An **[REDACTED]** *in our H Shares may involve significant risks. Potential investors should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any* **[REDACTED]** *in our H Shares. You should pay particular attention to the fact that we primarily conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the* **[REDACTED]** *of our H Shares, and could cause you to lose all or part of your* **[REDACTED]**. *The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements."*

We are at a relatively early stage of the commercialization of our products. We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into (i) risks relating to the R&D of our products; (ii) risks relating to our intellectual property rights; (iii) risks relating to our business and industry; (iv) risks relating to doing business in the jurisdictions where we operate; and (v) risks relating to the **[REDACTED]**.

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

RISKS RELATING TO THE R&D OF OUR PRODUCTS

Our ability to develop new products with advanced technology that adapt to changing market demand and customer needs in a cost-effective and timely manner is critical to our business and competitive position.

Our future business, results of operations, financial condition and competitive position depend on our ability to develop advanced functional current collectors that incorporate and integrate the latest technologies in lithium-ion batteries, to satisfy evolving customer demands, regulatory requirements and industry standards. Development of current collectors represents advanced material technologies, and we may encounter significant unexpected technical challenges, or delays in completing the development of new and enhanced products in a cost-efficient manner, which could require us to invest significant resources in R&D. As a result, we may need to:

- design innovative, high-performance material structures that differentiate our current collector products from those of our competitors;
- continually enhance our production capabilities and improve our technology competencies;
- maintain the relevance of our current collector technologies by continuously advancing R&D capabilities to adapt to emerging innovations in lithium-ion batteries and any potential industry-wide technological shifts;

- cooperate effectively on new designs and product development with our customers and suppliers;
- respond effectively to technological changes and product announcements by our competitors; and
- adjust to changing customer requirements, market conditions and regulatory standards quickly and cost-effectively.

We may face significant technical challenges or delays, requiring substantial R&D investment and continuous enhancement of our design, production and technology capabilities. Failure to respond effectively to technological changes, customer requirements or competitor innovations could materially and adversely affect our business, financial condition and results of operations. Moreover, disruptive technologies may materially impact our business. Emerging innovations may reduce demand for conventional lithium-ion battery components, including our current collectors, by offering superior safety, sustainability or cost advantages. Shifts in vehicle technologies may also affect downstream demand.

Our competitiveness depends on significant R&D investment, which may impact our profitability.

Our ability to develop new technologies, design new products and enhance existing products is critical for maintaining our market position. We have been investing heavily in our R&D efforts. In 2023, 2024 and 2025, our R&D expenses were RMB66.2 million, RMB93.6 million and RMB146.6 million, representing 301.8%, 36.3% and 25.3% of our total revenue for the same years, respectively. The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in R&D to make technological advances in order to expand our offerings and make our products innovative and competitive in the market. As a result, we may continue to incur significant R&D expenses in the future.

However, inherent risk exists for such significant R&D expenditures as our investment may not succeed or generate the benefits that we expect. Development activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources, including qualified R&D personnel. Even if we succeed in our R&D efforts and generate the results we expect, our cash flow and liquidity may be adversely affected, and we may still encounter practical difficulties in commercializing our development results. New technologies could render our technologies, our technological infrastructure or products that we are developing, or expect to develop in the future, obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our profitability and market share. In addition, we may be subject to new rules or restrictions imposed by regulatory authorities in response to our innovations, which could increase our expenses or prevent us from successfully commercializing new products or technologies. Our R&D efforts may not contribute to our future results of operations for several years, if at all, and such contributions may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We may not be able to obtain or maintain adequate intellectual property rights protection for our products, or the scope of such protection may not be sufficiently broad.

Our success depends on proprietary technologies through adequate patent rights. The patent application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields.

Patents may be invalidated, and patent applications may not be granted for several reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Moreover, obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent authorities such as the China National Intellectual Property Administration. Non-compliance events, including failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees, and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdictions. Even if our patent applications are successfully granted, such grant may not be in a form that can provide us with meaningful protection, prevent competitors from competing with us, or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. Therefore, the grant of a patent application is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China and/or other jurisdictions. Further, although various extensions may be available, the life of a patent and the protection it affords are limited. For example, in the PRC, from the date of application, invention patents are valid for 20 years, utility model patents are valid for 10 years and design patents filed since June 1, 2021 are valid for 15 years. We may face competition for any approved products even if we successfully obtain patent protection once the patent life expires for such products. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and competitive position.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful. Our patent rights relating to our products could be found invalid or unenforceable if challenged.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary in the future to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming. Any claims that we assert against perceived infringers could also provoke these parties to assert counterclaims against us alleging that we infringe their intellectual property rights. Some of our current and potential competitors may have the ability to dedicate greater resources to enforce and/or defend their intellectual property rights than we do. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure during this type of litigation. Defendant counterclaims alleging invalidity or unenforceability are commonplace, and can be asserted on numerous grounds. Third parties may also raise similar claims to administrative bodies in China or abroad, even outside the context of litigation. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our current or pipeline products. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our current or pipeline products. Such a loss of patent protection could materially and adversely affect our business.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling relevant products.

Companies operating in our industry routinely seek patent protection for their products. Some of our competitors have large patent portfolios and may claim that commercial use of our products has infringed their patents. These patents have broad claims, so it might be alleged that certain features of our products fall within the claims of such patents. Therefore, our competitors may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of the relevant products.

Companies in our industry may use intellectual property litigation to gain a competitive advantage. Whether a product infringes a patent involves analysis of complex legal and factual issues, the determination of which is often uncertain. We may hire employees who have previously worked for our competitors. There can be no assurance that such employees will not use their previous employers' proprietary know-how or trade secrets in their work for us, which could result in litigation against us. Our competitors may also have filed for patent protection that is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful. Claims of patent or other intellectual property infringement, may be costly and time-consuming to defend, divert management attention, require us to pay significant damages or compensation, restrict or prevent us from manufacturing or selling affected products, require us to redesign, reengineer or rebrand our products, or require us to obtain licenses, which may not be available on commercially reasonable terms or at all. Such claims may also cause customers to delay, reduce or terminate their purchases of the affected products, whether before or after the relevant litigation or dispute is resolved. In addition, newly issued patents held by our competitors may threaten the continued commercialization of our products even after they have been introduced to the market.

