrolyte manufactures to procure products from our competitors instead. This would consequently result in decreasing demand for our products, which would materially and adversely affect our business, financial conditions and results of operations.

Furthermore, the performance requirements for lithium-ion battery are increasingly stringent in the industry. For example, end-customers currently look for longer life-span, higher energy density and enhanced safety from lithium-ion battery. As a result, novel lithium-ion battery electrolyte additives such as LiDFOB and MMDS are developed for lithium-ion battery to satisfy the afore-mentioned performance requirements. At present, a number of domestic lithium-ion battery electrolyte manufacturers have achieved technological developments in the industrialization of these novel lithium-ion battery electrolyte additives and have already commissioned industrial-scale production lines.

If downstream lithium-ion battery manufacturers shift their technical roadmaps, the industrial application of lithium-ion battery electrolyte additives may change. Consequently, if we fail to keep pace with the technological progress in the industry, resulting in our products not being able to meet the performance requirements of novel batteries, our products might be substituted by other similar products. In addition, if our competitors develop superior products, such as high-performance novel lithium-ion battery electrolyte additives, which are optimized for high temperature environments, the lithium-ion battery electrolyte manufactures or our customers might choose our competitors' products over ours.

Therefore, if we are unable to effectively make the necessary adjustments, modifications or innovations in relation to our products to suit our customers' needs or satisfy ever-revolving lithium-ion battery performance requirements in a timely manner, our business, financial condition and results of operations will be materially and adversely affected.

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

One of our essential products is lithium-ion battery electrolyte additives which are the key materials for the production and manufacture of lithium-ion battery electrolyte. In general, additives are 2%–10% of the total mass and 10%–30% of the total costs of lithium-ion battery electrolyte. For example, VC is usually added to lithium-ion battery electrolyte at the ratio of 1%–3% in terms of the electrolyte's total mass. This ratio increases in lithium-ion battery electrolyte with LFP formula. On the other hand, FEC is usually added at the ratio of 2%–10%. Along with technological development in the industry, new and alternative technological paths, including production and application of hydrogen fuel cell and solid-state battery, are emerging and, if they gain increasing market shares compared to liquid-state lithium-ion batteries, would directly affect the liquid-state lithium-ion battery supply chain. Demand for our key products, such as VC and FEC, which are mainly added to liquid-state lithium-ion battery, might decrease.

Furthermore, from a macro-economic perspective, demand for lithium-ion battery electrolyte, to which our main lithium-ion battery electrolyte additives, VC and FEC, are added, is closely tied to the market demand for their end applications, including batteries used in energy storage systems ("ESS"), new energy vehicles ("NEVs") and consumer electronics. ESS batteries are widely adopted in both front-of-the-meter and behind-the-meter applications. The demand for ESS batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability, technological improvement in relevant areas (such as safety and cycle life), as well as cost efficiency. The demand for batteries, center to ESS, NEVs and consumer electronics batteries is affected by various factors beyond our control. Power batteries are primarily used in electronic vehicles, including passenger vehicles and commercial vehicles, and the electrification of other emerging areas. The demand for electrification in these applications may fluctuate due to various factors, including but not limited to the macroeconomic environment, end-user preferences, cost efficiency, electrification technology and completeness of the infrastructure. Consumer electronics batteries are primarily used in portable devices such as smartphones, laptops, tablets, wearable devices, and other personal electronic products. The demand for consumer electronics batteries is influenced by factors such as consumer spending patterns, technological advancements in electronic devices, replacement cycles, overall economic conditions, and shifts in consumer preferences.

As a result, changes of technological paths in our industry and in the above-mentioned factors may affect the demand in the end applications of lithium-ion battery electrolyte that our products are added to. If we are unable to promptly adapt to these changes or strategically transform our business lines, our business, financial condition and operating results may be materially and adversely affected.

We face intense competition in our industry.

