You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the [REDACTED] of our H Shares could decline, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof and is subject to the cautionary statements in the section titled "Forward-Looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is exposed to price fluctuations in raw materials.

Our raw materials such as used batteries and production scraps have a great impact on our cost of sales. For the years ended December 31, 2023, 2024 and 2025, our cost of raw materials amounted to RMB1,111.8 million, RMB1,103.5 million, and RMB1,314.4 million, which represented 90.8%, 94.4%, and 94.2% of the total cost of sales in the same years, respectively. The prices of raw materials are subject to many factors, including global economic trends, regional industrial and environmental policies, the supply of used batteries and production scraps, downstream market demand for battery materials, market speculation, supply chain disruptions, and extreme weather or natural disasters and other factors which are beyond our control. Our purchase prices of raw materials generally move in tandem with the market prices of certain key metal salts and metals such as lithium carbonate, nickel sulfate and cobalt sulfate. The differences in discount rates reflect variations in metal content, and are influenced by changing supply and demand dynamics, which are beyond our control. We cannot assure you that we can secure adequate supplies of raw materials at commercially reasonable prices to meet our production requirements taking reference to the costs of the raw materials and manufacturing costs. Moreover, there is no assurance that we could transfer all the incremental costs resulting from the fluctuation of raw material prices to our customers. If raw material prices increase more rapidly than the selling prices of our products and/or we may not be able to source a sufficient supply of raw material at an acceptable level of quality or cost, our financial performance and operating results would be materially and adversely affected.

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

We are reliant on obtaining used batteries and production scraps as raw materials for recycling and material recovery through suppliers. Our business is dependent on our ability to continually maintain existing suppliers and attract new suppliers based on the sustainability of our process and the supplier resource base, which in turn will enable us to offer competitive terms to suppliers. However, there can be no assurance that we will secure such commitments, which may be affected by factors that we do not control, such as market and economic conditions, the level of competition for raw materials, our ability to differentiate ourselves from our competitors to secure raw materials including on price and service delivery levels, financing arrangements, prices of raw materials, environmental issues and government approvals. Suppliers may change or delay supply under their contracts for any reason, including force majeure or government approval factors that are unrelated to us. Any decline in supply volume from existing suppliers, the discontinuation of any supplier relationships or an inability to source new supplier relationships could have a negative impact on our results of operations and financial condition.

Beyond supplier relationships, our business also relies on the timely and sufficient release of used batteries into the recycling market amid the projected EV battery retirement wave. Any material reduction in the volume of used batteries available for recycling, whether due to slower-than-expected vehicle retirements, extended battery service life, or alternative end-of-life arrangements, could constrain our raw material supply, adversely affect our ability to meet production targets, and materially and adversely impact our business, results of operations, financial condition and prospects. There can be no assurance that the expected supply of used batteries will materialize on a timely basis or at all.

We face intense competition in the lithium battery recycling and material recovery industry.

We face fierce competition in the lithium battery recycling and material recovery industry, which is characterized by a highly fragmented competitive landscape, and rapidly evolving regulatory frameworks. The sector faces increasing competition as new entrants are attracted by its significant growth potential, resulting in heightened innovation and dynamic market conditions.

We cannot assure you that we will maintain the current market position and that our market share will not decline in the future. Similar to us, the existing competitors may endeavor to increase their market shares through various measures, such as optimized production process, active marketing campaigns and continued R&D efforts. We may face competition from both existing and new competitors as we expand our business into new geographic markets and product categories. In addition, our competitors may have a longer operating history and greater financial, technical and other resources, enabling them to achieve more efficient cost management and to devote more resources to the cost control, promotion and sale of their products. Furthermore, intensified competition may lead to price fluctuations for both our products and the raw materials (used batteries and production scraps) we procure, as they are affected by the dynamics of the competitive market. Competitors in the lithium battery recycling and material recovery market are expanding their production capacity, which may outpace the demand and further impact market prices. We cannot assure that the profit margins of our business will remain stable or align with our expectations in the future. A significant or sustained decrease in our procurement costs may lead to customers being unwilling to honor contractual commitments based on pre-agreed pricing terms, a reduction in the value of our inventory resulting in asset write-downs, lower revenue and profit margins, or even suspension of production if operations become economically unviable. Conversely, a significant or sustained increase in our procurement costs or an increase in the selling prices of our products may prompt customers to seek alternative suppliers or materials, which could reduce demand for our services and products. As a result, if we fail to compete effectively or cannot keep up with other competitors in the market, we may be unable to retain or expand our market share, and our sales volume, profitability and overall business performance may be materially and adversely affected.

Factors that adversely affect the industries in which our customers operate may reduce the downstream demand for our products, and our business, financial condition and results of operations may be thereby materially and adversely affected.

