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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business performance depends on demand from downstream customers and their ability to commercialize their products. Any decline or volatility in such demand may materially and adversely affect our business, financial condition and results of operations.

Our products are primarily used in new energy batteries, and accordingly, demand for our products is closely linked to demand for new energy batteries and their end applications. Demand for such batteries is influenced by a range of factors beyond our control, including macroeconomic conditions, end-user preferences, cost competitiveness, technological developments, regulatory requirements and the availability and maturity of supporting infrastructure. For example, power batteries are widely used in EVs, including passenger vehicles and commercial vehicles, as well as in other electrification applications, and demand in these sectors may fluctuate from time to time.

In addition, our revenue depends on our customers' ability to develop, manufacture, market and sell their products in a timely and cost-efficient manner. Our customers' performance, in turn, is affected by their ability to respond to evolving customer preferences, comply with applicable regulatory standards and keep pace with technological advancements. We cannot assure you that our customers will be successful in these efforts or that they will not adjust their product strategies, production plans or sales and marketing approaches in ways that may reduce demand for our products. Furthermore, a substantial portion of our revenue is derived from a relatively limited number of customers during the Track Record Period. As a result, any adverse developments affecting such customers, including a decline in their business performance or their ability to commercialize their products, may have a significant impact on our revenue. See " — We are subject to the risk of concentration of customers during the Track Record Period."

Rapid technological developments and evolving industry standards may render our products less competitive or obsolete and require significant investments to remain compliant.

Our products are primarily applied in the new energy battery industry, which is characterized by rapid technological advancements, evolving industry standards and changing customer requirements. Such developments may alter technical specifications, performance expectations and application requirements, and may render existing products less competitive or obsolete.

To remain competitive, we must continuously develop new products, upgrade our core technologies and ensure compliance with evolving industry standards. This requires significant investments in research and development and may involve redesigning existing products to meet new technical or regulatory requirements. Our research and development activities are subject to uncertainties, including delays in development, difficulties in execution and the risk that new or upgraded products may not achieve market acceptance.

If we fail to timely adapt to technological developments or comply with new or evolving industry standards, our products may not meet customer requirements or qualify for key applications, which may result in losses of business opportunities and reduced demand for our products. Any failure to keep pace with technological changes or industry standards, or the need to incur substantial costs to do so, could materially and adversely affect our business, financial condition and results of operations.

The industry in which we operate is highly competitive. If we fail to compete against other market players, our business, financial condition and results of operations may be materially and adversely affected.

The new energy conductive carbon material industry in which we operate is highly competitive. We primarily compete with companies engaged in the development and commercialization of new energy conductive carbon materials. Some of our existing and potential competitors may have longer operating histories, greater financial resources, more advanced technological capabilities, and more extensive customer bases and relationships. As a result, they may be better positioned to respond more quickly and effectively to changes in technology, industry standards, customer demand and regulatory requirements.

We may also face increasing competition from new entrants, including those offering competing products at lower prices. Such competition may intensify pricing pressure, reduce our sales volumes, compress our profit margins and erode our market share.

To maintain our competitiveness, we may be required to incur substantial additional costs and devote significant resources to research and development, marketing and sales, talent recruitment and retention, and the acquisition of complementary or advanced technologies. However, there can be no assurance that such investments or efforts will be successful or sufficient to enable us to compete effectively. If we fail to compete successfully, or if competition requires us to undertake significant expenditures or adopt less favorable commercial terms, our business, financial condition and results of operations may be materially and adversely affected.

We are subject to the risk of concentration of customers during the Track Record Period.

During the Track Record Period, a substantial portion of our revenue was derived from a relatively limited number of customers, and we expect our customer concentration to remain at a relatively high level in the near future. For the years ended December 31, 2023, 2024 and 2025, revenue contributed by our five largest customers accounted for 95.6%, 94.2% and 96.1% of our total revenue, respectively, while revenue from our largest customer accounted for 45.9%, 49.9% and 74.9% of our total revenue, respectively.

