An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, 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 materially and adversely affect our business, financial condition, and results of operations. The* [**REDACTED**] *of our H Shares could significantly decrease due to any of these risks, 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 "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to fluctuations in market prices of our products, which could significantly impact our financial condition and results of operations.

We generally sell our products with reference to the prevailing market prices of our products. To a lesser extent, the pricing of our products also takes into account various other customer-specific factors, including product specifications, raw material costs, production costs, contract duration, customer relationships, and delivery and payment terms. During the Track Record Period, our results of operations were therefore influenced by the market prices of lithium carbonate, nickel sulfate and cobalt sulfate. As a result, fluctuations in the prevailing market prices of our products will affect our revenues and cost of sales, and declines in the prevailing market prices of our products could have a material adverse impact on our revenues and our gross margins. Any significant decline in our revenues and gross margins will have a material impact on our results of operations and cash flow. We recorded a gross loss in 2023 primarily due to the continued significant decline in the prices of lithium carbonate, nickel sulfate, and cobalt sulfate products in 2023, despite that our sales volumes of these products increased in 2023. Our gross loss narrowed from 2023 to 2024, primarily because the prices of lithium carbonate and nickel sulfate experienced a more moderate decline in 2024 compared to 2023. For the year ended December 31, 2025, we recorded a gross profit of RMB155.5 million, compared to a gross loss of RMB87.7 million in 2024. This improvement was primarily attributed to the decrease in unit manufacturing cost resulting from production technology improvements and enhanced inventory management, leading to lower inventory impairment losses.

Market conditions across the industry value chain could affect the demand and pricing of our products, which may have a material impact on us.

Our products primarily include critical metal materials for producing lithium-ion batteries used for EV batteries and ESS batteries, among other applications. During the Track Record Period, the prevailing market prices of our products fluctuated significantly. The price drops for these products in 2023, 2024 and 2025 was mainly due to rebalancing between supply and demand dynamics. In particular, as the supply of lithium carbonate and nickel sulfate mainly comes from primary mining, the increase in supply of such materials from 2023 to 2025 contributed to the general decrease in their market prices in the same period. See "Business — Factors affecting the market price of our raw materials and selling price of our recycled products." Accordingly, the average prices of our lithium carbonate, nickel sulfate, and cobalt sulfate products have experienced significant fluctuations during the Track Record Period. As a result of such evolving supply and demand dynamics and volatility in the prevailing market prices of our lithium carbonate, nickel sulfate, and cobalt sulfate products, we recorded a net loss of RMB471.4 million and RMB343.6 million and RMB166.5 million in 2023, 2024 and 2025. Our pricing strategies may not be able to fully cover the risks associated with market price fluctuations such as those experienced in 2023, 2024 and 2025. Any significant changes in market conditions along the industry value chain affecting our products, whether upstream or downstream, could have a material and adverse impact on our business operations, financial condition, and results of operations.

Price fluctuation of our raw materials and inadequate or interrupted supply of our raw materials could adversely affect our business, financial condition and results of operations.

We may not be able to obtain high-quality raw materials at reasonable prices at all times. Historically, we experienced significant price fluctuations of certain principal raw materials needed for our products. We cannot assure you that the prices of our principal raw materials will be favorable to us in the future or that such price fluctuations will not continue. Under such circumstances, we may need to adjust the prices of our products accordingly. However, we cannot assure you that we will be able to pass all or a portion of our costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. We factor raw material price volatility into our product pricing and attempt to make adjustments to align with raw material price trends. However, since the selling price of our products closely follows the prevailing market prices in the industry in general and the prevailing market prices of our raw materials have experienced significant fluctuations in recent years, we cannot assure you that we will be able to respond appropriately to fluctuations in the prices of raw materials. In such events, the substantial and frequent fluctuation in the prices of raw materials may result in us not being able to recover the costs of our raw materials from the sales of our products. If we are unable to obtain raw materials in quantities, of qualities or at prices that we require or sell our products in a timely manner, our businesses, financial condition and results of operations may be materially and adversely affected.

We recorded net losses in 2023, 2024 and 2025, and we may not turn around our financial performance.

We have been incurring net losses in 2023, 2024 and 2025. Specifically, we incurred net losses of RMB471.4 million, RMB343.6 million and RMB166.5 million in 2023, 2024 and 2025, respectively. We recorded net losses in 2023 and, 2024 primarily because there was a substantial drop in the prevailing market prices of our finished products during this period. We continued to incur net loss in 2025 primarily due to the increases in our administrative expenses, research and development expenses, and finance costs. For details, see "Financial Information — Path to Profitability." There is no assurance as to whether and when we will become profitable in the future. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our inability to remain profitable would decrease the value of our Company and may impair our ability to raise capital, expand our business or continue our operations as well as maintain the price of our H Shares.

We may not be able to economically and efficiently recycle retired batteries, black mass, and battery manufacturing scraps to meet the market demand.

Our business depends in large part on our ability to economically and efficiently recycle retired batteries, black mass, and battery manufacturing scraps to meet the market demand for an environmentally sound, closed-loop solution. Even if we are currently successful in high-volume recycling in our current and future facilities, there can be no assurance that we will be able to do so in a manner that avoids significant delays and cost overruns, including as a result of factors beyond our control, such as problems with suppliers, or in time to meet the commercialization schedules of future recycling needs or to satisfy the requirements of our customers. Any failure to develop and scale our manufacturing processes and capabilities could have a material adverse effect on our business, results of operations and financial condition.

Our businesses and operations require significant capital resources on an ongoing basis. We recorded net current liabilities in 2023, 2024 and 2025, and net operating cash outflow in 2023 and 2024 and net operating cash inflow in 2025.