Our products, derived from recycling and material recovery of used batteries and production scraps, serve as key raw materials for manufacturing new lithium batteries. These new lithium batteries are typically applied in EV, ESS, consumer scenarios and other emerging applications. For example, the materials we produce, such as black mass and metal salt solutions, serve as key raw materials for manufacturing critical components of ternary precursors and cathode materials in the lithium battery supply chain. As a result, the demand for our products is driven by market forces and technical trends in those downstream markets. The downstream demands in those markets are affected by many factors, including government policies, technological development and upgrade, energy and infrastructure development, and macroeconomic conditions that influence social consumption habits.

Driven by supportive policies, rising disposable income and shifting consumer preferences toward EVs, demand for lithium batteries has grown. However, there is no assurance that the demand of the downstream markets for our products will continue to increase. In recent years, governments globally have been focused on developing the EV, ESS and consumer scenarios and have introduced generous incentives to encourage purchases. If those incentives are no longer in place, the demand for lithium batteries used in these scenarios may decline, and this may in turn negatively affect the sales for our products. The future development of the lithium battery industry is inherently uncertain and beyond our control, and there can be no assurance for its development in the future. If the downstream demand does not increase as we expect, the market demand for our products will decrease correspondingly, which may result in low utilization of our production capacity, and in turn materially and adversely affect our business, financial condition and results of operations.

We may not be able to economically and efficiently recycle used batteries and production scraps to meet the market demand.

Our business depends in large part on our ability to economically and efficiently recycle used batteries and production scraps to meet the market demand for an environmentally sound, closed-loop solution. Even if we are currently successful in high-volume recycling and material recovery in our current and future facilities, there can be no assurance that we will be able to do so without incurring significant production delays or cost overruns, including due to factors beyond our control, such as supplier-related issues, or our failure to meet the commercialization schedules for future recycling needs or to satisfy our customers' requirements. Any failure to develop and scale our manufacturing processes and capabilities could have a material adverse effect on our business, results of operations and financial condition.

Our business operations and reputation are subject to risks relating to ESG. We are subject to environmental protection laws and regulations as well as the complex and evolving ESG requirements, which require us to devote substantial time and resources for compliance and could adversely affect our business and financial performance.

There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce our carbon footprint and maintain environmentally friendly business operations. In addition, we have adopted a comprehensive set of ESG-related policies and procedures to ensure our long-term and sustainable growth and have established an ESG committee to oversee the implementation of these policies. See "Business — Environmental, Social and Governance" for further details. However, the process of developing new production technologies and enhancing existing production technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the expected timeframes, or at all. Furthermore, our ESG-related policies and procedures may not always be effective, or at all, to tackle the ESG-related risks to which we may be exposed.

Additionally, our business is subject to extensive and increasingly stringent environmental protection laws and regulations, which can make our construction and manufacturing activities more expensive or prohibit them altogether. In particular, our operations involve the handling and storage of toxic and hazardous substances and stringent environmental protection laws and regulations in China require us to adopt measures to effectively control and properly dispose solid and hazardous waste, waste gases, wastewater, noise and other environmental waste materials. There is no assurance that we will not be challenged or penalized for our non-compliance with environmental protection laws and regulations as the interpretations and requirements of the competent authorities may vary in the future. We have invested substantial resources into environmental protection measures, including recycling of wastewater, waste gas processing and systematic management for solid and hazardous waste to comply with environmental protection laws. In addition, new environmental issues could arise and lead to currently unanticipated investigations, assessments or costs.

Compliance with the evolving ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. If we are unable to satisfy such new criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to stop investing in us. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business operations could be materially and adversely impacted.

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

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

If we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations will be adversely affected. Specifically, some of our major customers contributed a significant portion of our revenues during the Track Record Period. If these customers reduce or terminate business with us, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

Our customers primarily consist of manufacturers of batteries and battery materials. There is no assurance that we could retain our existing customers or attract new customers as we did during the Track Record Period, or at all. If we fail to retain our existing customers or attract new customers in the future due to various factors, including our products not meeting customer requirements, uncompetitive pricing, inability to meet delivery schedules, or changes in customer procurement strategies, our business, financial conditions and results of operations will be materially and adversely affected.

In 2023, 2024 and 2025, revenue contributed by our five largest customers accounted for 45.9%, 42.7% and 29.5% of our revenue for the same years, respectively. To the extent that we cannot continue to maintain good business relationship with any of these customers, our business, results of operations and financial condition may be materially and adversely affected.

We cannot assure you that our relationships with these companies will continue on similar terms, if at all, in the future. We typically enter into one-off sales agreements with our major customers. In some cases, we enter into semi-annual/annual framework sales agreements, under which our customers will enter into individual purchase orders with us. We cannot assure you that our existing major customers will continue to place orders or renew framework sales agreements with us or that these major customers will not reduce the amount or frequency of their orders. Given the volatility of short-term orders, we may experience a material change in our revenue.

In addition, the volume of products purchased by these customers is affected by factors that may be beyond our control, including the relevant market prices, the quality and price of products offered by our competitors, industry conditions, and our customers' own business conditions. In the event that our customers terminate their business relationships with us or significantly reduce their purchase of our products, we may not be able to find replacement for the sales of our products in a timely manner or on similar terms, if at all. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We are subject to inventory risks.