We compete with a number of companies producing lithium-ion battery electrolyse additives, including those with extensive marketing and sales networks and strong industry experience. Driven by a series of governmental support and incentive policies around the globe for the NEV industry since September 2020 and the consequent robust market demand for NEVs, the entire lithium-ion battery value chain has experienced a surge in growth. Accordingly, in 2021 and 2022, the lithium-ion battery electrolyte additive market experienced shortage in supply and was not able to meet the strong demand in the downstream industries. In response to such supply shortage, downstream electrolyte manufacturers started to expand their electrolyte raw materials production line and production capacity in order to increase their internal supply of key electrolyte raw materials, including lithium-ion battery electrolyte additives. Such self-sufficient strategy would decrease their demand for our products, which would directly and adversely impact our business, financial condition and results of operations.

Both new and existing competitors strive to increase their market share with increased investment intensity, continued R&D efforts, optimized production processes and enlarged production capacity. According to CIC, the global lithium-ion battery electrolyte additive industry was relatively concentrated in 2025, with the sales volume of top five market participants accounting for 47.3% of the global market of 135.4 kilotonnes. As the world's largest lithium-ion battery electrolyte additive supplier in terms of sales volume in 2025, we are comparable in size to such market leaders and therefore anticipate intense competition from them. See "Industry Overview — Overview of the Global and China's Lithium-ion Battery Anode Material Industry — Competitive Landscape of the Lithium-ion Battery Electrolyte Additive Industry".

Competition could have a material and adverse impact on the customers' demand for, and product pricing of, our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to maintain or enlarge our market share, which would have a material adverse effect on our businesses, financial condition and results of operations.

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

We rely on technological innovation for our continued growth. The lithium-ion battery material industry is technology-intensive and is constantly undergoing rapid technological change. There are new materials and technologies continuously emerging, which places increasingly high demands on our product R&D capabilities. As expectations for lithium-ion battery performance and safety increase, our downstream electrolyte manufacturers may constantly adjust their lithium-ion battery electrolyte formulas to suit such needs. Consequently, their demand for our products would fluctuate. They might also require completely different alternative lithium-ion battery electrolyte additives which is the product of technological development. In order to maintain and expand our competitive advantage, we may devote more R&D resources in the future. However, R&D activities are inherently uncertain. We may not always be able to achieve the desired benefits from R&D investments, reach the industry's technological frontier, or respond promptly to changes in industry technical standards. There is no assurance that our product development efforts will succeed, be completed within the expected time frame or budget, or that new products will achieve broad market acceptance. Even if commercialized, there is no guarantee that new products will meet anticipated sales targets or profitability levels.

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

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

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

For certain key raw materials used in the production of our lithium-ion battery materials, such as EC and TEA, we rely on third-party suppliers for the supply. See "Business — Procurement". Any increase in the prices of these key raw materials, especially EC, may have a material and adverse effect on our business performance and financial results. For instance, the EC market experienced significant price fluctuations in recent years, with a particularly sharp increase at the end of 2021, followed by a decrease throughout the year of 2022. Such volatility in EC prices directly impacts our production costs.

For the years ended December 31, 2023, 2024 and 2025, our raw material costs accounted for 35.8%, 39.7% and 46.4%, respectively, of our total costs of sales. As we procure certain key raw materials based on market pricing, our cost structure is subject to volatility in the prices of these raw materials, as well as fluctuations in the prices of utilities, transportation, warehousing and other necessary supplies and services. Such volatility is influenced by factors beyond our control, including inflation, extreme weather and changes in the broader supply and demand environment. We may not be able to offset increases in input prices by raising the prices of our products, which could result in a reduction in profit margins and, consequently, a material adverse impact on our business, financial condition and results of operations. Furthermore, significant increases in the prices of our products may erode our competitive advantage, potentially leading to a loss of sales and customer attrition. Accordingly, our business, financial condition and results of operations may be materially and adversely affected.