Our reliance on a limited number of major customers exposes us to customer concentration risks. There can be no assurance that such efforts will be successful or that our level of customer concentration will decrease in the foreseeable future. See "Business — Our Relationship with Customer A." Our major customers may, at their discretion, reduce, delay or terminate their purchases from us for a variety of reasons, including changes in their business strategies, financial condition, procurement policies or demand for their own products. If any of our major customers significantly reduces its purchases from us, terminates its business relationship with us, or fails to make timely payments, and we are unable to timely replace such lost sales with revenue from new or existing customers, our revenue, cash flow and profitability may be materially and adversely affected. In addition, any deterioration in our relationships with our major customers could result in decreased sales to such customers. Furthermore, if any of our major customers experiences financial or liquidity difficulties, this may lead to delayed payments or defaults, which could adversely affect our cash flows and financial condition. We may also be required to suspend or terminate our business relationships with certain customers due to regulatory requirements or other factors beyond our control.

Accordingly, any material adverse change in our relationships with our major customers, or in their business, financial condition or payment practices, could have a material and adverse effect on our business, financial condition and results of operations.

We have incurred net losses, adjusted net losses (non-IFRS measure) and net operating cash outflows during the Track Record Period, and we may continue to incur net losses, adjusted net losses (non-IFRS measure) and net operating cash outflows in the future.

We incurred net profit for the year of RMB13.9 million 2023, net loss for the year of RMB37.4 million in 2024, and net profit for the year of RMB59.5 million in 2025. We recorded net cash flows used in operating activities of RMB4.2 million in 2023, net cash flows generated from operating activities of RMB58.9 million in 2024, and net cash flows generated from operating activities of RMB248.0 million in 2025.

Our future profitability will depend on a variety of factors, including the expansion and performances of our existing business, competitive landscape, customer preference and macroeconomic and regulatory environment. Our revenue may not grow at the rate we expect and it may not increase sufficiently to offset the increase in our costs and expenses. We may continue to incur losses in the future and we cannot assure you that we will eventually achieve our intended profitability. In addition, we may still record negative cash flow in the future and need to seek external financing to support our operations, such as available equity financing or bank facilities.

We recorded net current liabilities as of December 31, 2023, 2024 and 2025.

We recorded net current liabilities of RMB91.5 million, RMB407.6 million and RMB505.8 million as of December 31, 2023, 2024 and 2025, respectively. See "Financial Information — Selected Balance Sheet Item — Current Assets/Liabilities" for details. We cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, capital expenditures, the payment of trade and bill payables, other payables and the repayment of bank borrowings will primarily depend on our ability to generate an adequate cash flow from our operating activities. If we have a shortage in the cash flow generated from operations, our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies. In such event, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to risks relating to product concentration and our effort to expand into diverse downstream application scenario may not be successful.

Our business is focused on new energy conductive carbon material, which exposes us to a relatively high degree of product concentration risk. Our future growth and profitability depend largely on the market acceptance of our products. Any adverse changes in demand for, or prices of, the products, whether due to shifts in industry trends, technological developments or customer preferences, could materially and adversely affect our business, financial condition and results of operations.

In addition, our ability to diversify our product portfolio and expand into diverse downstream application scenarios depend on the success of our product development efforts. Such efforts involve significant uncertainties, including technological challenges, evolving customer requirements and the risk that newly developed products may not achieve market acceptance. If we are unable to successfully develop and commercialize new products or expand our product offerings in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Any disruption to the operations of our production facilities could materially and adversely affect our business, financial condition and results of operations.

Our manufacturing operations are conducted at our production bases in Wuxi, Nantong and Zigong. The operations of these facilities are subject to disruption from events including fires, floods, earthquakes, typhoons, power outages, mechanical failures, telecommunications disruptions, regulatory developments, loss or non-renewal of required licenses, certifications or permits, and changes in governmental planning relating to the underlying land. The occurrence of any such events would interrupt our production and impair our ability to deliver products to customers.

Our production processes involve inherently hazardous activities, including the use of specialized equipment, high-temperature processes and the handling of gases, chemical substances and other particular materials. These activities expose us to operational, occupational and environmental risks, including equipment malfunctions, hazardous material leakages, industrial accidents, fires and explosions. In addition, we are subject to extensive laws and regulations relating to workplace safety, environmental protection and the handling and storage of hazardous substances. Any failure to comply with such requirements may result in administrative penalties, suspension of operations or other regulatory actions. The occurrence of any such incidents may result in personal injury or loss of life, damage to or destruction of facilities, environmental harm, regulatory penalties and legal liabilities, and may lead to partial or complete suspension of operations.