To sustain our business operations and meet customer demands, we are required to maintain an appropriate level of raw materials and consumables, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB242.8 million, RMB170.3 million and RMB207.2 million, respectively. As of December 31, 2023, 2024 and 2025, our raw materials and consumables accounted for 16.8%, 33.6% and 36.5% of our total inventories, respectively.

Our inventories are primarily subject to significant fluctuations in the market prices of raw materials. As we generally procure raw materials in advance in accordance with our procurement policies and production plans, changes in raw material market prices cannot be promptly reflected in production costs and product pricing, resulting in a time lag in the transmission between costs and selling prices. A substantial decline in raw material prices coupled with our failure to adjust selling prices in a timely manner may materially and adversely affect our business, financial condition and results of operations. In 2023, 2024 and 2025, we recorded impairment losses on inventories of RMB76.9 million, RMB34.3 million, and RMB22.8 million, respectively.

In addition, inventory management is inherently subject to uncertainties in market demand forecasts. If actual demand exceeds forecasted demand, we may face inventory shortages and be unable to make timely product deliveries, which may result in customer attrition as well as losses in sales revenue and market share. If actual demand falls short of forecasted demand, excess inventory accumulation may occur, leading to increased inventory holding costs, warehousing costs and administrative costs.

Our raw materials and products consist of metal and recycled resources which are subject to drastic price volatility and high risks of inventory devaluation. In the event of substantial declines in market prices, product technology iteration or slow-moving inventory, we may be required to recognize significant impairment provisions or write-offs on inventories, and may have to dispose of excess inventories at discounted prices. Such circumstances may materially and adversely affect our profitability, financial condition and results of operations.

We adjust our procurement volumes and production schedules based on customer orders and anticipated demand, and conduct regular inventory reviews and recognize impairment provisions accordingly. Such measures cannot fully eliminate risks relating to inventory fluctuation and devaluation. We may not be able to consistently maintain an appropriate inventory level, and risks of excess inventory, inventory impairment and write-offs may persist, which could materially and adversely affect our business, financial condition and results of operations.

We may be subject to liabilities and disruption in operations in connection with accidents that occur at our production bases.

As our manufacturing processes, including dismantling, testing, disassembly and refining, are complicated and inevitably involve operation of tools, equipment and machinery and use of dangerous chemical materials, accidents resulting in employee injuries or even deaths may occur.

We implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies and regularly provide safety and fire hazard training to our employees. Nevertheless, there is no assurance that our safety measures and procedures are strictly followed by our employees and that there will be no future incidents disrupting our operation. During summer, prolonged periods of high temperatures are common, which not only increase the operational costs of cooling facilities, but also pose risks to employees' health and safety, and may cause our employees to have heatstroke, which is dangerous in the production facilities and may cause severe injuries. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could then materially and adversely affect our business, results of operations, financial condition, reputation and corporate image.

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

We may not be able to effectively manage our growth in the future for reasons that may be beyond our control. For example, the decline of market prices of our products will have an impact on our revenue and gross profit. In addition, we cannot assure you that downstream industries will maintain their historical growth rate, as it may be affected by various factors including changes in government policies, shifts in consumer preferences, macroeconomic conditions, and technological developments. Accordingly, our historical results of operations and financial performance may not be indicative of our future performance, and we cannot assure you that we will be able to maintain our existing supplier resource base to sustain our historical financial performance.

Managing our growth will require significant expenditure and allocation of resources. We expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our production facilities as well as R&D. In line with the expansion of our production activities in the future, our cost for procuring raw materials and expenses related to our R&D activities and the operation and maintenance of our production lines are also expected to increase. All these endeavors involve risks and will require substantial management efforts and skills and significant additional expenditures, which could strain our ability to improve our operational, human resources, financial and management capabilities. If our costs and expenses grow faster than our revenue, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

We may face risks associated with enhancing our manufacturing capabilities, including production difficulties and fluctuations in utilization rates, any of which may materially and adversely affect our business, financial condition and results of operations.

Our success depends in part on our ability to enhance our manufacturing capabilities, which include expanding our manufacturing capacity, improving our manufacturing efficiency or modifying our production lines to meet the varying demands for our products. If we are unable to do so, we may not be able to achieve the desired level of economies of scale in our operations, to reduce manufacturing costs to the level that will allow us to compete effectively or to maintain our pricing and other competitive advantages. Our ability and efforts to enhance our manufacturing capabilities are subject to significant risks and uncertainties, including construction delays, cost increases, regulatory approval uncertainties, technological and equipment supply constraints, resource diversion as well as production disruptions arising from natural disasters and other unexpected incidents.