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

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

Our business is principally focused on lithium-ion battery materials, which may lead to a certain amount of product concentration risk. We generated revenue from VC and FEC products in each year during the Track Record Period of RMB481.2 million, RMB455.0 million and RMB818.1 million, accounting for 91.7%, 90.1% and 94.1%, respectively, of our total revenue in the same periods. Market acceptance of our lithium-ion battery electrolyte additives is critical to our future success. Any negative changes in the demand for, or prices of, our lithium-ion battery electrolyte additives could materially and adversely affect our business, financial condition and results of operations.

We may seek to expand our product portfolio over time. Other than VC and FEC, the proportion of revenue from our other products accounted for 8.3%, 9.9% and 5.9%, respectively, of our total revenue in 2023, 2024 and 2025. In addition, we have pursued further product development initiatives. For example, our work on certain of our anode material and solid-state battery material products, such as silicon-carbon anode materials and lithium sulfide, is currently at the pilot stage, not yet achieving large-scale commercialization. However, there can be no assurance that any new products we develop will achieve market acceptance. The market for these products is highly competitive, with many active participants, which further increases uncertainty around the future success of our development efforts. Failure to successfully develop, launch, and market new products could prevent us from recovering our investments, which in turn may materially and adversely affect our business, financial condition and results of operations.

We are subject to the risk of concentration of customers.

During the Track Record Period, a majority of our products were sold to our top 10 customers, and we expect our customer concentration to remain at a relatively high level in the near future. The revenue contributed by our top five customers in each year during the Track Record Period accounted for 79.0%, 80.3% and 79.6%, respectively, of our total revenue in the same periods. Revenue from our largest customer in each year during the Track Record Period amounted to RMB166.3 million, RMB174.3 million and RMB330.5 million, respectively, accounting for 31.7%, 34.5% and 38.0%, respectively, of our total revenue in the same periods. Revenue from our second largest customer in each year during the Track Record Period amounted to RMB107.1 million, RMB165.5 million and RMB245.2 million, respectively, accounting for 20.4%, 32.8% and 28.2%, respectively, of our total revenue in the same periods. Our customer concentration is consistent with the current market scene in the downstream lithium-ion battery electrolyte industry where the key players are relatively concentrated.

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

Our business is susceptible to policy changes affecting chemical production as well as the end market of our products.

There are various domestic regulatory policies in relation to chemical production, which we must comply with during our production process. For example, we need to have our investment plan reviewed, obtain environmental protection administrative permit, adhere to industrial technology requirements and safety standards. As China tightens requirements for safety production and environmental protection, the relevant domestic regulatory policies face potential changes. If any such policies change, we cannot assure you that we are able to meet all new standards in an effective and timely manner. If we are unable to adapt to the new regulatory policies efficiently, our production would be affected and, as a result, our business, financial condition and results of operations would be materially and adversely affected.

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

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

Similarly, outside China, the other regions in which we sell our products into, such as Asia, Europe and North America, maintain distinct legal frameworks and evolving governmental policies. Changes in these overseas regulations or policy priorities may encourage or suppress demand for the end products which use our products, and could require us to adjust our business focus.

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

The current tensions in international trade and rising political tensions may adversely impact our business, financial condition, and results of operations.

The global economic, political and social conditions are evolving rapidly and are subject to uncertainties. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases and instability in the financial system impose new challenges and uncertainties on the global economy. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures may have a significant impact on our targeted countries and markets. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

Our customers' sales of products such as lithium-ion batteries materials and lithium-ion batteries may become subject to trade restrictions and tariffs, which could materially and adversely impact their sales volume and in turn their procurement from us for our products. For example, the U.S. had raised or adjusted tariffs on lithium-ion batteries made in China for several times during the Track Record Period. There are also various sanctions and export controls related to the trade of advanced lithium-ion batteries, there is no assurance that our downstream customers, including lithium-ion batteries electrolyte manufacturers, can continue to trade their lithium-ion batteries electrolytes with, or export their lithium-ion batteries electrolytes to, their targeted countries and market, which could have an adverse effect on their demand for our lithium-ion battery materials and in turn materially and adversely affect our business, financial conditions and results of operations.