The operation of our business requires substantial capital and other long-term expenditures for maintaining processing and manufacturing plants, machinery and equipment. We further need to invest a significant amount of capital expenditures for constructing our production facilities and production lines. In 2023, 2024 and 2025, our capital expenditures comprised of (i) purchases of machinery and equipment and construction of buildings and properties and (ii) purchases of intangible assets, were RMB904.7 million and RMB474.7 million and RMB107.1 million, respectively. We recorded net current liabilities of RMB170.2 million and RMB957.0 million as of December 31, 2023 and 2024, respectively. As of December 31, 2025, our net current liabilities further increased to RMB1,038.0 million. In addition, while we recorded net operating cash inflow of RMB382.0 million in the year ended December 31, 2025, we recorded net operating cash outflow of RMB58.1 million and RMB187.2 million in 2023 and 2024, respectively. Please see "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position" and "Financial Information — Liquidity and Capital Resources — Cash flows" for details. Having net losses, net current liabilities and net operating cash outflows could constrain our operational flexibility, expose us to liquidity risk and adversely affect our ability to expand our business. We expect to fund the related financial commitments and other capital and operating expenses from a combination of cash on hand, cash generated from operations, banking facilities, the [**REDACTED**] from this [**REDACTED**] and other potential external financing options. We cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing at interest rates and on other terms that are reasonable to us or consistent with our expectations, if at all. To the extent we cannot finance our operations, expansions or acquisitions at reasonable costs, or at all, in the future, our business may be harmed. Our expansion will also require more raw materials and thus more working capital, and we cannot assure you that we will not experience increased working capital needs in the future, which may adversely affect our business, financial position, results of operations and working capital.

Our historical results of operations and financial performance may not be indicative of our future performance.

Our business has grown rapidly since our inception, but we may not be able to effectively manage our growth in the future for reasons that may be beyond our control. For example, the decline of market prices of our products will have an impact on our revenue and net profit. In addition, we cannot assure you that downstream industries such as the EV market will maintain its historical growth rate. Accordingly, our historical results of operations and financial performance may not be indicative of our future performance, and we cannot assure you that our business will be able to maintain the growth rate we achieved in the past. Managing our growth will require significant expenditure and allocation of resources. To manage our growth and maintain profits, we expect our costs and expenses to continue to increase in the future. All these endeavors could strain our ability to improve our operational, human resources, financial and management capabilities. If our costs and expenses grow faster than our revenue, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We are subject to inventory risks.

Our inventory primarily includes raw materials and consumables, work-in-progress products, and finished products which we have not sold to our customers. We also maintain an appropriate level of raw materials for our production based on the forecasts, including those for our customers' demand and for our production requirements, are inherently uncertain. As of December 31, 2023, 2024 and 2025, the balance of our inventories amounted to RMB291.4 million, RMB293.6 million and RMB106.8 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 66 days, 48 days and 36 days, respectively. In 2023, 2024 and 2025, we recorded impairment losses on inventories of RMB108.9 million, RMB24.6 million and RMB4.4 million, respectively. If our forecasted demand is lower than what eventually transpires, we may not be able to maintain an adequate inventory level of raw materials we procured or manufacture our products in a timely manner, and we may lose sales and market share to our competitors. On the other hand, excess inventory levels may lead to increases in inventory costs, risks of inventory obsolescence and provisions for write-downs. In the event there is a decline in the prices of our products, or we experience inventory loss or damage either because of our improper management or factors beyond our control including natural disasters, we may need to record significant write-offs for our inventory. We cannot guarantee that our inventory management measures will always be effective and that we will be able to maintain an appropriate inventory level. We may still be exposed to the risk of holding excessive inventory, which may increase our inventory holding costs and subject us to the risk of inventory obsolescence or write-offs. This could have a material adverse effect on our business, results of operations and financial condition.

We operate in a competitive industry and failure to compete successfully could materially adversely affect our revenue and profitability.

The lithium-ion battery materials recycling and reutilization market is emerging and competitive. We currently compete against companies that may have a substantial competitive advantage because of factors such as greater financial and workforce resources, more extensive recycling infrastructure, stronger existing customer relationships, greater name recognition or longer operating histories. Competitors could focus their substantial resources on developing competing solutions, including more efficient recovery processes or faster recycling methods. Competition also places pressure on our contract prices and gross margins, which presents us with significant challenges in our ability to maintain strong growth rates and acceptable gross margins. Apart from our peers in the lithium-ion battery materials recycling and reutilization industry, we also face competition from other competitors in the mining industry. If we are unable to meet these competitive challenges, we could lose market share to our competitors and experience a material adverse impact on our business, financial condition and results of operations. During the Track Record Period, we recorded significant fluctuation of gross profit/(loss) margin. See "Financial Information — Gross Profit/(Loss) and Gross Profit/(Loss) Margin."

Our production operations are exposed to production safety, production difficulties and other risks that could damage our reputation, subject us to liability claims and result in substantial costs.

While we believe we have adequate systems of safe production and related training, we cannot assure you that accidents or other risk related to workplace injuries and occupational safety will not arise during our production activities or during the construction of new production facilities. If a workplace accident occurs, we may not only be required to pay compensations and damages, but also be subject to penalties from regulatory authorities, including fines, suspension of relevant operation and construction, and even revocation of permits, licenses or approvals that are required for our operation and construction. We cannot assure you that we will not be fined and penalized for non-compliance with laws and regulations related to production safety in the future. In addition, our operations may also be subject to production difficulties such as production capacity constraints, mechanical and systems failures, construction and upgrade delays and delays in the delivery of machinery and equipment, any of which could result in suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our production output. Our production processes are technically complex and involve numerous production steps, some of which require the operators to adjust the parameters of the machines and equipment in a timely manner according to the production parameters and status of reaction intermediates. This requires relevant experience and involves human judgment. Any misjudgment or untimely adjustment may cause damages to the crucial machine and equipment involved in our production process. In severe cases, we may need to halt the production for repair, which may take as long as several months and result in our inability to produce and sell products produced from these production lines. Any significant manufacturing disruption could adversely affect our ability to produce and sell products, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