Changes in intellectual property laws or their interpretation could affect the scope and value of our patent and copyright protection.

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

Even if our patent applications are successfully granted, such grants may not be in a form that can provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the grant of patent applications, and the scope, validity, enforceability and the commercial value of our patent rights, are highly uncertain.

We may be unable to protect the confidentiality of our trade secrets and know-how, and we may be subject to claims that we, or our employees or our business partners, have wrongfully used or disclosed trade secrets or know-how allegedly owned by others.

In addition to patents, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and thus maintain our competitive position. However, we may face challenges in protecting the confidentiality of such proprietary information. There is no guarantee that our employees, business partners and suppliers would respect the confidentiality agreements signed with us. If our trade secrets and know-how are disclosed, whether through breach of confidentiality agreements, cyber-attacks or other means, it could lead to a loss of competitive advantage and have a material adverse effect on our business, financial condition and results of operations. Additionally, the unauthorized use or disclosure of our proprietary information could result in costly and protracted legal proceedings, and there is no assurance that we could obtain a favorable outcome in such cases. Any adverse outcomes could result in financial liabilities, reputational damage and a loss of competitive position.

Furthermore, we may be subject to claims that we, our employees, or our business partners have wrongfully used or disclosed trade secrets or know-how allegedly owned by others. Such claims, even if settled in our favor, could result in significant legal expenses and divert management attention from our core business operations. If we are found to have misappropriated trade secrets or the know-how of others, we could be subject to injunctions, damages, and the requirement to obtain licenses, which may not be available on commercially reasonable terms, or at all. Failure to adequately manage these risks could materially and adversely affect our business and prospects.

We may not be able to protect our intellectual property rights globally.

Filing, prosecuting and defending patents on our technologies globally can be expensive and time-consuming. We may also encounter difficulties in protecting and defending such rights in overseas jurisdictions. In addition, in many jurisdictions that operate on a "first-to-file" basis, third parties may apply for or register intellectual property rights, including patents, before us, which could prevent us and our customers from registering or using our technologies in those jurisdictions. As a result, our customers may have limitations selling their products in such jurisdictions.

Many companies have encountered significant problems in protecting and defending intellectual property rights in overseas jurisdictions. The legal systems of many other countries and regions do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents in such countries. Proceedings to enforce our patent rights in overseas jurisdictions could result in substantial costs and divert our resources and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and put our patent applications at risk of rejection, and could provoke third parties to assert claims against us. We may not prevail in lawsuits that we initiate or be awarded damages or other remedies, if any, that we deem sufficient. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual properties that we develop.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have a limited track record of commercialization, and there is no assurance that we will be able to maintain our continued growth in the future.

Compared with some of our competitors, we have a shorter operating history and a limited track record in the commercialization of our products. To date, our operations have focused on establishing our intellectual property portfolio, conducting R&D activities, and commercializing our products. As a result, it is difficult to reliably evaluate our business, financial condition, results of operations, and prospects, especially given our short operating history and the rapidly evolving nature of our industry. Commercializing new products may involve greater risks, longer timelines, and higher costs compared with companies with more established commercialization experience.

Our future success depends on our ability to attract and retain qualified personnel, execute effective sales and marketing strategies, and maintain quality control over our products. There can be no assurance that our sales results will meet our expectations, that third parties will adopt our products, or that we can maintain our continued growth in the future. Any failure in these areas could materially and adversely affect our business, results of operations, and financial condition.

Our ability to attract new customers or retain existing customers will affect our business, financial condition and results of operations.

Our ability to retain existing customers, attract new ones and expand the scope of product adoption is critical to our revenue growth. As a provider of current collector products primarily used in lithium-ion batteries, our customer base consists largely of battery and EV manufacturers. Their continued engagement depends on factors such as satisfaction with our products and services, pricing competitiveness, product quality, and broader industry and economic conditions. If we fail to anticipate industry trends, enhance our offerings, or develop new products that meet evolving customer needs, we may not be able to maintain or grow our customer base. Our success also depends on expanding our sales and marketing capabilities. If we are unable to attract, motivate or retain a sufficient number of qualified sales and marketing personnel to support our business, the commercialization of our products and our ability to attract new customers may be adversely affected. In particular, commercialization of our products depends on customer adoption, which is subject to customer validation and procurement cycles. These processes may take longer than expected or be delayed, and any delay in customer adoption may adversely affect our ability to commercialize our products.

The loss of a significant number of customers, or a decline in their growth or purchasing volume, could materially and adversely affect our business, financial condition, and results of operations. Our customers are not contractually obligated to continue purchasing our products. Any failure to retain customers or expand their use of our products may slow our growth and adversely impact our business performance.

We generated revenue from a limited number of customers during the Track Record Period, and such amounts may fluctuate in any given period.

Our major customers primarily were battery manufacturers located in China, South Korea and Europe. In 2023, 2024 and 2025, revenue from the five largest customers in each year during the Track Record Period was RMB18.7 million, RMB199.2 million and RMB417.6 million, respectively, accounting for 85.1%, 77.2% and 72.1% of our total revenue, respectively. Revenue from the single largest customer in each year during the Track Record Period was RMB7.9 million, RMB128.3 million and RMB155.0 million, accounting for 36.0%, 49.7% and 26.8% of our total revenue, respectively. If any of our major customers scale back or terminate their business relationships with us, or if our business relationships with any of these customers are undermined, or if we are unable to negotiate favorable contractual terms with them, or unable to secure new major customers on favorable or comparable terms, or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our success depends on the growth in the end markets, in particular, manufacturers of lithium-ion batteries and EVs. Slowdown in such addressable markets would adversely affect the demand for our products.

We primarily provide advanced functional current collector products and related technology solutions to manufacturers of lithium-ion batteries and EVs. As such, the demand for our products and solutions is closely linked to the market development and growth of these end markets, which, in turn, are influenced by broader industry trends and consumer demand. For example, in 2023, downstream demand in the lithium-ion battery and EV sectors slowed due to weakened market sentiment and global economic headwinds. There is no assurance that demand in these end markets will remain stable or continue to grow. A decline in demand from end markets may reduce our customers' production needs, thereby lowering demand for our products and solutions. In addition, our products are integrated into our customers' offerings, and their product life cycles directly affect the demand for our products. Factors affecting end markets are largely beyond our control. If any factor occurs in the future which results in material slowdown of any or all of our major end markets, or the growth of these end markets is not sustained, our business, results of operations and financial condition may be materially and adversely affected.