Construction of new production facilities or expansion of existing ones requires substantial upfront capital investment and may involve a prolonged ramp-up period before reaching expected capacity or breakeven. Any failure to complete such projects on schedule or at all may strain our financial resources and adversely affect our business, financial condition and results of operations. Both new and existing facilities are subject to production challenges, including capacity limitations, mechanical and system failures, delays in construction or upgrades, and late delivery of machinery. These issues may lead to production suspension or reduced output. In addition, scheduled and unscheduled maintenance programs may further impact production efficiency. Any significant disruption to our manufacturing operations could impair our ability to produce and deliver products, resulting in lost sales and reputational damage. Such disruptions may have a material and adverse effect on our business, financial condition and results of operations.

Our production depends on a stable, timely and adequate supply of energy, power and other auxiliary raw materials such as water and chemicals at commercially reasonable prices.

In addition to major raw materials, our production operation depends on the supply of energy, power and other auxiliary raw materials such as water and chemicals. The production volume and production costs are dependent on our ability to source such materials at acceptable prices and maintain a stable supply. The prices for energy, power and other auxiliary raw materials are subject to price volatility attributable to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for the same materials, the availability of complementary and substitute materials, and local and national regulatory requirements. Furthermore, we cannot assure you that shortages of energy or water will not occur in the future or that any cost increases in raw materials, energy or water will be able to pass on to the customers. Significant fluctuations in such costs may have a material effect on our profitability if we are unable to adjust the prices of our products accordingly, and may also harm the competitive advantage with respect to the affected products. Moreover, if the supply of such materials is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other unfavorable factors, we may not be able to locate alternative sources of supply in sufficient quantities, of suitable quality and/or at acceptable prices. Any such events may have a material and adverse effect on our business, financial condition and results of operations.

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

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

Our R&D efforts may not yield the benefits that we expect.

Technology innovation is critical to our success. We have made significant investments in product and technology R&D, as we believe that R&D are crucial for our future growth and prospects. Our research and development expenses amounted to RMB33.9 million, RMB32.7 million and RMB24.4 million in 2023, 2024 and 2025, respectively. In order to maintain and expand our competitive advantages, additional resources may need to be devoted to R&D activities. However, as R&D activities are inherently uncertain, there is no assurance that R&D projects will lead to successful results or be completed within the anticipated time frame and budget, or that newly developed products will achieve wide market acceptance. Even if such results/products can be successfully commercialized, there is no assurance that they will be accepted by our customers and achieve anticipated sales target or profit. In addition, it cannot be assured that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. Due to uncertainties in the time frame for developing new products and the duration of market window for these products, there is a substantial risk that a potential product that is no longer commercially viable may have to be abandoned, even after we have invested significant resources in the development of such product. Failure to launch our product could significantly harm our business, financial condition and results of operation.

We may not be able to adequately protect our intellectual property rights, and uncertainty regarding the validity, enforceability or scope of our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights may be costly.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third-parties to protect our intellectual property rights. See "Business — Intellectual Property" for further details. We have applied and obtained a number of trademarks and patents for the operations of our business. There is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time-consuming. For example, there may be a leakage of our trade secrets or know-how, and our pending or future patent applications may not be registered or approved. Even if these patent applications are registered and approved, they may not be of sufficient strength or scope to protect our intellectual property. As a result, third parties may challenge our patent applications or use the technologies and proprietary processes that we have developed and compete with us, which may adversely affect our competitive advantage, dilute our brand and materially and adversely affect our results of operations.

In addition, policing the unauthorized use of our proprietary technology can be difficult and expensive. Our success largely depends on our ability to use and develop our technology, know-how and product designs without infringing upon the intellectual property rights of third parties. We may be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The holders of patents and other intellectual property rights potentially relevant to our product offerings may be unknown to us or may otherwise make it difficult for us to acquire a license on commercially acceptable terms. There may also be technologies licensed to and relied on by us that are subject to infringement or other similar allegations or claims by third parties which may damage our ability to rely on such technologies. We cannot fully avoid the risks of intellectual property rights infringement created by suppliers of components used in our products or by companies we work with in cooperative R&D activities. Our current or potential competitors may have obtained or may obtain patents that will prevent, limit or interfere with our ability to make, use or sell our products in China or other countries.

The defense of claims, including intellectual property infringement suits and related legal and administrative proceedings, can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. Furthermore, an adverse determination in any such litigation or proceeding to which we may become a party could cause us to pay damage awards, seek licenses from third parties or pay additional ongoing royalties, which could decrease our profit margins, redesign our products or subject us to injunctions. These factors could effectively prevent us from pursuing some or all of our businesses and result in our customers or potential customers deferring, canceling or limiting their purchase or use of our products, which may have a material and adverse effect on our business, financial condition and results of operations.

Our insurance coverage may be inadequate to protect us from potential losses.

Our operations are subject to hazards and risks normally associated with manufacturing operations. Currently, we maintain insurance policies covering key personnel, material assets (including production facilities and equipment), and goods in transit However, the insurance coverage may be inadequate to protect us from potential losses. For example, we do not maintain business interruption insurance and the occurrence of events out of our insurance coverage may result in interruption of the operations and subject to significant losses or liabilities. In addition, any losses or liabilities that are not covered by the current insurance policies or are not insured at all may have a material and adverse effect on our business, financial condition and results of operations.