Any disruption to our production facilities would reduce or halt our production capacity, delay or prevent fulfillment of customer orders, and may result in loss of customers and revenue.

Failure to execute capacity expansion plans and our equipment maintenance and upgrades may materially and adversely affect our business, financial condition and results of operations.

Our growth and profitability depend on our ability to upgrade our production capabilities and expand production capacity to meet customer demand. The implementation of our expansion plans involves significant capital expenditures and operational complexity, including the construction of new facilities, procurement and installation of equipment, and recruitment and training of personnel.

The execution of such plans is subject to various risks, including insufficient funding, delays in construction or equipment delivery, difficulties in equipment installation, and challenges in implementing new production processes. Any failure or delay in executing our expansion plans would limit our ability to increase production capacity and respond to market demand.

In addition, our expansion plans may result in increased fixed costs, and there is no assurance that market demand will be sufficient to support the expanded capacity or deliver expected returns. If demand for our products does not grow as anticipated, or declines, we may experience underutilization of our production facilities, which would adversely affect our cost efficiency and profitability. We may also be unable to recover the capital invested in new or expanded facilities.

Further, we have entered, and may in the future enter, into agreements for our expansion plans. Any delay or cancellation of our expansion plan or any failure to fulfill related commitments could also subject us to penalties or disputes with various counterparties. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we are unable to maintain high utilization of our production facilities, our profitability may be adversely affected.

If we do not receive sufficient orders from our customers to effectively utilize our production bases, we may be subject to low utilization rates of production capacity or over-capacity for our production bases, which may hurt our profitability and results of operations.

Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new production bases or expansion of any existing facilities and maintenance of expanded production capacity.

If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Our ability to achieve mass production of our products is critical to our growth and financial performance. We manufacture new energy conductive carbon materials, primarily including conductive carbon black and CNT products, at our Wuxi, Nantong and Zigong factories. Our operations require us to maintain stable, large-scale production while meeting stringent quality and delivery requirements.

We may encounter operational challenges in managing our production facilities, particularly during periods of increased customer demand. Any interruption, delay or disruption at our Wuxi, Nantong or Zigong factories would impair our production capacity and our ability to deliver products on schedule. In addition, any failure to maintain consistent product quality, including declines in yield rates or defects arising during the manufacturing process, could result in failure to meet customer specifications or delivery timelines. We also rely on third-party logistics providers for the delivery of our products. Any delays or disruptions in logistics may further affect our ability to fulfill customer orders in a timely manner. Furthermore, our production depends on a stable supply of raw materials. Any shortage, disruption or inability of our suppliers to provide raw materials in sufficient quantities or on acceptable terms would adversely affect our production. Sourcing alternative suppliers may be time-consuming and costly, and may not be feasible within a short period of time.

Any failure to meet customer requirements in terms of product quality, volume or delivery schedules may result in order cancellations, loss of customers, reputational damage and reduced revenue. Accordingly, any inability to manufacture and deliver our products reliably and at scale could materially and adversely affect our business, financial condition and results of operations.

Increases in costs of the materials and other components used in our products would adversely affect our business, financial condition and results of operations.

Our production requires significant quantities of raw materials, the prices of which are subject to volatility due to factors beyond our control, including supply-demand imbalances, inflationary pressures and geopolitical developments. We price our products considering a variety of factors, including costs, gross margin, product specification, purchase volume and market conditions. We adjust the final pricing based on the specific client on a case-by-case basis. However, due to the competitive nature of the markets in which we operate, we may be unable to pass on increases in raw material costs to our customers in a timely manner, or at all. As a result, increases in raw material may compress our gross margins and adversely affect our profitability. Any significant increase in the costs of raw materials, or our inability to effectively manage such cost increases, could materially and adversely affect our business, financial condition and results of operations.

Our global operations subject us to applicable sanctions, export control and trade regulations, and any non-compliance or adverse changes in such regulations could materially and adversely affect our business.