We may not compete effectively in the advanced functional current collector market.

We primarily compete with material science companies that focus on developing and commercializing next-generation collector technologies. According to Frost & Sullivan, we ranked third globally among manufacturers of FICC by shipment volume in 2025. With an annual production capacity of 62.9 million sq.m, we ranked first globally among composite current collector manufacturers as of December 31, 2025.

We face competition from other market participants. If we are unable to match or exceed our competitors in responding to evolving market demands, technological advancements, regulatory changes, or customer expectations, our ability to maintain or grow our market position may be compromised. In addition, new entrants may intensify competition by offering lower-priced products or introducing disruptive technologies. Increased competition could lead to reduced sales, pricing pressure, lower margins, or loss of market share. To remain competitive, we may need to make substantial investments in R&D, marketing, sales, and talent acquisition, including recruiting top scientists and acquiring complementary technologies. However, there is no assurance that such efforts will be successful or sufficient to counter competitive threats. If we fail to compete effectively, or if doing so requires significant and sustained expenditures, our business, financial condition, and results of operations may be materially and adversely affected.

If we are unable to attract, retain or motivate key individuals such as key management, qualified executives, core R&D staff and sales representatives, our business, financial condition and results of operations may be affected.

Our success depends on our ability to attract, retain and motivate key individuals, including senior management, qualified executives, core R&D staff and sales representatives. These personnel contribute significantly to our operating efficiency, R&D efforts, customer relationships and overall business execution. In particular, our management and senior leadership team has significant industry experience, and their knowledge and relationships would be difficult to replace. See "Directors and Senior Management." In addition, we rely on several principal members of our R&D team to develop our technologies and enhance the quality and performance of our advanced functional current collectors. See "Business — R&D — R&D Team and Institutions." Changes in our management team or the departure of experienced employees may disrupt our operations and affect our ability to maintain continuity in decision-making and strategic planning. The departure of the principal members of our R&D team or their collaboration with competitors could negatively impact our ability to advance proprietary technologies and commercialize new products.

We operate in a competitive industry where demand for experienced professionals is high. Many of our competitors may offer more attractive compensation packages or career development opportunities, making it more difficult for us to recruit and retain talents. In addition, changes in employment-related laws and regulations may increase our operating costs and reduce our flexibility in managing workforce needs.

If we are unable to maintain a workplace culture that supports employee engagement and retention, or if our compensation and incentive programs are no longer viewed as competitive, our ability to attract and retain key personnel may be weakened. Any such failure could materially and adversely affect our business, financial condition and results of operations.

We cannot guarantee that our growth strategies will be successfully implemented or achieve our expected results.

We continue to execute a number of strategies to expand our business. See "Business — Growth Strategies" and "Future Plans and Use of **[REDACTED]**." However, expanding our business involves risks and challenges. These business initiatives are new and evolving, some of which may prove unsuccessful. It may also take longer than expected for us to develop the technologies and build market acceptance of our products, and we may not have sufficient experience in executing these new business initiatives effectively. We may incur significant capital expenditures in expanding our production bases, but there is no assurance that market demand will grow in line with our expanded production capabilities or result in an increase in revenue or profitability. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate the desired outcome. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenue or recover any associated cost, and our business, financial condition and results of operations may be materially and adversely affected.

Quality issues with our products may subject us to product returns or recalls and, in rare cases, product liability claims, which may damage our reputation and adversely affect our business and results of operations.

Our current collector products are critical components in lithium-ion batteries, which are ultimately used in EVs and other energy storage systems. Any quality issues, including defects in materials, manufacturing inconsistencies, or performance failures, may result in product liability claims, damage to our reputation, and loss of customer trust. Despite our internal quality control procedures, defects may not be immediately detectable. Some errors or defects in our products may only be discovered after our products are integrated into customers' products or deployed in end-use applications. Such issues may lead to product recalls, repairs, replacements, or compensation claims, and could expose us to legal liabilities and reputational harm. Furthermore, these issues could potentially lead to lawsuits filed against us by our customers or other parties, exposing us to potential liabilities and damages. We may also experience revenue loss, significant capital expenditures, delays or loss in market acceptance, and damage to our reputation and brand, any of which could negatively affect our business, financial condition and operating results. Resolving such claims may be time-consuming and costly, and could further harm our reputation, customer relationships and ability to grow our business.

We lease properties in various places as premises primarily for office and production use. Any non-renewal of leases, substantial increase in rent, or any third-party challenge to our leasehold interest may affect our business and financial performance.

As we lease properties in various places as premises primarily for office and production use, our operations are susceptible to fluctuations in the property rental market. Before the expiry of each of our leases, we have to negotiate the terms of renewal with the respective lessors. There is no assurance that our existing leases would be renewed on similar or favorable terms or at all, in particular with respect to the amount of rent and the term of the lease. Any substantial increase in the rents of our leased properties may increase our property rental and related expenses, which could materially and adversely affect our profitability. There is also no assurance that our existing leases will not be terminated early by the lessors before the expiry of the relevant term.

As of the Latest Practicable Date, we have not registered and filed the housing leases with respect to six of our leased properties in China. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register and file the housing leases within a prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to comply. As advised by our PRC Legal Advisor, the validity of the lease agreements is not affected by the failure to register or file the lease agreements with the relevant government authorities. Nevertheless, we cannot assure you that we will not receive any complaint, investigation, proceeding, fine or other penalties in respect of our non-registration of our lease agreements. In addition, two of our leased properties have term periods exceeding 20 years. Pursuant to the Civil Code of the PRC, the term of a lease shall not exceed 20 years, and any portion exceeding 20 years shall be deemed invalid. Our PRC Legal Advisor is of the view that we are entitled to lease and use the relevant properties in accordance with the lease agreements up to the 20-year limit.

In the event of relocation, we could incur significant costs and face operational disruptions. Relocation could involve expenses related to finding and securing new premises, moving equipment and personnel, and potential downtime during the transition. Such disruptions could adversely impact our business operations, financial condition and results of operations.

We may be required to make additional contributions to social insurance funds and/or housing provident funds and may face fines for late payments under PRC laws and regulations.