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

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

As of December 31, 2023, 2024 and 2025, our trade and bills receivables were RMB48.8 million, RMB82.4 million and RMB115.9 million, respectively, and we recorded impairment of trade and bills receivables of RMB1.9 million, RMB6.0 million and RMB7.4 million for the same years. In 2023, 2024 and 2025, our trade and bills receivables turnover days were 16, 20 and 24 days, respectively.

We cannot assure you that all of our customers will fully perform their obligations under their respective contracts with us, and the deterioration of any customers' credit or payment conditions may result in defaults by those customers on their contractual obligations, which could materially adversely affect our business, results of operations, financial condition and growth prospects. Should the credit worthiness of our customers deteriorate, or should a significant number of our customers fail to settle our trade and bills receivables in full for any reason, we may incur impairment losses, and our results of operations and financial position could be materially adversely affected. In addition, there may be a risk of delay in payment by our customers, which in turn may result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from our customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

Our success relies on key management and other qualified personnel with specialized skills.

Our success relies on our key management and other qualified personnel, as each of them possesses specialized management and technical skills as well as experience in the lithium battery recycling and material recovery industry. This includes expertise in finance, strategic planning and expansion and sales and marketing, all of which are vital to our success. If one or more of our key management and other qualified personnel are unable or unwilling to continue their employment with us, we may not be able to identify and recruit suitable replacements in a timely manner. Furthermore, recruiting and retaining capable personnel, particularly experienced engineers and technicians familiar with our production processes, is important to maintain the quality of our products and improve our production processes. If we are unable to retain or attract key management and qualified personnel, our business, financial condition and results of operations may be materially and adversely affected.

Any failure to maintain an effective quality control system may result in material and adverse effect on our business, reputation, financial condition and results of operations.

Product quality is critical to the success of our business, and we have implemented integrated quality management across all operational phases — from design and procurement to production and sales — to maintain stringent product and service standards. However, the effectiveness of our quality control system, depends on a number of factors, including the design of the system, the machinery used, the quality of the staff and related training programs and the ability to ensure that the employees adhere to the quality control policies and guidelines. We are required to comply with specific guidelines based on product safety and restricted materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. The safety standards for the inspection of the products are also based on relevant national and industry standards. We cannot assure you that our quality control system will continue to be effective and compliant with relevant laws and regulations and standards. Any significant failure in or deterioration of the efficacy of our quality control system could result in losing accreditations and requisite certifications or qualifications, which could in turn have a material and adverse effect on our business, financial condition and results of operations. See "Business — Quality Control" for further details.

We may not be able to obtain additional capital in the future, on favorable terms or at all.

We may require additional capital beyond that generated by the operating activities from time to time to grow our business and better serve our customers, and carry out R&D activities for developing and enhancing our products and technologies, among other things. Accordingly, we may need to issue additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our H Shares. The incurrence of debt financing would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations or our ability to pay dividends to our shareholders. Our ability to maintain or obtain additional capital in a timely manner or on commercially acceptable terms is subject to various factors, including general market conditions for capital raising activities by our peers as well as economic, political and other conditions globally. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our R&D and business growth could be significantly impaired, and our business and prospects may be materially and adversely affected.

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

We believe that we have a good working relationship with our employees. We have not experienced any material work stoppages, strikes or other major labor problems as of the Latest Practicable Date. However, we cannot assure you that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. In addition, employees of some of the suppliers or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and the employees' labor union or between the suppliers and customers and their respective unions (if any) could have a material and adverse effect on our financial condition and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, the production costs will increase. We may not be able to pass on these increased costs to our customers by increasing the selling prices of the products in light of competitive pressure in the markets where we operate. In such circumstances, the profit margin may decrease, which could have a material and adverse effect on the financial condition and results of operations.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Due to the different levels of economic development in different regions, there are no uniform requirements for the implementation of employee benefit plans by local governments. As such, there can be no assurance that any new laws and regulations or changes in the enforcement of existing laws and regulations will not cause us to retroactively make up any historical shortfall in social insurance and housing provident fund contributions. We have opened social insurance registration accounts and housing provident fund accounts in accordance with laws and regulations related to social insurance and housing provident funds and paid social insurance and housing provident fund contributions for our employees. During the Track Record Period, we did not make full contributions to social insurance and housing provident fund for certain employees. According to applicable PRC laws and regulations: (i) with respect to social insurance, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period with a late charge at the daily rate of 0.05% from the date of default on the outstanding amounts, and the relevant authorities may further impose a fine of one to three times the overdue amount if such payment is not made within the stipulated period; and (ii) with respect to housing provident funds, the relevant authorities may order us to pay the outstanding amounts within the prescribed time period, and they may apply to a competent court for enforcement of the outstanding amounts if we fail to do so. We cannot assure you that we will not receive any complaint or demand for social insurance or housing provident fund contribution from our employees, or that the relevant PRC authorities will not require us to make additional social insurance and housing provident fund contributions. If such circumstances occur, our financial condition and results of operations may be materially and adversely affected. See "Business — Employees — Social insurance and housing provident fund contributions" for further details.