We are subject to sanctions, export control laws and international trade regulations in the jurisdictions in which we operate and to which we export our new energy conductive carbon materials. During the Track Record Period, we sold our products to overseas markets, including Asia and Europe. In 2023, 2024 and 2025, revenue generated from our overseas sales amounted to RMB137.8 million, RMB92.3 million and RMB60.5 million, accounting for approximately 42.5%, 29.3% and 6.7% of our total revenue, respectively.

As a supplier of materials used in new energy batteries, our products may be incorporated into downstream applications such as EVs, ESS and other electrification-related products, which are subject to increasing regulatory scrutiny and trade restrictions in certain jurisdictions. Export control regimes and sanctions may restrict the export, re-export or transfer of our products, or of technologies, equipment or components used in our production, to certain countries, regions, entities or end-users.

In addition, governments may impose tariffs, import or export restrictions, sanctions or other trade barriers targeting battery materials, EVs or related industries. Such measures may increase our costs, restrict our access to overseas markets or reduce demand for our products.

Accordingly, any non-compliance with applicable sanctions or export control regulations, or any adverse changes in trade policies or geopolitical conditions affecting the new energy battery supply chain, could materially and adversely affect our business, financial condition and results of operations.

We have made and will continue to make substantial investments in research and development, which may adversely affect our profitability and operating cash flows and may not achieve the intended results.

We invest in research and development to develop and introduce new and enhanced products. For the years ended December 31, 2023, 2024 and 2025, our R&D expenses amounted to RMB37.7 million, RMB36.8 million and RMB50.5 million, respectively, representing 11.8%, 10.1% and 6.0% of our operating expenses for the respective years. Given the rapid pace of technological innovation in the industry in which we operate, we expect to continue to incur substantial R&D expenditures to expand our product portfolio and maintain our competitiveness.

However, our R&D activities are inherently uncertain and subject to various risks. We may encounter difficulties in project execution, including challenges in obtaining sufficient resources, such as qualified R&D personnel and specialized equipment. In addition, our R&D efforts may not achieve the expected technical outcomes, performance targets or commercial viability. Even if our R&D efforts are successful from a technical perspective, we may face challenges in commercializing the resulting products. The development cycle for new products can be lengthy, and by the time such products are ready for commercialization, technological advancements or changes in market demand may render them less competitive or obsolete. In such circumstances, we may be unable to recover the associated R&D costs. Furthermore, even if new products are successfully commercialized, they may not achieve market acceptance or generate sufficient revenue within our expected timeframe, or at all. The commercial success of such products depends on various factors beyond our control, including market demand, macroeconomic conditions and the pace of technological change.

Accordingly, our significant investments in R&D may not result in the anticipated benefits and may adversely affect our profitability, operating cash flows and competitive position, and could materially and adversely affect our business, financial condition and results of operations.

We may not be able to manage our growth effectively and our business, financial condition and results of operations may be adversely affected.

Our continued growth places significant demands on our operational, financial and management resources. To manage our growth effectively, we must expand our production capacity, enhance our supply chain, develop and upgrade our products, strengthen our internal controls and systems, and recruit and retain qualified personnel. These initiatives require substantial investment and effective execution.

Our existing systems, infrastructure and management processes may not be sufficient to support our expanding operations. If we fail to manage our growth effectively, we may experience increased costs, operational inefficiencies and delays in executing our business strategies, which could adversely affect our financial performance.

In addition, expansion into new or international markets requires significant capital and management resources and exposes us to additional risks, including unfamiliar market dynamics, stronger local competition, regulatory and compliance requirements and potential tax implications. We may not be able to successfully identify or penetrate such markets or achieve expected returns. Any failure to effectively manage our growth or expansion could materially and adversely affect our business, financial condition and results of operations.

We depend on the continued services of our senior management and key personnel, and our inability to attract, retain or replace such personnel could materially and adversely affect our business.