In general, as part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of heavy machinery and, handling of hazardous chemicals. As a result, we are subject to risks associated with these activities, including geological catastrophes, toxic gas and liquid leakages, equipment failures, industrial accidents, fires and explosions. In 2023, there was a one-off fire accident during the testing phase of our production facilities. See "Business — Environmental, Health, Safety and Social Responsibilities — Health, Safety and Social Responsibilities." These risks and hazards can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and, damage to our reputation and corporate image. In addition, we may be subject to claims resulting from subsequent use by the customers or other third parties of the facilities and the products we produce. We generally seek to lower our exposure to potential claims associated with our businesses through contractual limitations on liability, indemnities from customers and suppliers, and insurance. These measures, however, may not always be effective due to various factors, many of which may be out of our control. The occurrence of any of these risks may harm our business operations and reputation, which could inhibit our ability to take on other contracts or otherwise grow our businesses.

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

We expect to expand our production capacity to meet customers' expected demands for our products. See "Business — Production — Production Expansion Plans." Such expansion will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs and other risks associated with the manufacture and commercialization of new products as disclosed in this document. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain relevant approvals, permits, licenses and certificates or complete the inspections for our production expansion projects may materially delay our production expansion or even result in the cancellation of such plans, which may adversely affect our business, financial conditions and results of operations.

However, even if we manage to expand our production capacity as planned, there is no assurance that we may increase our production output in a timely manner or at all as envisaged. Our ability to increase our production output is subject to significant constraints and uncertainties, including but not limited to: (i) delays by our suppliers and equipment vendors and cost overruns resulting from factors beyond our control or that cannot be foreseen, such as increases in raw material prices and problems with equipment vendors; (ii) delays in, or denial of, required production approvals by relevant government authorities; (iii) our ability to configure production lines for specific products in a timely manner; (iv) the performance of the manufacturing equipment we procure and the production expertise we retain; and (v) the diversion of significant management attention and other resources. Moreover, any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be properly addressed and rectified, and thus limit our production output. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our production capacity. If we are unable to increase our production output in a timely manner or at all in the end, we may be unable to fulfill customer orders or achieve the growth we expect. In addition, if we are unable to fulfill customer orders, our reputation could be affected, and our customers could source products from other companies. The combination of the foregoing could materially and adversely affect our business, financial condition and results of operations.

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

Our customers primarily consist of lithium-ion battery material manufacturers and future traders. If we fail to retain our existing customers or attract new customers in the future due to various factors, including our products not meeting customer requirements, uncompetitive pricing, inability to meet delivery schedules, or changes in customer procurement strategies, our business, financial conditions and results of operations will be adversely affected. In 2023, 2024 and 2025, revenue contributed by our five largest customers accounted for 41.3%, 53.9% and 56.1% of our revenue for the same periods, respectively. To the extent that we cannot continue to maintain good business relationship with any of these customers, our business, results of operations and financial condition may be adversely affected. We cannot assure you that our relationships will continue on similar terms, if at all, in the future. We cannot assure you that our existing major customers will continue to place orders or renew framework sales agreements with us or that these major customers will not reduce the amount or frequency of their orders. Given the volatility of short-term orders, we may experience a material change in our revenue. In addition, the volume of products purchased by these customers is affected by factors that may be beyond our control, including the relevant market prices, the quality and price of products offered by our competitors, industry conditions, and our customers' own business conditions. In the event that our customers terminate their business relationships with us or significantly reduce their purchase of our products, we may not be able to find replacement for the sales of our products in a timely manner or on similar terms, if at all. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

Our performance is subject to the development and condition of our downstream industries that adopt our products. Any slowdown in the growth of these downstream industries could adversely affect our business, financial condition and results of operations.

Our performance is subject to the fluctuations of demands from downstream industries. Our recycled products are primarily offered to downstream customers operating across various industries, such as EVs, energy storage systems, and consumer electronics. Demand for our products largely depends on growth of end market, which is impacted by factors beyond our control, including: (i) reduced demand for, or negative perception of, downstream products; (ii) economic downturns in Chinese mainland or globally; (iii) trade restrictions, tariffs, or export barriers affecting downstream industries; (iv) our customers' limited resources for product promotion; (v) customers' inability to meet technological changes; (vi) end products failing industry standards or gaining market acceptance; (vii) design flaws causing delays or cancellations; (viii) supply chain disruptions raising costs; (ix) customers' financial deterioration; and (x) disruptive events such as natural disasters, cyberattacks, or pandemics at customer facilities. In the event that any of the above events occur, the end product markets may not maintain robust growth and the demand for our products may be reduced. Therefore, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are exposed to credit risk of our customers and failure of our customers to fulfill their contractual obligations to us may affect our financial condition and results of operations.

While we generally evaluate our customers' credit in accordance with our internal risk management criteria, such as credit history and likelihood of default, we have limited information about our customers and may encounter difficulties in the collection of receivables from certain customers or in certain geographic areas or businesses with which we have less experience in our dealings.

As of December 31, 2023, 2024 and 2025, our trade and bills receivables were RMB421.2 million, RMB304.3 million and RMB412.0 million, respectively, and we recorded impairment of trade and bills receivables of RMB20.9 million, RMB16.6 million and RMB25.1 million for the same periods. In 2023, 2024 and 2025, our trade and bills receivables turnover days were 49 days, 61 days and 59 days. We cannot assure you that our customers will fully meet their contractual obligations, as deterioration in their creditworthiness could lead to payment defaults, delays, or uncollectible receivables. This may result in impairment losses and materially and adversely affect our business, results of operations, financial condition, and growth prospects.

We depend on maintaining and increasing raw material supply commitments as well as securing new sources of supply.