We are required by PRC laws and regulations to make contributions to mandatory social insurance and/or housing provident funds for our employees. During the Track Record Period, we did not make adequate contributions to the social insurance and/or housing provident funds for some of our employees. As advised by our PRC Legal Advisor, pursuant to the relevant PRC laws and regulations, we may (i) be ordered to pay or make up the outstanding social insurance contributions within a prescribed time limit and be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable, and if such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of the overdue payment; and (ii) be ordered to pay the outstanding housing provident fund contribution within a prescribed time limit; if the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. Our PRC Legal Advisor further advises that the likelihood that we would be proactively required the relevant social insurance and housing provident fund authorities to pay for the shortfall of social insurance and housing provident fund and be subject to material administrative penalties for the aforementioned shortfall is remote, provided that there are no material adverse changes in the current regulatory policies and environment and no employee complaints. In addition, during the Track Record Period, we engaged third-party agencies to pay social insurance and housing provident funds contributions for certain employees on our behalf. Such arrangements, although not uncommon in China, are not in strict compliance with relevant PRC laws and regulations. As advised by our PRC Legal Advisor, we may be ordered to pay social insurance premiums and housing provident funds for our employees under our own accounts instead of making payments under third-party accounts. As of the Latest Practicable Date, we had not received any administrative penalty or rectification order imposed by competent authorities in the PRC in terms of the social insurance plans and housing provident fund contributions. In addition, as advised by our PRC Legal Advisor, the risk of our Company being proactively required by the relevant social insurance and housing provident fund authorities to pay for the shortfall in social insurance and housing provident funds and being subject to material administrative penalties imposed by competent authorities for making social insurance and housing fund contributions for certain employees through third-party agencies is remote. However, we cannot assure you that we will not be subject to any order to rectify such noncompliance in the future. Any such order may materially and adversely affect our business, financial condition and results of operations.

If we fail to obtain and maintain the requisite licenses and approvals required in any jurisdictions where we operate, our business, financial condition and results of operations may be affected.

We are required to obtain and maintain the requisite licenses and approvals for our business in China and other jurisdictions where we operate our business. If we fail to complete, obtain, maintain or renew any of the required licenses or approvals or make the necessary filings in any of the jurisdictions where we operate, we may be subject to various penalties, such as the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition and results of operations.

In addition, as the industries in which we operate are rapidly evolving, relevant government authorities may introduce new regulatory requirements that could impose additional operational burdens and compliance costs, by dedicating additional manpower and financial resources to meet regulatory requirements. As we expand our international operations, the complexity and scope of regulatory requirements will increase, elevating compliance risks in areas such as import/export, anti-dumping, anti-corruption, tax, foreign exchange, cash repatriation, data privacy, environmental, labor, property, foreign investment and anti-competition regulations. Failure to comply with changing regulations or licensing rules, due to unexpected requirements or limited resources, could cause operational disruptions, fines or damage to our reputation. In severe cases, noncompliance could lead to suspending operations in certain markets, significantly impacting our business, financial health and growth prospects.

Work stoppage, increases in labor costs and other labor-related matters may have an adverse effect on our businesses.

Good working relationships with our employees and reasonable labor costs are crucial to our operations and success. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. There is no assurance that such events will not arise in the future. If our employees were to engage in a strike or other work stoppage whether voluntarily or for reasons beyond their control, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. Any conflicts between us and our employees or between our suppliers and customers and their respective unions, if any, could have an adverse effect on our financial condition and results of operations. In addition, our labor costs may potentially increase in the future. We may not be able to pass on these increased costs to customers by increasing the selling price of our products. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

Negative publicity or rumors about us, our products, our management, directors, employees, shareholders, customers, business partners or their affiliates or our industry in general may adversely affect our reputation and business.

We must maintain and enhance our brand identity while increasing market awareness of the reputation of our business and solutions. The successful promotion of our brand will depend on our efforts to achieve widespread acceptance of our solutions, attract and retain customers, maintain our current market leadership, and successfully differentiate our offerings from those of competitors. These efforts require significant spending, and we expect our costs to increase as we enter new markets. Furthermore, these investments in brand promotion and thought leadership may not yield increased revenue. To the extent they do, the resulting revenue still may not be enough to offset any increased costs we may incur.

In addition, adverse publicity, with or without merit, relating to events or activities attributed to us, our management, directors, employees, shareholders, business partners or their affiliates, industry, or solutions or services similar to ours, may tarnish our reputation and reduce the value of our brand. For instance, unfounded and adversarial statements or opinions could be misleading and could harm our business and reputation. If we fail to respond to such statements or opinions in a proper manner, our business reputation, financial condition and results of operations may be adversely affected. Moreover, our brand value depends on our ability to provide high-performance, safe and sustainable current collector products in our markets. Damage to our reputation and loss of brand equity may reduce demand for our products and solutions, have an adverse effect on our future financial results, or reduce the trading price of our Shares. Damage may also require additional resources to rebuild our reputation and restore the value of the brands. If we are unable to successfully enhance and protect our reputation, our business operations, results of operations, and financial condition could be materially and adversely affected.

We may be involved in legal proceedings and commercial or contractual disputes, which could affect our reputation, business, financial condition and results of operations.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business, including disputes arising from payment arrangements with customers, suppliers and business partners. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgments, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations and financial condition.

We are subject to anti-corruption and anti-bribery and similar laws, and any noncompliance may subject us to administrative, civil and criminal penalties and reputational damage, adversely affecting our business, financial condition and results of operations.

We are subject to anti-corruption, anti-bribery and similar laws and regulations in the jurisdictions in which we operate. We have direct or indirect interactions with officials and employees of government agencies and state-owned affiliated entities in the ordinary course of business. These interactions subject us to an increased level of compliance-related concerns.

We have implemented policies and procedures designed to ensure compliance by us and our Directors, officers, employees, representatives, consultants, agents and business partners with all laws and regulations. However, our policies and procedures may not be sufficient, and our Directors, officers, employees, representatives, consultants, agents and business partners could engage in misconduct for which we may be held responsible. Non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal liabilities, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, financial condition, results of operations and reputation.

We have customary insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and regulations as well as other insurance policies based on our assessment of our operational needs and industry practice. See "Business — Insurance." Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim for losses under our current insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be adversely affected.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency, cyber-based attacks or security breaches, which may affect our reputation, business, financial condition and results of operations.