Our overseas sales and marketing plans and strategies may not yield the desired results.

Our overseas sales are expected to constitute a portion of our revenue. The establishment and operation of overseas recycling facilities, as well as the provision of lithium battery recycling and material recovery solutions and sale of recycled materials internationally, however, may expose us to a number of risks, including political and economic instability, regulatory and policy changes, discrepancies in local industrial and environmental standards, foreign exchange rate fluctuations, rising international operating and marketing costs, insufficient internal control systems for cross-border operations, challenges in intellectual property rights protection, unexpected shifts in macroeconomic and regulatory environments, as well as regional trade barriers and discriminatory local industrial policies imposed by overseas jurisdictions.

Furthermore, our expansion plans in overseas markets, involve significant capital investment and execution complexity. We cannot guarantee the success of these expansions, and failing to manage overseas sales risks could materially and adversely impact our business, financial condition, and results of operation.

Our operations are subject to risks and restrictions associated with our overseas operations.

We may expand our business operation overseas. Our future global expansion plan is exposed to various risks and restrictions associated with conducting business in foreign countries and regions, including the need to comply with foreign laws, regulatory requirements and local industry standards — particularly those related to resources and environmental protection — as well as exposure to overseas litigation risks, political and economic instabilities, high market access barriers in certain developed foreign markets, unfamiliarity with local operating and market conditions, cultural and language barriers, intense competition from other international new energy material producers, difficulties in staffing and managing localized overseas operations (including managing a growing number of overseas employees and complying with labor regulations in different jurisdictions), compliance with stringent environmental, safety and labor standards, and challenges in managing relationships with foreign customers and collecting payments from them.

Any of the foregoing and related risks and uncertainties could adversely affect our international operations, which in turn could materially and adversely affect our financial condition and results of operation.

Our current and future cooperation and strategic partnership may fall short of expectations or take longer than expected to materialize.

We have established business partnership with renowned domestic partners during the Track Record Period. We have collaborated with leading players across the new energy value chain, including battery manufacturers and automotive companies. To support our global expansion, we may continue to evaluate and establish strategic partnerships or investments with other appropriate partners. However, we may not realize the anticipated amount of benefits from these strategic partnerships, or it may take longer than anticipated to realize these benefits. The success of these strategic partnerships will depend, in part, on the successful partnership between the relevant partner and us. Such partnerships are subject to various inherent risks, including potential insolvency and payment defaults on the part of our partners, reputational damage arising from adverse publicity faced by our partners, misalignment of interests between us and our partners resulting from inconsistent or diverging economic, political, tax and operational objectives which may lead to partners taking actions contrary to our strategies, adverse impacts on project implementation arising from revised partnership arrangements, as well as costly litigation or arbitration disputes that may divert our management's attention from daily business operations.

Due to the above factors, we may fail to realize our expectations for the existing or future strategic partnerships in the near future or at all, which in turn may materially and adversely affect our business, financial condition and results of operations.

We may be involved in legal and other disputes and claims from time to time arising from our operations and any litigation, legal and contractual disputes, claims or administrative proceedings against us and any failure to comply with relevant laws and regulations may expose us to legal risks.

We may be involved in legal proceedings, including contract disputes, labor disputes, unauthorized use of third party intellectual properties, and other litigations, which arise from time to time in our ordinary course of business. In addition, we may also be subject to administrative penalties including fines and listed as a seriously non-compliant and discredited enterprise for the failure to comply with regulatory requirements. We may be involved in disputes with various parties arising outside our operations. Disputes and administrative penalties have the potential to trigger protests, legal actions, or other proceedings, which could disrupt the implementation of our business plan, materially and adversely affect our reputation, increase costs, and divert resources and our management attention. We cannot assure you that we will not be involved in any major disputes or legal or other proceedings in the future. In addition, even though we may not be directly involved in such proceedings, our senior officers and management may be involved in litigation or other legal proceedings from time to time, which may affect our reputation and, consequently, materially and adversely affect our business.

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

For real properties that we own, including those related to our manufacturing and R&D activities and offices, we are subject to various rules and regulations and must obtain various permits, certificates and other approvals from the relevant government authorities at various stages of property development, including the land use right certificates, planning permits, construction permits and building ownership certificates. For real properties that we use or lease, we are also subject to various rules and regulations. We must comply with evolving laws and regulations, planning and zoning requirements, and other regulatory standards of local governments relating to owning, occupying, using and leasing properties. Changes in these requirements or new regulations could require us to obtain additional approvals or make operational adjustments, including potential relocations, which may cause us to incur compliance costs.