In addition, our raw material costs may also be affected by geopolitical developments and regional instability. In particular, the recent conflict involving Iran and heightened tensions in the Middle East may contribute to volatility in energy and petrochemical prices and may increase transportation and logistics costs. To the extent such developments affect the market prices or supply of raw materials used in our operations, including petrochemicals or EC, our procurement costs may increase. If we are unable to pass on such increased costs to our customers in a timely manner, or at all, our gross profit margin and profitability may be adversely affected.

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.

We may need additional capital in the future to fund our continued operations, and we may be unable to raise additional funds, whether through equity or debt financing, when needed on favorable terms or at all. If we do raise additional capital through public or private [REDACTED], the ownership interest of our existing shareholders, including [REDACTED] in this [REDACTED], will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

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

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

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

Our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. Although we have implemented stringent safety procedures to minimize these risks, accidents may still occur. The storage of these hazardous, toxic, flammable or explosive materials near our production facilities and the handling of these materials in the production process pose inherent risks. Any such incident relating to our production processes or the transportation, storage and treatment 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.

Failure to pay the social insurance premium and housing provident funds for and on behalf of our employees in accordance with applicable PRC laws and regulations may subject us to penalties.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments. Employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties. See "Regulatory Overview — Laws and Regulations Regarding Labor, Social Insurance and Housing Provident Fund".

During the Track Record Period, we did not make social insurances and housing provident fund contributions for certain of our employees in full. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, we have not received any administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. In addition, as advised by our PRC Legal Advisors, provided that there are no material changes to the prevailing policies, laws and regulations, the risk of us being required by the relevant PRC authorities to pay the shortfall and the related administrative penalties for failing to make social insurance and housing provident funds in full is relatively remote. There is no assurance that our practice with respect to the contribution of social insurance plans and housing provident funds will at all times satisfy the relevant regulatory requirements mainly due to the evolving interpretation and implementation of the relevant laws and regulations. Accordingly, in the event of any non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the PRC, we may be exposed to penalties or be required to compensate employees.

Any delay, termination or cancellation of our existing business projects due to failure in obtaining administrative procedures, governmental approvals or regulatory registrations or unsuccessful customization, adjustment or modification of our equipment will materially and adversely affect our business, financial condition and results of operations.

Our existing business projects requires continuous administrative procedures, governmental approvals or regulatory registrations. We cannot assure you that we will be able to obtain all necessary procedures, approvals or registrations for any or all of our business projects in our pipeline. Any delay in obtaining such procedures, approvals or registrations would result in disruptions of our project timetables or even termination or cancellation of the projects. As a result, we may face severe delay or termination consequences, such as break fees, penalties or adverse impact on our reputation.

In addition, in executing any business projects, we might need to customize, adjust or modify our equipment or appliances. Any expected delay or failure in executing such customization, adjustment or modification would create delays, termination or cancellation of our business projects. Similarly, any delay, termination or cancellation of our existing business projects may materially and 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, materially and adversely affect our business, and we may incur substantial expenses to protect our intellectual property rights.

We regard our patents and other intellectual properties as critical to our success. We seek to protect our intellectual properties and proprietary rights primarily through a combination of utility model patents, design patents 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 incorporation. We have successfully applied for patents for most of our technologies. However, some of our R&D is still in the process of patent applications. We may face risks that our applications may be rejected. Furthermore, even where patents have been granted, third parties may challenge, circumvent, or invalidate our patents, which could limit or eliminate their protective value.

In addition, although we enter into employment agreements with non-competition covenants, and confidentiality and intellectual property ownership clauses with our employees, consultants and advisors, we cannot assure you that these agreements will not be breached, that we will have adequate remedies to prevent any breach in time or at all. Furthermore, our business partners or any other third-parties may not always comply with our contract terms prohibiting the unauthorized use of our intellectual property rights. The agreements may not effectively prevent disclosure of our core technology and confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of our core technology and confidential information. Any such disclosure may harm our competitive advantage and profitability.