Our success depends on the continued services and contributions of our senior management and key personnel, including senior R&D staff and skilled engineers, who are critical to our operations, product development and the execution of our business strategies. If we lose any of these personnel or experience significant changes in their roles, our operations and development efforts may be disrupted, and the execution of our business plans may be adversely affected. In addition, replacing such personnel may be difficult, time-consuming and costly, and suitable replacements may not be readily available. Our future growth also depends on our ability to attract, train and retain qualified personnel, particularly engineers with expertise in the R&D of new energy battery conductive additives. Competition for such talent is intense, and we may not be able to recruit or retain such personnel in a timely manner, or at all. If we are unable to retain our key personnel or to attract and integrate qualified replacements, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to fully maintain quality control over our products.

The quality of our products depends on the effectiveness of our quality control and quality assurance systems, which in turn rely on factors such as the performance and reliability of our equipment, the adequacy of employee training and our ability to ensure consistent compliance with established procedures. However, our quality control measures may not be sufficient to detect or prevent all defects or deviations from our quality standards. Any failure in our quality control processes could result in products that do not meet required specifications, potentially leading to product failures, customer complaints, damage to our reputation and deterioration of our relationships with customers and other business partners.

In addition, we rely on third-party suppliers for certain materials, the quality of which is beyond our direct control. We cannot assure you that our suppliers will consistently meet applicable quality standards or that their products will be free from defects. Any quality issues relating to supplier-provided materials may adversely affect the quality of our products and expose us to customer claims, including product liability claims. Even if we seek to recover losses from our suppliers, we may not be able to obtain adequate or timely indemnification. Any disputes or legal proceedings with suppliers may be costly and time-consuming and may divert management's attention.

Accordingly, any failure to maintain product quality, whether arising from our own processes or from our suppliers, could materially and adversely affect our business, financial condition and results of operations.

We may not be able to obtain, maintain or enforce adequate intellectual property protection for our technologies and products, and any failure to comply with applicable requirements may result in loss or limitation of our intellectual property rights.

Our success depends in part on our ability to protect our proprietary technologies and products through patents and other intellectual property rights. We seek to protect our core technologies by filing patent and trademark applications in Chinese Mainland and other jurisdictions. However, the process of identifying patentable subject matter and preparing, filing and prosecuting intellectual property applications is time-consuming, costly and subject to uncertainty. We may fail to identify or protect commercially valuable aspects of our technologies in a timely manner, or at all, which may allow competitors to develop and commercialize competing products.

Even where we have filed intellectual property applications, there can be no assurance that such applications will be granted or that any granted rights will be valid, enforceable or provide meaningful protection. Our intellectual property may be challenged, invalidated or circumvented by third parties, including through the development of alternative or non-infringing technologies. In addition, the scope of protection afforded by our intellectual property rights may be limited or uncertain.

In addition, the application, maintenance and enforcement of intellectual property rights are subject to compliance with various procedural, documentary and administrative requirements imposed by relevant authorities. Failure to comply with such requirements, including failure to respond to official actions within prescribed time limits, failure to pay maintenance fees or failure to submit required documentation, may result in the abandonment or lapse of our intellectual property rights, leading to partial or complete loss of protection in relevant jurisdictions.

Furthermore, intellectual property rights are subject to limited terms. For example, in China, invention patents and utility model patents are generally valid for 20 years and 10 years from the date of application, respectively. Upon expiry, or if we are unable to maintain or extend such rights, our technologies and products may be subject to increased competition.

Accordingly, any failure to obtain, maintain or enforce adequate intellectual property protection, whether due to legal, technical or procedural reasons, could materially and adversely affect our business, financial condition, results of operations and competitive position

We may not be able to protect our trade secrets.

In addition to our existing intellectual property rights and/or applications (such as issued patent and/or pending patent applications), we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and thus maintain our competitive position. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. If a competitor gains access to and makes use of such information, our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Our employees or business partners may intentionally or inadvertently disclose our trade secret information to competitors, or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial financial and human resource costs.

Changes in intellectual property laws could diminish the value of patents, trademarks and other intellectual properties in general, thereby impairing our ability to protect our patents, trademarks and other intellectual properties.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the intellectual property laws or their interpretation in China or other relevant jurisdictions may diminish our ability to protect our inventions, obtain, maintain, defend and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will be issued as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future are issued as patents, they may not be issued in a form that will provide us with any meaningful protection or competitive advantage or prevent competitors or other third parties from competing with us and gaining competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our intellectual property rights are highly uncertain.