We rely on information technology networks and systems to support our daily operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user error or catastrophic events. If our information technology systems suffer damage, disruption or shutdown we may incur substantial costs in repairing or replacing these systems. Failures in information technology systems could potentially lead to problems with our products. If we do not effectively resolve such issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected and we could experience delays in reporting our financial results.

Our information technology and software systems may be subject to damage or interruption, primarily due to unexpected emergency circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches, unauthorized access to our information systems, hacking intended to cause malfunctions, loss or corruption of data, software, hardware or other computer equipment, intentional or inadvertent transmission of computer viruses and other similar events. We may also encounter problems when upgrading our systems, which could disrupt our operations and adversely affect our results of operations.

Environmental, production safety, occupational health and other ESG matters may impact our business, results of operations and reputation.

In addition to the importance of their financial performance, companies are increasingly being evaluated by their performance on a variety of environmental, social and governance ("**ESG**") matters, which are considered to contribute to the long-term sustainability of a company's performance. Our manufacturing operations involve production processes which may involve the use of raw materials, consumables, chemical substances, production equipment and utilities that are subject to environmental protection, production safety, fire safety, occupational health and other applicable laws and regulations. As we expand our production capacity and increase our production scale, we may face greater compliance obligations and higher costs in connection with pollutant discharge, waste treatment, workplace safety, fire prevention, occupational disease prevention, equipment operation and employee training. If we fail to comply with applicable environmental, production safety, fire safety, occupational health or other ESG-related requirements, or if any accident, pollutant discharge incident, workplace injury, fire, equipment malfunction or other operational incident occurs at our production facilities, we may be subject to rectification orders, fines, suspension of production, business interruption, claims from employees or third parties, increased compliance costs or reputational damage. Any such event may materially and adversely affect our business, financial condition and results of operations.

In addition, companies are increasingly being evaluated by customers, investors, regulators and other stakeholders based on their ESG performance, including environmental impact, climate-related matters, supply chain management, employee health and safety, business ethics, compliance with laws and corporate governance. There can be no assurance that we will be able to meet evolving ESG standards, customer requirements or stakeholder expectations. Any actual or perceived failure by us or our suppliers or other business partners to address ESG matters may adversely affect our reputation, customer relationships, access to financing and long-term business sustainability.

Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics and social disruption and other outbreaks.

Economic and industry uncertainty, including recession or slower economic growth, inflation, changes in fiscal, monetary or trade policies, disruptions to capital markets, currency fluctuations, higher interest rates, tighter credit conditions, reduced capital expenditures by downstream battery manufacturers, EV OEMs and other industrial customers, increased unemployment, labor shortages and lower consumer confidence and spending, may affect demand for our products, customers' production and procurement plans, our financing costs and our ability to implement our growth strategies. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought or the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or COVID-19, and force majeure events including acts of war or terrorism may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, financial condition, results of operations and prospects.

We may face supply chain risks as a result of our reliance on a limited number of suppliers.

Procurement from certain major suppliers for manufacturing materials is essential to our operations. In 2023, 2024 and 2025, purchases from our five largest suppliers in each year during the Track Record Period were RMB44.1 million, RMB254.4 million and RMB438.6 million, accounting for 75.6%, 74.0% and 78.3% of our total purchases in the same years, respectively. In 2023, 2024 and 2025, purchases from our largest supplier in each year during the Track Record Period were RMB33.5 million, RMB135.3 million and RMB221.8 million, accounting for 57.4%, 39.3% and 39.6% of our total purchases in the same years, respectively. Any deterioration or termination of relationship with our major suppliers or interruptions in their operations could adversely affect our supply chain and production capabilities.

The stability of operations and business strategies of our suppliers is subject to a number of factors beyond our control, and we cannot assure you that we will be able to secure a stable relationship with such suppliers. Identifying and qualifying alternative or additional suppliers and vendors is often a lengthy process and can lead to production delays, interruptions to our production and additional costs, and such alternatives are sometimes not available on commercially reasonable terms, or at all. The inability of suppliers or vendors to deliver necessary raw materials and consumables can disrupt the production processes of our products and make it more difficult for us to implement our business strategy. Suppliers and vendors periodically extend lead times, face capacity constraints, limit supplies, increase prices, experience quality issues or encounter other issues that can interrupt or increase the cost of our supply and services.

Increases in the cost of raw materials that we use in our products would adversely affect our business, financial condition and results of operations.

We depend on third-party suppliers to provide a variety of materials and consumables necessary for our production activities. Our production volume and production costs depend on our ability to source key raw materials at competitive prices. However, the raw materials we use are subject to price volatility caused by external factors, such as disruptions in the supply chain, commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation and governmental regulations and policies. Consequently, we may not be able to obtain stable, high-quality raw materials at reasonable prices at all times. In response to rising raw material costs, we may need to increase the prices of our products or seek alternative suppliers. However, we may not be able to pass on increased costs to customers due to competitive pressures or identify alternative sources of raw materials in a timely and cost-effective manner. In addition, we may need to stock a large amount of inventory for strategic reasons, which we may not be able to fully utilize due to reasons such as shifts in customer demand or technological developments which render our inventory obsolete. As a result, we may need to write down or write off our inventory stock. If raw material prices increase significantly and we are unable to mitigate these costs, our business, financial condition and results of operations would be adversely affected.

If we are unable to manage our inventory level efficiently, our financial condition and results of operations may be adversely affected.

Effective inventory management is critical to supporting our business expansion and ensuring the timely delivery of solutions to our customers. Our inventory primarily consists of raw materials, work in process and finished goods. We had inventories of RMB32.7 million, RMB101.6 million and RMB139.4 million as of December 31, 2023, 2024 and 2025, respectively. In 2023, 2024 and 2025, our inventory turnover days were 208, 76 and 70 days, respectively. Our ability to accurately forecast customer demand and manage inventory levels effectively could be impacted by a variety of factors, including the rapidly evolving nature of the markets in which we operate, shifts in customer demand for our products, unanticipated changes in general market conditions, and disruptions caused by health epidemics or other unforeseen events. If we maintain inventory levels in excess of actual demand, we may face risks of material inventory write-downs or write-offs, as well as the possibility of selling excess inventory at discounted prices, which could negatively affect our profitability and financial condition. Conversely, if we fail to maintain adequate inventory levels to meet customer demand, we may be unable to deliver products in a timely manner, leading to strained customer relationships, reputational harm and missed revenue opportunities. Accordingly, failure to accurately forecast market demand for our solutions and maintain an optimal inventory level may materially and adversely affect our business, financial condition and results of operations.