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

We face risks of sharing relevant research and development results with our collaboration partners. Failure to prevent our partners from misappropriating confidential information could potentially impair our technological differentiation and competitive position.

During the Track Record Period and up to the Latest Practicable Date, we established strategic research and development collaborations with our major customers such as globally leading battery manufacturers and automotive makers, as well as renowned universities and scientific institutions in China, which could expedite our research and development progress and strengthen our competitive edge through innovation. See "Business — Research and Development". Our agreements in relation to these collaborations may require us to share relevant research and development results with these partners. There is no assurance that our relevant counterparties would not advertently or in advertently misuse the results that we collaboratively form, or advertently or inadvertently misappropriate the results owned solely by us and that are incidentally shared during our collaboration with them. Our business, financial condition and results of operations may be adversely impacted if any of the aforementioned incidents happen.

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

As of the Latest Practicable Date, we had established a robust production network, including five production bases, consisting of eight facilities across Jiangsu Province (four facilities in Zhangjiagang City, one in Taixing City and one in Jiangyin City), Hubei Province (one facility in Yunmeng County) and Zhejiang Province (one facility in Wuyi County), achieving an annual production capacity of 20,500 tonnes in total for VC and FEC products. In addition, we constructed a production facility for anode materials in 2025 with a preliminary designed capacity of 50,000 tonnes, as part of our 200,000-tonne high-performance anode material production project. However, as we just started our anode material business, we were not able to make full use of our production capacity. There is no assurance that we will be able to secure sufficient orders to fully utilize our production capacity in the future. As we plan to further scale our business, we have a robust pipeline of construction projects for various products. See "Business — Our Strategies — Capacity Expansion and Technology Upgrades to Bolster Cost-Efficiency and Market Leadership". Such expansion of our production capacity will involve substantial upfront capital expenditure, draining our capital resources adversely affecting our cash flows. The construction of these new production facilities will also generate a significant increase in our depreciation adversely affecting our results of operations.

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

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

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

The success of our business depends on our ability to consistently deliver products with high quality and reliability. We have implemented stringent quality control measures throughout our production process. See "Business — Quality Control". Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period, there is no assurance that we will not be involved in those events in the future. As technologies continue to advance, the lithium-ion battery electrolyte produced and end-products manufactured by third parties that used our lithium-ion battery electrolyte additives are becoming increasingly complex, complicated and sophisticated. We cannot guarantee that there are no and will not be any quality issues with our products. Any quality issues with our products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In addition, third parties who have suffered losses may bring product liability claims or legal proceedings against us, which could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate considerable negative publicity about our products and business, which would materially and adversely affect our brand, business, prospects and results of operations.

We are subject to various risks relating to third-party payments.

During the Track Record Period, a limited number of our customers settled their payments with us through third-party payors. In 2023, 2024 and 2025, our third-party payments had been less than 1% of our total revenue in the same periods. Nevertheless, we are subject to various risks relating to such third-party payment arrangements, including possible claims from third-party payers for the return of funds, and possible claims from liquidators of third-party payers. In the event of any claims from third-party payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our business, financial condition and results of operations may as a result be adversely affected.

We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes, which could have a material adverse effect on our business, results of operations and financial condition.

We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to enquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. The secure maintenance of such data is critical. Despite our data security and protection measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

Our insurance coverage may be inadequate to cover all significant risk exposures.

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we may begin operations in overseas markets in the future, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

During the Track Record Period, we had property insurance, product liability insurance and employee insurance for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

We may also be subject to lawsuits of product liability claims, product recalls, or redesign efforts, all of which would be time consuming and expensive. During the Track Record Period and up to the Latest Practicable Date, we had been covered by certain product liability insurance policies. However, we cannot assure you that such insurance coverage would be sufficient. Any insufficient insurance coverage could make us unable to satisfy all potential product liability claims. If any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. Moreover, a product liability claim could generate substantial negative publicity about our products and business, therefore, inhibit or prevent the commercialization of our future products, which would materially and adversely affect our brand, business, prospects, and results of operations.