Unauthorized use of our intellectual property, including our patents, trademarks, copyrights, or trade secrets, by third parties may harm our brand and reputation, materially and adversely affect our business, and we may incur substantial expenses to protect our intellectual property rights.

Our business relies on proprietary technologies relating to conductive carbon materials. Such technologies may be subject to unauthorized use, disclosure or misappropriation by third parties, including competitors, employees, consultants or business partners. We regard our patents, trademarks and other intellectual properties as critical to our success. Certain of our technologies are not patented or are protected as trade secrets, which are inherently vulnerable to leakage or reverse engineering. Even where we have obtained patents or other intellectual property rights, such protections may be limited, challenged, circumvented or infringed, and may not prevent competitors from developing similar or competing technologies. In addition, our contractual protections, including confidentiality and non-compete arrangements, may be breached and may not provide effective or timely remedies.

Given the nature of our industry, monitoring and preventing unauthorized use of our technologies is difficult, particularly across multiple jurisdictions. Once our proprietary technologies are disclosed or misappropriated, we may lose our technological advantages and face increased competition. Any enforcement actions may require significant time and costs, and may not be successful. Accordingly, any unauthorized use, disclosure or misappropriation of our intellectual property could erode our competitive position, reduce demand for our products and materially and adversely affect our business, financial condition and results of operations.

We may need to engage in litigation to protect or enforce our intellectual property, and our intellectual property rights may be challenged, invalidated or found unenforceable.

Our competitors or other third parties may infringe, misappropriate or otherwise violate our intellectual property rights. To protect our technologies, we may need to initiate or participate in legal or administrative proceedings, which may be time-consuming, costly and disruptive to our operations. Such proceedings may also expose our confidential information to disclosure.

In addition, parties accused by us may assert counterclaims alleging that we infringe their intellectual property rights or challenge the validity, scope or enforceability of our patents. Similar challenges may be brought before courts or intellectual property authorities, including the CNIPA and comparable agencies in other jurisdictions.

Any adverse outcome in such proceedings could result in our intellectual property rights being narrowed, invalidated or rendered unenforceable, in whole or in part. If this occurs, we may lose protection over our technologies and products, which could materially and adversely affect our business, financial condition and results of operations.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, results of operations, financial condition.

During the Track Record Period, we received government grants, many of which are non-recurring in nature or are subject to periodic review. For the years ended December 31, 2023 and 2024, and 2025, the government grants we recognized as other income and gains amounted to RMB2.0 million, RMB5.4 million, and RMB6.9 million, respectively. In addition, we and certain Subsidiaries of ours are subject to preferential income tax treatments. Please see "Financial Information — Results of Operations — Income Tax Credit" for details.

If we cease to be entitled to such government grants or preferential tax treatment or if the relevant PRC laws and regulations change, our other income and gains may decrease and/or our income tax expenses may increase, 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 risk related to delay in payment and defaults of customers or related parties, which would adversely affect our liquidity and financial condition.

Our trade receivables represent amounts due from customers for sales of goods in the ordinary course of business. Our bills receivables represent payment by customers with bills of acceptance. As of December 31, 2023, 2024 and 2025, our trade and bill receivables amounted to RMB129.3 million, RMB140.4 million and RMB775.6 million, respectively. As our business increased significantly in 2025, our trade receivables increased accordingly in the same year.

We did not experience any material default by our customers during the Track Record Period. However, there can be no assurance that our customers will settle outstanding amounts in a timely manner in the future. Any delay in payment by our customers may adversely affect our cash flows, working capital position and liquidity, and may require us to obtain additional financing to support our operations.

In addition, if any of our customers experience financial difficulties, liquidity constraints, insolvency or other deterioration in their creditworthiness, we may be unable to recover all or part of the amounts owed to us, which could result in impairment losses on our trade and bill receivables. Accordingly, any significant delay in payment or default by our customers could materially and adversely affect our liquidity, financial condition and results of operations.

We may be subject to inventory obsolescence risk.