Any unexpected disruption at our production bases could affect our business, financial condition and results of operations.

During the Track Record Period, we manufactured and produced our products primarily at our production bases in Yangzhou and Jiangyin, Jiangsu, which had a total GFA of approximately 78,625 sq.m. as of December 31, 2025. See "Business — Production — Production Bases." Our ability to meet customer demand and grow our business thus relies on the efficient, proper and uninterrupted operation of our production bases and a constant and sufficient supply of utilities. In the event of earthquake, fire, drought, flood or other natural disasters, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to operate our production facilities, we may experience substantial loss, including loss of revenue from disrupted production. We may also incur substantial additional expenses, exceeding our insurance coverage to repair or replace any damaged equipment or facility. Any delay in the implementation schedule of the second phase of our production base in Jiangdu, Yangzhou may adversely affect our ability to expand production capacity as planned, which could in turn impact our ability to deliver products to our customers in a timely manner. In such events, our ability to meet our delivery obligations to our customers would be significantly disrupted and relationships with customers could be damaged, which could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to obtain additional capital when desired on favorable terms or at all.

A significant portion of our operating expenses are for R&D activities. Our funding requirements will be subject to many factors, including, but not limited to technological advancements, market acceptance of our products and product enhancements, the overall level of sales of our products, our R&D expenses, relationships with customers and suppliers, ability to control costs, sales and marketing expenses, enhancements to our infrastructure and systems, capital improvements to our facilities, potential acquisitions of businesses and product lines and general economic conditions, inflation, rising interest rates and international conflicts, particularly their impact on the advanced functional current collector market.

If our capital requirements are materially different from those currently planned, we may need additional capital sooner than anticipated. Additional financing may not be available on favorable terms, on a timely basis, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our operations as planned, develop or enhance our products, expand our sales and marketing programs, take advantage of future opportunities or respond to competitive pressures.

We expect to incur significant capital expenditures for our business operations, R&D and expansion plans, which may adversely affect our short-term cash flow, liquidity and profitability.

We expect to incur significant capital expenditures for investing in our new production lines to expand our R&D efforts and technology capabilities. See "Financial Information — Capital Expenditures." In 2023, 2024 and 2025, our capital expenditures were RMB221.8 million, RMB190.2 million and RMB161.5 million, respectively. Inherent risk exists for such significant capital expenditures as our investments may not succeed or generate the benefits that we expect, which could materially affect our profitability. Even if we achieve our goals for such investments, our short-term cash flow and liquidity may be adversely affected. While we intend to explore alternative arrangements to reduce the capital intensity of any future expansion, there is no assurance this will be successful. The markets for certain of our offerings remain relatively new, and it is uncertain whether our efforts, and related investments, will result in adequate financial return for us. Further, our introduction of technological changes and upgrades, as well as new products and services, may not be successful. Any early-stage investments and development of such new products and solutions may not result in long-term success or financial return.

We have incurred gross loss and net loss during the Track Record Period and may not be able to achieve or subsequently maintain profitability in the near future.

We incurred significant loss during the Track Record Period. We incurred gross loss of RMB8.8 million, RMB62.9 million and RMB49.7 million in 2023, 2024 and 2025, respectively. We incurred net loss of RMB209.8 million, RMB243.1 million and RMB336.6 million in 2023, 2024 and 2025, respectively. We cannot assure you that we will be able to generate profit in the future. Our ability to sustain a net profit depends on a number of factors, including our ability to advance our technology development and introduce new products, maintain and expand our customer base, enhance our global sales network, protect our intellectual property, manage effective operational costs and secure additional capital when needed. Accordingly, you should not rely on our historical revenue growth trajectory as an indication of our future performance.

We have recorded net operating cash outflows in the past and may continue to experience operating cash outflows in the future.

We recorded net cash flow used in operating activities of RMB164.8 million, RMB338.2 million and RMB297.1 million in 2023, 2024 and 2025, respectively. See "Financial Information — Liquidity and Capital Resources — Net Cash Flows Used in Operating Activities." We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us, or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, financial condition and results of operations may be adversely affected.

Government grants and preferential tax treatments may not continue and could affect our business and financial condition.

During the Track Record Period, we benefited from government grants, many of which are nonrecurring in nature or are subject to periodic review. In 2023, 2024 and 2025, we recognized government grants in profit or loss of RMB2.6 million, RMB1.5 million and RMB5.0 million, respectively. In addition, one of our subsidiaries is qualified as a 'high and new technology enterprise' and has been subject to income tax at a preferential tax rate of 15% since 2023. In addition, we were accredited as a "High and New Technology Enterprise" in 2025 and were therefore entitled to a preferential CIT rate of 15% from 2025 to 2027. See "Financial Information — Description of Major Components of Our Results of Operations — Income Tax Credit."

The PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received, which could adversely affect our business, financial condition, results of operations and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

We are subject to credit risks related to delays in payment and defaults of customers, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delays in payment and defaults of our various customers. As of December 31, 2023, 2024 and 2025, our trade and bills receivables were RMB18.7 million, RMB167.3 million and RMB263.7 million, respectively. In 2023, 2024 and 2025, our trade and bills receivables turnover days were 168, 132 and 136 days, respectively. We may not be able to collect all such trade and bills receivables due to a variety of factors that are beyond our control, including long payment cycles of certain customers, adverse operating conditions or the financial condition of customers, and customers' inability to pay caused by their own end users' delay in payment. If our customers or related parties delay or default in their payments to us, we may have to make impairment provisions and write off the relevant receivables, and hence our liquidity and financial condition would be adversely affected.

We have granted, and may continue to grant, share-based awards, which may further increase our share-based payments expenses, adversely affect our financial performance and dilute the stakes of existing Shareholders.

We recorded share-based payments expenses of RMB66.5 million, nil and RMB35.5 million in 2023, 2024 and 2025, respectively. See Note 26 of the Accountants' Report in the Appendix I to this document. We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. As a result, our share-based payment expenses may increase, which would further increase our share-based payments expenses and adversely affect our financial condition.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may affect our business, financial condition and results of operations.