As of the Latest Practicable Date, the lessors of five of our leased properties had not provided us relevant real estate ownership certificates or documents. As advised by our PRC Legal Advisor, we may consequently not be able to continue occupying and using such properties in accordance with the relevant laws and regulations in PRC.

As of the Latest Practicable Date, we had self-constructed container shed areas in our leased property in Shenzhen, which were used for meetings, R&D and general office purposes. We are unable to complete the relevant temporary construction filing and approval procedures for such container shed areas due to the absence of valid land ownership certificates. Our purchase amount and relevant construction costs for such container sheds are approximately RMB0.9 million. As advised by our PRC Legal Advisor, such unauthorized temporary constructions may be ordered by the competent authority to be demolished within a specified period and may be subject to a fine of up to one time the construction cost.

We cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the real properties we own, use or lease. If any challenge against us in these respects is successful, our use or lease of such properties may be affected and we may be required to relocate from these relevant properties. If we fail to find suitable alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from such challenges, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We face risks related to natural disasters, health epidemics and other business continuity problems, which could significantly disrupt our business, results of operations and financial condition.

Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, outbreaks of a widespread health epidemic or pandemic, or other events such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. These events could cause damage or disruptions to commerce and the global economy, affecting the price of our products and our business, as we are sensitive to fluctuations in global metal prices. Such events could make the demand for our products more volatile, make it difficult for us to produce or deliver products to our customers or to receive raw materials from our suppliers. Our revenue and profitability could be materially reduced if a natural disaster, health epidemic, pandemic or other outbreak harms the global or the PRC economy in general. In the event of natural disasters, health epidemics and other outbreaks, we could suffer substantial losses, require a long recovery time and incur expenditures in order to resume operations.

If our customers, suppliers, other business partners or current or former employees engage in illegal, fraudulent, improper or unethical conduct, such as bribery and corruption, we may be subject to potential liability and negative publicity, and our reputation as well as business could be harmed.

We are exposed to the risk that our customers, suppliers, other business partners we have contracted or current or former employees may engage in illegal, fraudulent, improper or unethical conduct. We have put in place a set of internal control and risk management procedures to address various potential operational, financial, legal and market risks identified in relation to our operations. See "Business — Internal Control and Risk Management" for further details. However, misconduct by these individuals and institutions could include intentional, reckless and/or negligent conduct that violates the relevant laws and regulations. Such misconduct could also involve fraud, corruption, bribery, tax evasion and other illegal practices. There is no assurance there will be no such misconduct, arising from actions taken by business partners and current or former employees without our knowledge. We may not be able to identify and deter misconduct by such foregoing persons, and the precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with relevant laws or regulations. If this occurs, we and/or our relevant business partners and current or former employees may be subject to investigations, administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses. If we are associated with potential liabilities and negative publicity resulting from illegal, fraudulent, improper, or unethical conduct, or allegations of such conduct, by our employees and business partners, our brands and reputation, business and results of operations will be materially and adversely affected.

RISKS RELATING TO OUR DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in the economic, political and legal conditions, as well as the interpretation and implementation of the relevant laws, regulations and government policies, may affect our business, prospects, results of operations, financial condition, and cash flows.

Our business, financial condition, results of operations and prospects are inherently influenced by economic, political and legal developments. We cannot predict the timing, magnitude or duration of any future economic slowdown or subsequent economic recovery. Laws, rules and regulations relating to economic and commercial matters, such as foreign investment, corporate governance, taxation, finance, foreign exchange and trade, are promulgated and revised from time to time. These regulatory changes may create uncertainties for businesses operating. Furthermore, the interpretation and application of the laws and regulations governing our industry also undergo continuous evolution and revision. For example, changes in regulations on used battery recycling, renewable resource utilization and safe production, may lead us to incur additional investments in our technology, training, and operational adjustments. Therefore, these dynamic changes in the legal landscape have the potential to significantly impact our operations and business environment.

We may be subject to additional regulatory requirements under new laws and regulations on [REDACTED] issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down on Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasize the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and propose to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") along with five relevant guidelines, which became effective on March 31, 2023. The Trial Measures require, among others, that PRC domestic companies that seek to initially [REDACTED] in overseas markets, either directly or indirectly, shall file the required documents with the CSRC within three business days after its application for overseas [REDACTED] is submitted. We will file with the CSRC within a specific time limit as required by the Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the [REDACTED] and have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔

案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the [REDACTED] activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, prospects, results of operations, financial condition, and cash flows. See "Regulatory Overview — Overseas Listing Regulation" for further details.

Given that the Trial Measures and the Archives Rules were recently promulgated, their interpretation, application, and enforcement are still evolving and subject to change. We are closely monitoring how they will affect our operations and our future financing activities.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [REDACTED] or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

Changes in international trade policies, and in relationships between the PRC and other countries, may adversely impact our business and operating results.

We will actively pursue expansion into international markets. Specifically, we plan to sell our products in new geographic regions and establish cooperation with local and international entities.