We are reliant on obtaining black mass, retired lithium-ion batteries, and battery manufacturing scrap as feedstock for recycling through third-party suppliers. Our business is dependent on our ability to continually maintain existing suppliers and attract new suppliers based on competitive terms. However, there can be no assurance that we will secure such commitments, which may be affected by factors that we do not control, such as market and economic conditions, the level of competition for feedstock, our ability to differentiate ourselves from our competitors to secure feedstock including on price and service delivery levels, financing arrangements, prices of raw materials, environmental issues and government approvals. Suppliers may change or delay supply under their contracts for any number of reasons, including force majeure or government approval factors that are unrelated to us. Any decline in supply volume from existing suppliers, the discontinuation of any supplier relationships or an inability to source new supplier relationships could have a negative impact on our results of operations and financial condition.

Changes in the volume, composition and quality of lithium-ion battery recycling feedstock materials processed at our facilities could significantly impact our financial conditions and results of operations.

We depend on processing high volumes of retired lithium-ion batteries, black mass, and manufacturing scrap that come from various sources with inherently different compositions and quality levels. Due to the varying valuable metal content in these feedstock materials, our financial performance and operational efficiency correlate with their composition and quality. The composition of certain feedstock such as those containing higher amounts of nickel and cobalt command higher prices than others, while the quality of feedstock materials could affect our processing efficiency and recovery rates. A decline in overall volume of feedstock processed, reduction in feedstock quality, or decrease in higher-value feedstock content, could result in higher processing costs, lower recovery yields, and/or reduced product value, which in turn would have a material impact on our results of operations.

Our products and services may experience quality problems from time to time that can result in harm to our reputation. Product-related liability, product recall costs, and significant return or exchange could also adversely affect our business and financial performance.

We cannot assure you that our quality control measures will be as effective as we expect. There can be no assurance that we will be able to detect and fix all defects in our products. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products do not perform as expected or contain design and/or manufacturing defects or malfunctions. If our products are defective, the sale of such products could expose us to product liability claims and may require product recalls or other actions. Third parties may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects from components and parts purchased from our suppliers. Attempting to enforce our rights against such suppliers and manufacturers may be expensive, time-consuming and ultimately futile. Such suppliers and manufacturers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claim or litigation could result in the expenditure of funds and managerial efforts in defending them and could have a negative impact on our reputation. Our reputation could be adversely impacted in the event of a significant product recall or product-related litigation due to product defects. We are subject to warranty and product liability claims in the ordinary course of our business. There can be no assurance that we will not experience material product liability losses arising from such claims in the future and that these will not have a negative impact on our reputation and, consequently, our sales. Given the association of our individual products with our overall brand, an issue with one of our products could negatively affect demand for other products or the reputation of us as a whole, which could have an adverse impact on the business, results of operations and financial condition of us.

We adhere to our product return policies and generally do not allow our customers to return products other than due to product quality issues in line with customary industry practice. However, we may be required by laws and regulations to adopt new or amend existing return and exchange policies. Should we be the ultimate responsible party for the costs and losses associated with significant return and exchange, our results of operations may be materially and adversely affected. If we adopt more customer-friendly return and exchange policies, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue, which may materially negatively affect our results of operations. If we adopt less customer-friendly return and exchange policies to reduce such costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new customers at a desirable pace, which may materially and adversely affect our results of operations.

We may not be able to keep abreast with the latest development and advancement of technology or maintain our current level of competitiveness, while our competitors may have more robust R&D capabilities and be able to develop better products.

We have continuously invested in upgrading and optimizing our production techniques and the machine and equipment used in our production, in order to improve the production efficiency, energy efficiency and quality of our products, which we believe are crucial to our future development. We cannot assure you that such investments will yield immediate tangible benefits, or our research and development efforts will be effective. Even if such efforts are successful, we may not be able to apply our newly developed technologies to our products. Even if we can successfully translate our R&D results into commercial products, our competitors may have more robust R&D capabilities that enable them to make breakthroughs in production techniques and machinery and equipment used for their production; they may also develop products that demonstrate better quality, can more effectively address the unique and diverse needs of customers, or can be marketed at more competitive prices. If we are unable to maintain or enhance our research and development capabilities, our competitiveness may be undermined, which could adversely affect our business, results of operations, financial condition and growth prospects.

The development of alternative battery technologies or energy storage solutions could materially adversely affect our financial position and results of operations.

The battery and energy storage industry is characterized by rapid technological changes. While we currently focus on recycling various types of lithium-ion batteries, including both ternary and LFP batteries, the development and adoption of alternative battery technologies or energy storage solutions could materially adversely affect our prospects and future revenues. These technological changes could include new battery chemistries, alternative energy storage technologies, or improvements in existing technologies that could reduce battery material requirements or make recycling less economical. For example, developments in solid-state batteries, sodium-ion batteries, or other energy storage technologies could potentially reduce the demand for conventional lithium-ion batteries and their materials. Additionally, improvements in battery longevity or efficiency could reduce the volume of batteries requiring recycling. If we fail to adapt our recycling processes to handle new technologies or if alternative technologies reduce the overall need for battery recycling, our business, financial condition and results of operations could be materially adversely affected.

Our production depends on a stable, timely and adequate supply of utilities, including energy, power and water. Any supply shortage or price increase may have a material and adverse effect on our business operations and financial performance.

We depend on the supply of energy power and water to maintain our production processes. There can be no assurance that shortages of these utilities will not occur in the future or that we will be able to pass on any cost increases in energy or water to our customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly and may also harm our competitive advantages with respect to the affected products. In addition, continuous changes in government policies may adversely affect the prices and supply of utilities that are required in our production. If we are unable to adapt to such policy changes, maintain stable utility supply at reasonable costs, or make necessary equipment upgrades in a timely and cost-effective manner, our production capacity, operational efficiency, and compliance with regulatory requirements could be adversely affected, which could materially and adversely affect our business, financial condition and results of operations.