We are subject to the risks associated with changes in international trade policies, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected. In 2023, 2024 and 2025, our revenue from overseas sales was RMB0.3 million, RMB9.3 million and RMB119.3 million, accounting for 1.5%, 3.6% and 20.6% of our total revenue, during the same years, respectively. A large portion of our overseas revenue was generated from markets in the Asia-Pacific. The severity and frequency of international trade friction and disputes may increase in the future. We cannot guarantee that these countries will not strengthen their import policies or product certification requirements for lithium-ion battery materials in the future, which may have an adverse effect on our operations.

In recent years, complexities in international relations, such as the geopolitical tensions between the United States and China, have presented new challenges. Since 2025, the U.S. government has implemented and subsequently modified a series of tariff and trade measures affecting imports from China and other jurisdictions. These measures have been subject to rapid changes and legal challenges. The U.S. government has continued to pursue other tariff measures, including a temporary import surcharge under Section 122 of the Trade Act of 1974, and may also impose, maintain or adjust tariffs, duties, export control measures or other trade restrictions under other statutory authorities, including Section 301 or Section 232. Accordingly, even where our products are not directly subject to a specific tariff at a particular time, changes in U.S. trade policy, tariffs, export controls, sanctions or other restrictive measures may increase costs, disrupt supply chains, affect the operations or procurement decisions of our overseas customers or downstream end users, or reduce demand for products incorporating our materials. There is significant uncertainty as to how the relevant tariffs and other trade restrictive measures may evolve. Any escalation of political tensions, further changes to trade policies or imposition of additional tariffs, export control measures or sanctions between the U.S. and China or other jurisdictions may materially and adversely affect our customers' business, which may in turn adversely affect demand for our products and our business, financial condition and results of operations.

The United States and other jurisdictions or organizations, including the EU, the United Nations, the United Kingdom and Australia, have, through executive orders, legislation or other regulatory means, implemented measures that impose economic sanctions and export controls against such countries or against targeted industry sectors, companies, entities and/or organizations and individuals within such countries. Likewise, potential national security and foreign policy concerns may prompt governments to impose trade or other restrictions, which could make it more difficult to sell our products in, or restrict our access to, certain markets, or affect our supply chain. As the sanctions, trade and export controls laws and regulations continue to expand and evolve, future sanctions and export controls may affect or target some of our customers or suppliers, raw materials or key components or technologies necessary for our operations, in which event our business may be adversely affected if we fail to promptly secure alternative customers or sources of supply on terms acceptable to us.

Furthermore, concerns over inflation, energy costs, geopolitical frictions, capital market volatility and liquidity issues may create difficult operating conditions in the future. Sales of our products in certain countries and sales of products that include components obtained from certain foreign suppliers may be materially and adversely affected by international trade regulations. Certain foreign jurisdictions may impose investment restrictions, economic sanctions and trade restrictions directly or indirectly affecting China-based companies. For example, on October 28, 2024, the U.S. Department of the Treasury issued a final rule on outbound investment, or the Outbound Investment Rule, to implement the executive order of August 9, 2023, which became effective on January 2, 2025. The Outbound Investment Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) (collectively, "**Covered Foreign Persons**") that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems. U.S. persons subject to the Outbound Investment Rule are prohibited from making, or are required to report, certain investments in Covered Foreign Persons, which are defined as "covered transactions." We believe we are not a "Covered Foreign Person" as defined in the Outbound Investment Rule. However, if we were to be deemed a Covered Foreign Person due to changes in our business operations or amendments to relevant laws and regulations, our ability to raise capital in the future may be negatively affected. Furthermore, President Trump issued the America Investment Policy Memorandum on February 21, 2025, which proposes to further expand the set of technologies of concern. These rules may further limit our ability to engage in certain kinds of research or to invest or maintain investments in China. They may also limit our ability to raise capital from the U.S. and other sources. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are outside of our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be burdensome or costly to comply with and may materially and adversely affect us, our business partners and our key suppliers' and customers' abilities to obtain technologies, systems, devices or components that may be critical to our technology infrastructure, service offerings and business operations, and may affect our sales or the sales of our customers to certain foreign markets. We have an extensive global operations network, and there is no guarantee that we will continue to be able to operate in existing geographic markets or enter into new markets given the investment restrictions, economic sanctions and trade restrictions that may be promulgated from time to time. In addition, our suppliers, customers and other business counterparts, either in China or overseas, may be subject to sanctions or other restrictions themselves. If we are unable to effectively and timely identify high-risk counterparties and adopt compliance measures accordingly, we may be subject to risk of investigation, penalties or reputational damage.

We are subject to the currency exchange regulatory system.

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 reserves 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 reserves may restrict our ability to pay dividends to shareholders, to satisfy any other foreign exchange requirements or capitalize on our capital expenditure plans, meaning our results of operations, financial condition and business prospects may be affected.

Fluctuations in exchange rates of Renminbi against the Hong Kong dollar or other foreign currencies could affect our results of operations and the value of your [REDACTED].

Fluctuations in the exchange rate of Renminbi against foreign currencies such as the Hong Kong dollar are affected by, among other things, changes in political and economic conditions in China and internationally. The **[REDACTED]** from the **[REDACTED]** will be denominated in Hong Kong dollars. As a result, any appreciation of Renminbi against foreign currencies may result in a decrease in the value of our foreign currency-denominated assets and our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currencies. All of these factors could affect our business, financial condition, results of operations and prospects, and could affect the value of, and dividends payable on, our H Shares in foreign currency terms.

We are a PRC enterprise and we are subject to PRC tax on our global income, and any [REDACTED] on the [REDACTED] of our H Shares by investors and dividends paid to investors on our H Shares may be subject to PRC tax.