Unfavorable government policies related to international trade, including capital controls or tariffs, or adverse shifts in diplomatic relations between China and foreign countries or regions, have the potential to impact the sales of our products, in international markets. These factors may also affect our ability to recruit staff such as R&D personnel and influence the import or export of raw materials essential to our international expansion efforts. The implementation of new tariffs, changes in legislation and regulations, or the renegotiation of existing trade agreements could result in a material adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

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 to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our business, prospects, results of operations, financial condition, and cash flows may be adversely affected.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, that the MOFCOM be notified in advance of any change of control transaction in which a foreign investor acquires control of a PRC domestic enterprise and involves any of the following circumstances: (i) any important industry is concerned; (ii) such transaction involves factors that have or may have an impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. We do not expect that the [REDACTED] will trigger MOFCOM pre-notification under each of the above-mentioned circumstances or any review by other PRC government authorities. Moreover, the PRC Anti-Monopoly Law (《中華人民共和國反壟斷法》) promulgated by the SCNPC on August 30, 2007 and amended on June 24, 2022, and the Regulations on Filing Threshold for Concentration of Undertakings (《國務院關於經營者集中申報標準的規定》) require that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the State Administration for Market Regulation of the PRC, or the SAMR, the successive authority of MOFCOM, before they can be completed. In addition, Rules of the Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) that became effective in September 2011 and Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》) that became effective in January 2021 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national defense and security be subject to security review before consummation of any such acquisition.

We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from

MOFCOM and the NDRC and their respective local counterparts, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. It is unclear whether our business would be deemed to be in an industry that raises national defense and security or national security concerns. Recently, the SAMR imposed administrative penalties on a number of anti-monopoly cases in the internet industry, and the regulatory environment of anti-monopoly is tightening.

Holders of H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realized through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), both came into effect on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region (the "**Hong Kong SAR**") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Taxation Arrangements**") executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case where the beneficial owner of the dividends is not a company directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was newly revised and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was newly revised and implemented on April 23, 2019, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China at a reduced rate of 10%. Pursuant to the Double Taxation Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; or (ii) otherwise, 10% of the total amount of dividends.

Considering the foregoing, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

There might be difficulties in effecting service of legal process, enforcing foreign judgments against us or our Directors and senior management.

We are a joint stock limited company incorporated in China. In addition, a majority of our Directors and senior management reside within Chinese mainland and substantially all of our and their assets are located within the PRC. Therefore, it may be difficult for investors to directly effect service of legal process upon us or our Directors and senior management in the PRC.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong SAR 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 "**Arrangement**"), which came into effect on August 1, 2008.

Pursuant to the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court of the PRC and the government of Hong Kong SAR signed 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 "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong SAR and the Chinese mainland. On January 29, 2024, the New Arrangement was declared effective jointly by the Supreme People's Court of the PRC and the government of Hong Kong SAR, which has replaced the Arrangement. However, the New Arrangement does not apply to certain judgements of civil and commercial matters. Furthermore, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in the PRC.

The holders of H Shares will not be able to bring actions on the basis of violations of the Hong Kong Listing Rules and must rely on the Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Buy-backs do not have the force of law in Hong Kong.

RISKS RELATING TO THE [REDACTED]

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

Prior to completion of the [REDACTED], there has been no public market for our H Shares. There can be no guarantee that an active [REDACTED] market for our H Shares will develop or be sustained after completion of the [REDACTED]. The [REDACTED] is the result of negotiations between us and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the [REDACTED] following completion of the [REDACTED]. The market price of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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

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

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

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets would be distributed to Shareholders after the creditors' claims. To expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time.

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

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

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our [REDACTED] Shares may be converted into H Shares and such converted H Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange, provided that prior to the conversion and [REDACTED] of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, [REDACTED] and [REDACTED] must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the [REDACTED] of all or any portion of our [REDACTED] Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the [REDACTED]. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may materially and adversely affect the [REDACTED] of H Shares.

The interests of our Controlling Shareholders may not be aligned with the interest of other Shareholders.

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the Shares Subdivision and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Zheng, Shenzhen Jiecheng Investment, Shenzhen Jiecheng Enterprise Management, Shenzhen Jiecheng Mingchehui, Shenzhen Jiecheng Zhiyuan and Shenzhen Yongchangxuan will collectively hold approximately [REDACTED] of our total issued Shares. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the price of our H Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions which conflict with the best interests of our other Shareholders.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications contained in this document.

Certain facts and other statistics in this document have been derived from publicly available sources. However, we cannot guarantee the quality or reliability of these sources. They have not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of the [REDACTED], any of our or their respective directors, officers or representatives or any other parties involved in the [REDACTED] and no representation is given as to their accuracy and, therefore, we make no representation as to the accuracy of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies. As a result, prospective investors should consider carefully how much weight or importance they should attach to or place on such facts or statistics. Investors should read the entire document carefully and should not consider any particular statements in published media reports without carefully considering the risks and other information contained in this document.

You should read this entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles and/or other media regarding us, our business, our industry or the [REDACTED].

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