Our business may be materially and adversely affected if we fail to obtain, or experience material delays in obtaining or renewing requisite government approvals or licenses for carrying out our operations or our construction and expansion projects.

We are required to obtain and maintain certain licenses, permits, registration, certificates and approvals for our business operations and throughout multiple stages of our new construction and production expansion projects. These include permits and approvals relating to production capacity, product types, and environmental protection, which may need to be updated or as our operations expand or evolve. In addition, various completion inspections may be required before we commence production at new production facilities. We cannot guarantee that we will be able to adapt to new rules and regulations that may come into effect from time to time with respect to our business operations or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary license, certificates, permits or registration for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our relevant business development plans or production activities, and our business, financial condition and results of operations may be materially and adversely affected.

Failure to maintain an effective quality control system could have a material adverse effect on our business, financial condition and results of operations.

As the quality of our products is critical to the success of our businesses, we must maintain an effective quality control system for our production and other operational activities. Our quality control system has been ISO 9001 certified. However, the effectiveness of our quality control system depends significantly on a number of factors, including its design, related training programs and our ability to ensure employee compliance. Any failure or deterioration of our quality control system could result in defects in our products, which in turn may subject us to contractual, product liability and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. Furthermore, if any such claims were ultimately successful, we could be required to pay substantial monetary damages or penalties, which could have a material adverse effect on our businesses, financial condition, results of operations and reputation.

Our business could be materially and adversely affected by the occurrence of force majeure events, natural disasters or outbreaks of contagious diseases.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases may materially and adversely affect our business, financial condition and results of operations. Any outbreak of contagious diseases could result in a widespread health crisis and restrict the level of business activity in affected areas, which may, in turn, materially and adversely affect our business. Moreover, our operations are vulnerable to natural disasters and other calamities, as our properties are susceptible to damage or disruption from fires, floods, earthquakes, power loss, or telecommunications failures. Any of the foregoing events may give rise to interruptions to our business operations and could adversely affect our business, financial condition and results of operations.

Our indebtedness and large repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions.

We have historically relied on interest-bearing bank and other borrowings to fund a portion of our capital expenditures and to support our operations, and we expect to continue such reliance in the future. As of December 31, 2025, we had interest-bearing bank and other borrowings of RMB1.5 billion. For details of our bank and other borrowings, see "Financial Information — Indebtedness." As of December 31, 2025, our bank and other loans due within one year or on demand, amounted to RMB1.3 billion, primarily representing interest-bearing borrowings from banks in Chinese mainland to satisfy our working capital and capital expenditure needs. Due to our reliance on these borrowings, we are exposed to interest rate risk resulting from interest rate fluctuations. Rising interest rates could increase interest expenses relating to our outstanding variable-rate borrowings, which could materially adversely affect our business, results of operations, financial condition and prospects. We are subject to restrictive covenants under our bank borrowings that are common in loan arrangements with financial institutions in Chinese mainland. A breach of these covenants could result in a default, increased costs, higher interest rates, additional restrictions and other protections available to the counterparties under our loans. Our ability to meet our debt obligations largely depends on our operating performance and the ability of our customers to fulfill their payment obligations to us. If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations, financial condition and prospects may be materially and adversely affected, and we may not be able to expand our business. We may be forced to sell assets, seek additional capital or seek to restructure or refinance our indebtedness, which may not be successful or provide sufficient remedial measures.

We may face substantial financial and operational risks if our business environment or the relevant interest or exchange rates change, or if our cash flows and capital resources are insufficient to fund our debt service obligations. Failure to service our debts could result in increases in interest rates that we pay on our debt and legal actions against us by our creditors, or even bankruptcy. In addition, obtaining additional external financing may require us to issue additional equity or debt securities or obtain additional bank loans. The issuance of additional equity or convertible debt securities could result in dilution of our Shareholders' equity interests. The incurrence of additional indebtedness could result in increased fixed obligations and operating covenants that restrict our operations. We cannot assure you that additional financing will be available in amounts or on terms acceptable to us, if at all. Due to our level of borrowings, our ability to respond to changing market conditions may be limited and our business expansion plans through acquisitions may be impeded. This could also increase our vulnerability to adverse economic and industry conditions and place us at a disadvantaged position compared to competitors who have lower levels of debt obligations.

Our Controlling Shareholders' failures to comply with the terms of guarantees for our borrowings could have a material adverse impact on our business and results of operations.

During the Track Record Period, our Controlling Shareholders and their associates have provided personal guarantees for certain of our bank loans and other borrowings. See "Relationship with Our Controlling Shareholders — Independence from Our Controlling Shareholders — Financial Independence." Our Directors are of the view that premature discharge of all outstanding Controlling Shareholders' Guarantees before the [**REDACTED**] would be impractical and unduly onerous to the Group and would not be in the best interests of our Group and our Shareholders, considering that early discharge of the Controlling Shareholders' Guarantees would require renegotiation of the terms with the relevant creditors, and the renegotiation would be time-consuming and may affect our normal operation. Therefore, the Controlling Shareholders' Guarantees will not be released before [**REDACTED**]. If we fail to obtain financing without guarantees from our Controlling Shareholders, our liquidity and business may be materially adversely affected. Additionally, if our Controlling Shareholders fail to comply with the terms of the guarantees, our creditors may accelerate the payment schedule, which could have a material adverse effect on our liquidity and business.

We may incur impairment losses for financial assets, prepayments, other receivable and other assets.