Additionally, we may be subject to risks associated with dangerous chemicals and lithium-ion battery materials and we may not have adequate insurance to cover such claims. The lithium-ion batteries and electrolytes that our customers produce utilizing our lithium-ion battery electrolyte additives can cause damage on rare occasions. Accordingly, we face inherent risk of exposure to claims when our products malfunction resulting in property damage, personal injury, or death.

We employ an integrated quality management system and a full set of internal control policies to ensure safe manufacturing and delivery of our products. However, our products may still experience defects, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time-consuming and expensive. Product liability claims against us or our customers could require us to pay substantial monetary compensation.

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

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

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

Our business may be negatively affected due to risks relating to the acts of our third-party distributors.

We engage a limited number of third-party distributors to facilitate our product logistics and local presence. Typically, we discuss product specifications and key commercial terms directly with our end customers, while our distributors arrange the sales procedure to assist with our transactions with such end customers.

However, our operational efficiency in certain regions may still be influenced by their performance and the reach of their logistics support. While we monitor our distributors through contractual agreements, there is no absolute assurance that we can pre-emptively identify every instance of non-compliance or misconduct. Any significant misconduct by our third-party distributors, such as unauthorized representations or regulatory non-compliance, could lead to administrative burdens or localized disruptions. While such incidents have not historically had a material adverse effect on our business, any resulting legal disputes or reputational concerns may adversely affect our business, financial condition and results of operations.

We are exposed to foreign currency exchange fluctuations.

Some of our business settles transactions in currencies such as US dollar. A small portion of our revenue is generated from overseas sales of our products. Our revenue generated overseas amounted to RMB83.4 million, RMB59.5 million and RMB38.8 million, respectively, in 2023, 2024 and 2025, accounting for 15.9%, 11.8% and 4.5% of our total revenue during the same periods. In addition, we recorded net foreign exchange gains of RMB1.6 million, RMB1.7 million, respectively, in 2023 and 2024 and a net foreign exchange loss of RMB2.7 million in 2025. Significantly fluctuations in the foreign exchange markets may adversely affect our financial condition and results of operations.

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

Our government grants and subsidies recorded as other income amounted to RMB7.3 million, RMB7.0 million and RMB22.4 million, respectively, in 2023, 2024 and 2025. Not all of those grants and subsidies are recurring in nature. In addition, certain of our companies were accredited as "High and New Technology Enterprise" under the Administrative Measures for Recognition of High and New-Technology Enterprises promulgated by the Ministry of Science and Technology of the PRC, and were entitled to a preferential EIT rate of 15% during the Track Record Period. Both the preferential income tax treatment and the government grants and subsidies we have received are subject to certain criteria and procedures stipulated by local governments, and their continuity is not guaranteed. We cannot assure you that we will be able to receive any such tax treatment or grants and subsidies in the future, or that they will be provided at the same levels as in past periods. If we are unable to obtain future government grants and subsidies or preferential tax treatment at comparable levels, or at all, our profitability for the period may be adversely affected.

We may need to devote additional efforts and resources to obtain and maintain the requisite licenses and approvals required.

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. If we fail to maintain or renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted or suspended, which could affect our ability to continue production and our overall business operations. In addition, given the government regulations governing our business is evolving, it might become increasingly onerous for us to comply with such changes in regulation, and any non-compliance may expose us to liability. In case of non-compliance, we may have to incur monetary expenses and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our business, financial condition and results of operations.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws could adversely affect our business, results of operations, financial condition and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws and regulations. The anti-corruption laws and regulations strictly prohibit bribery of government officials. A violation of these laws or regulations could adversely affect our business, results of operations, financial condition and reputation. We have formulated internal policies and implemented measures with regards to the prevention and control, monitoring and response procedure as well as the establishment of risk prevention mechanism to ensure the compliance with the applicable anti-corruption, anti-bribery and anti-money laundering related laws and regulations. However, our policies and procedures may not be sufficient and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions laws could subject to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. In addition, changes in economic sanction laws in the future could adversely impact our business and investment in our shares.