Our inventories were, RMB55.3 million, RMB63.4 million and RMB144.7 million as of December 31, 2023, 2024, and 2025, respectively. For the years ended December 31, 2023, 2024 and 2025, our inventory turnover days were 127 days, 106 days and 61 days, respectively. As our business expands, our inventory obsolescence risk may also increase with the increase in our inventories. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, outsourced processing materials and finished products. We maintain our inventory levels based on our internal forecasts of customer demand. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory. Excess inventory may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, if our forecast demand is lower than actual demand, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. Therefore, our business, financial condition and results of operations may be materially and adversely affected.

We incurred significant capital expenditures in connection with the expansion of our production bases, which may result in increased depreciation expenses and adversely affect our financial performance.

During the Track Record Period, we implemented expansion plan to enhance our production capacity through significant investment in capital expenditure, which consisted of purchases of property, plant and equipment and leasehold land. Our capital expenditures amounted to RMB82.2 million, RMB276.2 million and RMB294.5 million in 2023, 2024 and 2025, respectively.

We expect to continue making significant capital expenditures to support our future expansion. Such capital expenditures will increase the carrying amount of our property, plant and equipment and, accordingly, result in higher depreciation and amortisation expenses in the future. To the extent that the anticipated economic benefits from such investments, including improvements in production capacity and business growth, are not realized as expected, or the utilization of our expanded production capacity falls below our expectations, our profitability, results of operations and financial performance may be materially and adversely affected.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

No dividends were distributed during the Track Record Period. We do not maintain a formal dividend policy or have a fixed dividend distribution ratio. There is no assurance that we will be able to declare or distribute dividends of any amount in any year in the future. Any proposed distribution of dividends is subject to the discretion of our Board and the approval of our Shareholders. Pursuant to the Articles of Association, our Board may recommend a distribution of dividends in the future after taking into account our results of operations, financial condition, operating requirements, capital requirements, Shareholders' interests and any other conditions that our Board may deem relevant. We cannot assure you that we will be able to distribute dividends of any amount, or at all, in any year. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that our Company and our subsidiaries have entered into or may enter into in the future. Under applicable PRC laws, dividends may be paid only out of distributable profits, which refer to after-tax profits less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. See "Financial Information — Dividends." Moreover, our subsidiaries in China may not have distributable profit as determined under the PRC GAAP. Accordingly, we may not receive sufficient distributions from our subsidiaries for us to pay dividends. Failure by our subsidiaries to pay us dividends could adversely impact our ability to make dividend distributions to our shareholders and our cash flow, including periods in which we are profitable.

Our business is influenced by PRC government policies relating to the new energy battery industry, and any adverse changes in such policies could materially and adversely affect our business.

During the Track Record Period, all of our operations were based in China and a substantial portion of our revenue was derived from domestic sales. Our products are primarily used in new energy batteries, and accordingly, our business is closely linked to government policies affecting the battery and new energy battery industries in China.

The PRC government has implemented various policies to support the development of the new energy battery value chain, including incentives relating to new energy vehicles, ESS and strategic emerging industries, as well as tax incentives, research and development subsidies and industrial support measures. These policies have contributed to the growth of downstream demand and supported the development of companies in the battery materials sector, including us.

However, such policies are subject to change and may be adjusted, reduced or withdrawn. In particular, incentives for downstream applications, such as new energy vehicles or energy storage, may be phased out or modified, which could reduce demand for new energy batteries and, in turn, our products. In addition, regulatory policies relating to environmental protection, energy consumption, safety standards or industry capacity may become more stringent, which could increase our compliance costs or restrict our production.

We cannot assure you that favorable policies will continue or that new supportive measures will be introduced. Any reduction, withdrawal or adverse change in relevant government policies, or increased regulatory requirements, could materially and adversely affect demand for our products, our cost structure and 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.

To maintain our competitiveness and support our growth, we may require additional capital to fund our operations, including research and development, expansion of production capacity, enhancement of infrastructure, sales and marketing activities and potential acquisitions. The amount and timing of our funding requirements depend on various factors, including our operating performance, cost structure, capital expenditure plans and general economic and market conditions.