We recorded impairment losses on financial assets and prepayments, net of RMB36.9 million in 2023, reversal of impairment losses on financial assets and prepayments, net of RMB0.3 million in 2024, and impairment losses on financial assets and prepayments, net of RMB2.8 million in 2025. See "Financial Information — Discussion of Certain Key Items of Consolidated Statements of Financial Position." The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions, and unpredictable adverse changes in the future may also result in decreases in the value of our financial assets, prepayments, other receivables and other assets. Therefore, we cannot assure you that these assumptions and estimates would not result in outcomes that require a material adjustment to the carrying amounts of our financial assets, prepayments, other receivables and other assets in the future, which may in turn result in impairment losses. Any significant impairment losses of financial assets, prepayments, other receivables and other assets in the future could have an adverse effect on our business, financial condition and results of operations.

We are subject to risks associated with contract liabilities.

Our contract liabilities are recognized when payment from a customer is received before we transfer the related goods or services. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB11.0 million, RMB20.6 million and RMB13.6 million, respectively. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

Share-based payment may cause shareholding dilution to our existing Shareholders and have a material and adverse effect on our financial performance.

We have adopted the employee share ownership plan in respect of Zhaoqing Shengda on February 9, 2021. See "Appendix VI — Statutory and General Information — 3. Further Information about our Directors and Supervisors — D. Employee Share Ownership Plan" for more details. In 2023, 2024 and 2025, we recorded share-based payment expenses of RMB11.0 million, RMB9.6 million and RMB12.0 million, respectively. To further incentivize our employees, supervisors and directors, we may grant additional share incentive awards under new share incentive schemes in the future. Issuance of additional Shares under new share incentive schemes may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We face certain risks relating to compliance requirements and potential non-compliance in relation to the real properties we own, use or lease.

For real properties that we own, including those related to our manufacturing activities and offices, we are subject to various rules and regulations and must obtain various permits, certificates and other approvals from the relevant government authorities at various stages of property development, including the land use right certificates, planning permits, construction permits and building ownership certificates. For real properties that we use or lease, we are also subject to various rules and regulations. Changes in these requirements or new regulations could require us to obtain additional approvals or make operational adjustments, including potential relocations, which may cause us to incur compliance costs.

As of the Latest Practicable Date, (i) one of the lessors of our lease properties did not provide valid title certificates or authorization for leasing; and (ii) we had two leases concerning properties located in Chinese mainland that had not been registered with the relevant authorities as required. Our PRC Legal Adviser advised us that, according to the applicable PRC Law, the non-registration would not affect the validity of these lease agreements, but we, as the lessee, may be required by the relevant authorities in Chinese mainland to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the real properties we own, use or lease. If any challenge against us in these respects are successful, our use or lease of such properties may be affected and we may be required to relocate from these relevant properties. If we fail to find suitable alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from such challenges, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Present or future environmental, safety and occupational health laws and regulations, and laws and regulations in Chinese mainland regarding recycling, resource recovery, and reuse of lithium-ion batteries, may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain laws and regulations relating to environmental, safety and occupational health matters and laws and regulations in Chinese mainland regarding recycling, resource recovery, and reuse of lithium-ion batteries. Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future. In addition, our manufacturing process produces pollutants such as wastewater and waste gas. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC government impose stricter environmental protection standards and regulations in the future, we may incur additional capital expenditures and costs that we may not be able to pass on to customers, or other obligations or liabilities, which could decrease our capital and our ability to pursue developments in other areas. Any increase in production costs resulting from the implementation of additional environmental protection measures may have a material adverse effect on our business, financial condition or results of operations.

Any changes to the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may require us to adapt our practices, resulting in additional costs and subjecting us to fines and other legal or administrative sanctions.

Pursuant to the PRC Law, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period and as of the Latest Practicable Date, the Company and some of our subsidiaries in Chinese mainland did not make full contribution to the social insurance and housing provident funds for some of our employees in accordance with the relevant PRC Law. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. See "Business — Compliance and Legal Proceedings — Social Insurance and Housing Provident Funds." We believe that the non-compliance during the Track Record Period in relation to the payment of social insurance and housing provident fund will not have material adverse effects on our production and business operations. However, we cannot assure you that the competent authority will not require us to rectify any non-compliance or to pay any penalty related thereto.

Our insurance coverage may not be sufficient to cover all potential losses.

We maintain certain insurance policies that we believe are in line with industry practice and adequate for our operations. However, we cannot assure you that our insurance coverage is sufficient to cover all potential losses we may suffer. If we were to incur significant losses that are not covered by our insurance, or that exceed our policy limits, our business, financial condition and results of operations could be materially and adversely affected. Furthermore, we cannot assure you that we will be able to renew our insurance policies on commercially reasonable terms, or at all.

We depend on certain third parties for various services and products in connection with our business.

We rely on third-party suppliers for various goods and services including utilities, energy, raw materials, manufacturing services, engineering services, construction services, warehousing services and transportation services, which are in line with industry practice. We endeavor to source goods and services from third-party providers whom we believe are able to meet our quality, delivery schedule and other requirements. However, the goods and services provided by any of the third-party service providers may not be provided in a timely manner or of satisfactory quality. If the third-party providers do not perform satisfactorily, substantially reduce the amount and scope of goods and services provided to us, substantially increase their prices or terminate their business relationship with us, we may need to replace the third-party providers or take other remedial measures which could increase our costs of operations. As we do not have direct control over the third-party providers, if they become involved in unauthorized provision of goods or services that do not comply with our or our customers' requirements, or do not comply with applicable laws and regulations, our reputation may be adversely affected, which in turn may materially and adversely affect our business, financial condition and results of operations.

Negative news or publicity may adversely affect our reputation, business and growth prospects.