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

Under the relevant PRC law, all lease agreements are required to be registered with the relevant land and real estate administration bureaus. However, as of the Latest Practicable Date, one of our leased properties have not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisor, such non-registration will not affect the validity of the lease agreement, but the relevant local housing administrative authorities may require us to complete registrations within a specified timeframe and we may be subject to a fine of between RMB1,000 and RMB10,000. See "Business — Properties."

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

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

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

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

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

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

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

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

RISKS RELATING TO THE PRC

Changes in political, economic and social policies, as well as the interpretation and enforcement of law, rules and regulations, may affect our business, financial condition and results of operations.

Our operations are based in the PRC, our business, financial condition, results of operations and prospects may be affected by political, economic, social and legal developments in the PRC. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. See "Regulatory Overview". Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

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. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

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

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

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

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

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

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

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

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

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

You may experience difficulties in effecting service of legal process and enforcing judgments obtained outside of China against us, our Directors and senior management who reside in China.

We are a company incorporated under the PRC laws and our operations are based in China. As of the Latest Practicable Date, all of our executive Directors and senior management resided within China, and substantially all of our assets were located within China. Furthermore, the assets of our Directors and senior management may also be located within China. As a result, it may be complex for investors to effect service of process within China upon or to enforce judgments obtained outside of China against us, our Directors and senior management. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court promulgated the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The

2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2024 Arrangement**"), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

RISKS RELATING TO THE [REDACTED]

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

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

Our A Shares are listed on the STAR Market of the Shanghai Stock Exchange. The characteristics of the A share and [REDACTED] markets may differ.

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

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

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

The liquidity, [REDACTED] and [REDACTED] of our [REDACTED] may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world.

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

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED] for purposes including construction of new production facilities, industrialization of novel products and research and development activities. See "Future Plans and [REDACTED]". However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from the [REDACTED].

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

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

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

As our A Shares are listed on the STAR Market of the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us 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 listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document.

Therefore, prospective [REDACTED] in our [REDACTED] should be reminded that, in making their [REDACTED] decisions as to whether to [REDACTED] our [REDACTED], they should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] our [REDACTED] in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per [REDACTED] immediately prior to the [REDACTED]. Therefore, purchasers of our [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 [REDACTED] and [REDACTED] additional Shares in the future. Purchasers of our [REDACTED] may experience dilution in the net tangible asset value per [REDACTED] of their H Shares if we [REDACTED] additional [REDACTED] in the future at a price which is lower than the net tangible asset value per [REDACTED] at that time. Furthermore, we may [REDACTED] Shares pursuant to any existing or future share [REDACTED], which would further dilute our Shareholders' interests in our Company.

Our Controlling Shareholders have a significant influence over us and its interests may not be aligned with the interests of our other Shareholders.

Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and without taking into account of the effect of the Potential Share Reduction Plan), our Controlling Shareholders will hold approximately [REDACTED]% of our total issued share capital and remain our as our Controlling Shareholders. While our Controlling Shareholders will continue to have significant influence over the outcome of major corporate transactions that require shareholders' approval, including the election of Directors. This concentration of ownership may delay or prevent a change in control of us, discourage potential share acquisition transactions, which might derive other Shareholders of an opportunity to receive a premium for their Shares, or adversely affect the price of our H Shares due to the perception of such concentration of ownership. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Should there be any conflict of interest, our Controlling Shareholders may exercise its influence over us in a manner that may not be in the best interests of our Company or our other Shareholders.

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

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

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

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

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

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