Pursuant to applicable PRC tax laws, rules and regulations, non-PRC resident individuals and non-PRC resident enterprises have different tax obligations regarding dividends received from us or gains realized from the sale or other disposal of our H Shares. Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on dividend income derived from China. We are required to withhold such tax from our dividend payments. If there is a tax treaty in place between China and the foreign jurisdiction where the individual resides to avoid double taxation and tax evasion, the applicable tax rate shall be determined according to such tax treaty. Due to the typical applicable tax rate on dividends under such tax treaties or agreements being 10% and the large number of stockholders in a listed company, it is common practice for a domestic non-foreign-investment enterprise with shares listed in Hong Kong to withhold dividend income tax at a rate of 10% to simplify tax administration. However, there is uncertainty regarding whether gains realized by non-PRC resident individuals from the sale of our H Shares are subject to the PRC individual income tax. Pursuant to the EIT Law and other relevant PRC tax regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to a 10% PRC enterprise income tax on dividend income received from a PRC company and gains realized from the sale or other disposal of equity interest in a PRC company. The 10% tax rate may be reduced under special arrangements or applicable tax treaties between China and the jurisdiction where the non-resident enterprise is based. Under the applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including **[REDACTED]**). Non-PRC resident enterprises eligible for a reduced tax rate under any applicable income tax treaty will need to apply to the PRC tax authorities for a refund of any excess withholding tax and the refund will be subject to verification by the PRC tax authorities. If there are any updates in the applicable tax laws and regulations or in the interpretation or application of the PRC EIT Law and other relevant PRC tax regulations, the value of your **[REDACTED]** in our H Shares may be materially affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under PRC GAAP less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS Accounting Standards, or *vice versa*. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

It may be difficult to effect service of process, enforce foreign judgments or bring original actions against us, our Directors and senior management residing in China.

We are a company incorporated under the laws of China, and a substantial majority of our assets are located in Chinese Mainland. In addition, most of our Directors and senior management reside within Chinese Mainland. As a result, the service of process, investigation, collection of evidence, ratification and enforcement procedures inside China should follow the rules set forth in the Civil Procedure Law of the People's Republic of China as well as other applicable laws, regulations and interpretations. These generally require more time and associated costs. On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"). Pursuant to the 2006 Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial matter in accordance with a choice of court agreement in writing, may apply for recognition and enforcement of the judgment in China, and *vice versa*. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**")); the 2019 Arrangement was issued on January 25, 2024 and became effective on January 29, 2024. The 2019 Arrangement supersedes the 2006 Arrangement and affords greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement took effect. However, there remain uncertainties as to the outcome of any specific applications to recognize and enforce such judgments and arbitral awards in China.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the **[REDACTED]**, there has been no public market for our H Shares. The **[REDACTED]** range for our H Shares was the result of negotiations between us and the **[REDACTED]** on behalf of the **[REDACTED]**, and the **[REDACTED]** may differ significantly from the market price for our H Shares following the **[REDACTED]**. We have applied for **[REDACTED]** of, and permission to deal in, our H Shares on the Stock Exchange. A **[REDACTED]** on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop or, if it does develop, that it will be sustained following the **[REDACTED]** or that the market price of our H Shares will not decline following the **[REDACTED]**. Furthermore, the market price and trading volume of our H Shares may be volatile. Such volatility may result from a number of factors, including actual or anticipated fluctuations in our operating performance and revenue, our ability to execute our strategies, major business interruptions or changes in key personnel or senior management, market reaction to any future indebtedness or securities issuances, competitive developments or strategic transactions in our industry, potential litigation or regulatory investigations, changes in laws, regulations or regulatory interpretations affecting our business or products, intellectual property disputes, general market conditions and the operating and stock price performance of comparable companies. The market price of our H Shares may also be affected by the release of lock-up or other transfer restrictions on our outstanding H Shares, or any actual or perceived sales of H Shares by us or our Shareholders.

Moreover, the capital market has from time to time experienced significant price and trading volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

An active and liquid trading market for our H Shares may not develop.

Prior to the **[REDACTED]**, our H Shares were not traded on any other market. We cannot assure you that an active and liquid trading market for our H Shares will be developed or be maintained after the **[REDACTED]**. Liquid and active trading markets usually result in less price volatility and greater efficiency in carrying out investors' purchase and sale orders. The market price of our H Shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the market price of our H Shares, you could lose a substantial part or all of your **[REDACTED]** in our H Shares.

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

The **[REDACTED]** of the **[REDACTED]** may be higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. As a result, investors subscribing for the **[REDACTED]** in the **[REDACTED]** will experience immediate dilution. There is no assurance that, in the event of a liquidation immediately following the **[REDACTED]**, any assets would be available for distribution to Shareholders after satisfaction of all liabilities to creditors. To support our future business expansion, we may conduct further equity **[REDACTED]**. If additional Shares are **[REDACTED]** at a price lower than the then-prevailing net tangible asset value per Share, purchasers of the **[REDACTED]** may experience further dilution.

We may not be able to pay any dividends on our H Shares.

No dividend was paid or declared by our Company during the Track Record Period. We cannot guarantee when and in what form dividends will be paid on our H Shares following the **[REDACTED]**. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. See "Financial Information — Dividend Policy."

If securities or industry analysts do not publish research reports about us, or if they adversely change their recommendations regarding our H Shares, the market price and trading volume of our H Shares may decline.

The trading market of our H Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the market price of our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts ceases coverage of us or fails to regularly publish reports on us, we could lose visibility in the financial markets that, in turn, could cause the market price or trading volume of our H Shares to decline.

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 "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "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, among 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 senior 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 result, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance, and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

The industry data and forecasts in this document obtained from various government publications have not been independently verified.

This document includes industry data and forecasts extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official governmental publications. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the accuracy or completeness of information obtained from these sources. We have not independently verified any of the data, forecasts and other statistics from such sources, nor have we ascertained the accuracy of the underlying economic assumptions relied upon in those sources. The information from official government sources has not been independently verified by us or any other parties involved in the **[REDACTED]**, or any of our or their respective directors, senior management, representatives, advisors or any other persons involved in the **[REDACTED]** and no representation is given as to its accuracy. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. For these reasons, the information from various government publications contained in this document may not be accurate and should not be given undue reliance as a basis for making your **[REDACTED]** in our H Shares.

We may need additional capital, and the [REDACTED] and [REDACTED] of additional H Shares or other equity securities could result in dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net **[REDACTED]** from the **[REDACTED]**, we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to **[REDACTED]** and **[REDACTED]** additional equity securities, which could result in dilution to our Shareholders.

Investors should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, there has been and there may also be, subsequent to the date of this document but prior to the completion of the **[REDACTED]**, press and media coverage regarding us, our business, our industries and the **[REDACTED]**, which contains, among other things, certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their **[REDACTED]** decisions on the basis of the information contained in this document only and should not rely on any other information.