Any negative news or publicity in relation to us, or any of our Directors, management, Controlling Shareholders and joint ventures or business partners or counter-parties, or any of their respective affiliates (including, where applicable, any joint venture or business partner or counter-party thereof), among others, whether or not they act on our behalf or otherwise utilize or share our brand name, and even if proven untrue, could adversely affect our reputation, business and growth prospects. We cannot assure you that such negative news or publicity would not damage our reputation or brand image. Given our specialized industry and market, negative news, publicity and word of mouth could spread quickly and negatively impact our reputation, brand image or relationship with third parties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we are not a party to, not involved in, and not liable to these litigations, disputes and allegations, we cannot assure you that any of such negative news or publicity will not affect our reputation, brand image or relationship with third parties, which could in turn have a material adverse effect on our business, financial condition and results of operations.

Developments in the labor market, increases in labor costs or any possible labor shortage may adversely affect our financial performance, our business and results of operations. The enforcement of PRC Labor Contract Law and other labor related regulations may materially affect our business, financial condition and results of operations.

We are incorporated and all of our operations are located in Chinese mainland, and the overall economy and the average wage in Chinese mainland have increased in recent years and are expected to continue to grow. The average wage level of our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to our customers, our profitability and results of operations may be materially and adversely affected.

We have been subject to stricter regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. For example, under the PRC Social Insurance Law and the Administrative Measures on Housing Provident Fund, employees are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance, and housing provident funds, and employers are required, together with their employees, to pay the contributions to social insurance and housing provident funds for their employees. Also, the PRC Labor Contract Law and the Interim Provisions on Labor Dispatch imposed certain restrictions on the use of dispatched labor including but not limited to the form of employment, numbers of dispatched workers, etc. We may need to change or adapt our labor practices from time to time in response to new labor laws, regulations, rules and policies, but we may not be able to do so in a timely and efficient manner. Failure to do so may adversely affect our businesses and results of operations.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations are still evolving, we cannot assure you that our employment practice do not and will not violate such labor-related laws and regulations in Chinese mainland, which may subject us to labor disputes or government investigations. During the Track Record Period, we had not been subject to any administrative penalties in connection with PRC labor laws and regulations. However, we cannot assure you that our historical and current labor-related practices will at all times be deemed in full compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of us being deemed as noncompliant with the relevant laws and regulations, we may be required to rectify within a prescribed time period and to pay fines, late payment fees and/or other penalties if we fail to do so. Accordingly, our business, financial condition and results of operations could be materially and adversely affected.

Our business depends on our ability to protect our intellectual property rights. Our intellectual property rights may be infringed upon by third parties, and we may also be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damage awards and incur other costs.

Our intellectual property rights primarily include patents, trade secrets and trademarks. We rely primarily on a combination of our patents, trade secrets, trademarks and employee and third-party confidentiality agreements to protect our intellectual property rights. As of the Latest Practicable Date, we had 193 registered patents, 22 trademarks, nine copyrights and two domain names in Chinese mainland. As of the same date, we were not aware of any material violation or infringement of our patents, trade secrets, trademarks and other intellectual property rights. However, we cannot assure you that infringement of our intellectual property rights by other parties does not exist now or will not occur in the future. To protect our intellectual property rights and maintain our competitive advantage, we may engage in legal proceedings against parties who we believe are infringing upon our intellectual property rights. Legal proceedings are often costly and may divert management attention and other resources, including time and money, away from our business. In addition, we have no insurance coverage against litigation costs and will have to bear all costs arising from such litigations to the extent that we are unable to recover from other parties.

Our success also depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We cannot assure you that we will not be subject to claims of infringement upon the intellectual property rights of third parties. The validity and scope of any potential claims relating to our production technology and know-how involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations.

Our success depends on the continuing efforts of our key employees and senior management. If we fail to recruit, retain and motivate our key employees, or maintain our corporate culture as we grow, our business may be harmed.

Our continued success is highly dependent upon the efforts of our Directors, senior management and other key employees. If any of them leaves and we are unable to promptly hire and integrate a qualified replacement, or if we are unable to attract and retain additional qualified personnel for our future growth, our growth may be limited and/or our business, financial position and results of operations may be materially and adversely affected. We have not obtained any "key person" insurance on our key personnel. Although each of our senior management, department heads, major technical and marketing personnel has entered into non-compete agreement with us, we cannot assure that such non-competition provisions shall be enforceable in the event of dispute arising between our senior management and other key employees and us, as we may not have provided adequate compensation to them for their non-competition obligations, which is required under relevant PRC Law. As such, if any of our senior management and other key employees joins a competitor or forms a competing company, we may lose customers, know-how and key professionals and staff members, without any recourse, in which case our business, financial position and operating results could be materially and adversely affected.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face significant liabilities as a result.

We may, from time to time, be involved in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We, our Directors, Supervisors, senior management, and employees may not always be successful in defending ourselves against litigation and regulatory investigations and proceedings.

We face potential liabilities, legal claim expenses, and regulatory risks. We may also be held liable if our employees, suppliers or other business partners fail to comply with applicable rules and regulations. While we can seek indemnification from the responsible parties afterwards, our reputation could still be adversely affected. Furthermore, our Directors, Supervisors, senior management, and employees might occasionally face litigation, regulatory investigations, and other proceedings. These matters, which can relate to commercial issues, labor, employment, antitrust, or securities, could adversely affect our reputation and results of operations. After we become a publicly [**REDACTED**] company, we may face additional exposure to claims and lawsuits. These claims could divert management time and attention away from our business and result in significant costs to investigate and defend, regardless of the merits of the claims. In some instances, we may elect or be forced to pay substantial damages if we are unsuccessful in defending against these claims, which could harm our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

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

Our business performance is heavily dependent on the general economic conditions of the markets in which we operate, with a particular concentration in Chinese mainland. Any severe or prolonged slowdown in the Chinese economy could reduce public and private spending on infrastructure projects, which in turn could lead to a decrease in demand for our products and solutions. Failure to respond effectively to these developments could have serious consequences. Evolving laws and regulations may impose stricter compliance requirements, requiring us to incur substantial costs to upgrade our facilities, purchase new equipment or adjust our operational procedures. Since our operations are integrated into the broader industrial supply chain, any policy-driven disruption to our suppliers or customers could cause revenue losses. Consequently, our inability to adapt to the evolving economic, political, and legal landscape could materially and adversely affect our business, financial condition, and results of operations.

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

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (collectively, "**Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to list overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information to the CSRC. The filing is required to be conducted within three business days after the submission of the application for initial public offering and listing overseas to the overseas regulators. The CSRC will review the filing application and may have queries and may consult with other relevant regulators. Filings granted by the CSRC will have a valid term of one year during which the issuer should complete the offering. See " Regulatory Overview — Overseas Listing Regulations" for details. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as orders to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

Our PRC Legal Advisor is of the view that this [**REDACTED**] shall be deemed as a direct [**REDACTED**] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit [**REDACTED**] for this [**REDACTED**]. We may fail to obtain such approval, filing or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such approval, filing or completing such procedures for the [**REDACTED**], or a rescission of any such approval or filing obtained by us and such failure may adversely affect our ability to finance the development of our business and could have a material adverse effect on our business and financial condition. Furthermore, if the filing procedure with the CSRC under the Trial Measures is required for any future [**REDACTED**], it is uncertain whether we could complete the filing procedure in relation to any further capital raising activities in a timely manner, or at all.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) ("Archives Rules") which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [**REDACTED**] or [**REDACTED**] before settlement and delivery of the H Shares we are [**REDACTED**] hereby. Consequently, if you engage in [**REDACTED**] or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Trial Measures for this [**REDACTED**] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and [**REDACTED**] of the H Shares.

Under the EIT Law, we may not be classified as a "high and new-technology enterprise" of the PRC. Such classification could result in unfavorable tax consequences.

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. The Company and a subsidiary of the Company, namely Jiangxi Ruida, received approvals by competent government authorities, and were recognized as high and new-technology enterprises with a validity period of three years, which entitled the Company and Jiangxi Ruida a preferential tax rate of 15% during the Track Record Period. Despite being eligible for preferential tax rate as high and new-technology enterprises during the Track Record Period, there is no assurance that the Company or the subsidiary would successfully reapplied for the certificates of high and new-technology enterprises so as to enjoy the preferential tax rate after the expiry of the certificates, in which case our Group and our subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that the EIT Law, its application or its interpretation will not change, in which case our effective income tax rate may increase significantly.

We are subject to the currency exchange regulatory system in China.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. 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, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, 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, capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

Fluctuations in exchange rates could have a material and adverse effect on our results of operations and the value of your [REDACTED].

During the Track Record Period, all of our revenue and expenditures were denominated in Renminbi, while the [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC law.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementation regulations, dividends paid by a PRC resident enterprise, such as our Company, to non-PRC resident enterprise investors are subject to a 10% withholding tax, unless a lower treaty rate applies. Pursuant to the PRC Individual Income Tax Law, dividends paid by a PRC company to non-PRC resident individual investors are subject to a 20% withholding tax. This rate may be reduced under an applicable tax treaty. To simplify tax administration for shares listed in Hong Kong, a withholding tax rate of 10% is generally applied to dividends paid to non-PRC resident individual investors. There remain uncertainties as to whether gains realized by non-PRC resident investors upon the sale or other disposition of our H Shares would be considered income derived from sources within the PRC and thus be subject to PRC income tax. If such gains are subject to PRC income tax, the applicable rate for non-resident enterprises would generally be 10%, and for non-resident individuals could be 20%, subject to any relief under applicable tax treaties. If you are a non-PRC resident [**REDACTED**], you should consult your own tax adviser regarding the tax implications of [**REDACTED**] in our H Shares.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management named in the document based on foreign laws.

Most of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-Chinese courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and 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》) are met. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible. Furthermore, although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares, and you may not be able to resell our Shares at or above the price you pay, or at all.

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

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

The [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have [**REDACTED**] their securities in Hong Kong may affect the [**REDACTED**] of, and [**REDACTED**] for our H Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their offerings. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the [**REDACTED**] of our H Shares. These broad market and industry factors may significantly affect the [**REDACTED**] of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers, [**REDACTED**] Investors and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. We have applied to the CSRC for the [**REDACTED**] of a portion of Unlisted Shares into H Shares. If the [**REDACTED**] is filed by the CSRC, such a portion of the Unlisted Shares will be [**REDACTED**] into H Shares upon the [**REDACTED**], which will be [**REDACTED**] on the Stock Exchange. If our separate application is filed with the CSRC, our remaining Unlisted Shares may also be [**REDACTED**] into H Shares in the future, and such [**REDACTED**] shares may be [**REDACTED**] on an overseas stock exchange, provided that prior to the [**REDACTED**] of such [**REDACTED**] shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the filing notice from relevant PRC regulatory authorities shall be obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing. Therefore, upon obtaining the requisite approval and filing notice, our Unlisted Shares may be [**REDACTED**], after the

[**REDACTED**], in the form of H Shares on the Stock Exchange one year after the [**REDACTED**], which at that time could further increase the number of our H Shares available in the market and may negatively impact the [**REDACTED**] of our H Shares.

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

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

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

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The concentration of ownership may discourage, delay or prevent a change in control of the Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of the Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

We cannot assure you that we will declare and distribute any amount of dividends in the future and you may have to rely on price appreciation of our H Shares for return on your [REDACTED].

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less the portions allocated to the discretionary reserve approved by the Shareholders' meeting and the statutory reserve. As a result, we may not have sufficient profit to enable us to make future dividend distributions to our Shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations had been profitable. Furthermore, future determination of dividends will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that the factors we take into consideration will not change in the future.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and 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, such information has not been independently verified by us, the Joint Sponsors, 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, we cannot assure our [**REDACTED**] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [**REDACTED**] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [**REDACTED**] information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and [**REDACTED**] should not place undue reliance.