Our ability to obtain additional financing depends on factors beyond our control, including our financial condition, results of operations, market position, and the availability of financing in China and globally. Market conditions, including interest rates, inflation, geopolitical developments and the overall investment environment, may affect the availability and cost of funding.

If we are unable to obtain sufficient capital on acceptable terms, or in a timely manner, we may be required to delay or scale back our operations, capital expenditures or growth initiatives, and may not be able to respond effectively to market opportunities or competitive pressures.

Accordingly, any inability to secure adequate financing could 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 jurisdiction where we operate, our business, financial condition and results of operations may be materially and adversely affected.

Our manufacturing and sale of conductive carbon materials are subject to extensive regulation in the PRC. We are required to obtain and maintain various licenses, permits and approvals, including those relating to production, environmental protection, workplace safety, hazardous chemicals handling and emissions control, from multiple governmental authorities.

These licenses and permits are typically subject to periodic review, renewal and ongoing compliance requirements. Compliance with applicable laws and regulations may require substantial costs and resources. Regulatory requirements may also change, and we may be required to obtain additional approvals or satisfy more stringent conditions in the future.

We cannot assure you that we will be able to obtain, renew or maintain all necessary licenses and approvals in a timely manner, or at all, or that such licenses and approvals will be sufficient to cover all of our current or future operations. Any failure to do so, or any non-compliance with applicable regulatory requirements, may result in administrative penalties, including fines, confiscation of income, suspension or shutdown of operations, or revocation of licenses.

In addition, delays in obtaining or renewing licenses or approvals may disrupt our production schedules or expansion plans. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers, which would affect our business, financial condition and results of operations.

We maintain insurance policies to cover various aspects of our business and operations, such as personal insurance and insurance related to safe production and environmental protection. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding or products. Any negative publicity, whether warranted or not, could adversely affect our business.

We believe that our brand is integral to the success of our business. Since we operate in a highly competitive market, brand maintenance directly affects our ability to maintain our market position. The successful maintenance of our brand depends on our ability to provide competitive products and to strengthen business relationship with our customers. The successful promotion of our brand depends on the effectiveness of our marketing efforts and the amount of word-of-mouth referrals by our customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities will be successful or effective as expected. In addition, any negative publicity about our Company, Directors, employees, branding or products, whether warranted or not, may adversely affect our reputation and business. If our brand and reputation is damaged, we may face challenges in maintaining our current business relationships with our customers and in entering into new markets, which may adversely affect our business, financial condition, results of operations and prospects.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on our and third-party information technology systems to facilitate communications among our employees and with suppliers and customers and other aspects of our business operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities. Although we have established internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, suppliers, customers or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could also subject us to negative publicity that could severely damage our brand and reputation and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties could materially and adversely affect our business.

Work stoppages, increase in labor costs and other labor-related matters may materially and adversely affect on our business.

We believe that we have a good working relationship with our employees. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may adversely affect on our business, 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, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems in relation to our business operations, financial reporting and general compliance which we believe are appropriate for our business operations. Please see "Financial Information — Financial Risks Disclosure" for more details. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in ensuring, among other things, accurate report of our financial results and prevention of fraud. Since our risk management and internal control systems depend on the implementation by our employees, we cannot assure you that our employees or other related third parties are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Failure to comply with present or future environmental, safety and occupational health regulations and standards may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to regulations and standards relating to environmental, safety and occupational health matters where we operate. Under these laws and regulations, we are required to maintain safe production conditions and to protect the occupational health of our employees. However, there can be no assurance that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater, waste gas and industrial solid waste. The discharge of such pollutants from our manufacturing operations into the environment, if in violation of relevant regulations, may give rise to liabilities that may require us to incur costs to remedy such discharge. There can be no assurance that the situations that will give rise to environmental liabilities will be discovered, or that any environmental laws adopted in the future will not affect our operating costs and other expenses. Should stricter environmental protection standards and regulations be imposed in the future, there can be no assurance that we will be able to comply with such new regulations. Any increase in the manufacturing costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations.

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

We may be involved in commercial or contractual disputes, legal and administrative proceedings, and claims arising in the ordinary course of our business. As of the Latest Practicable Date, we did not have any material outstanding or pending litigation or arbitration, nor were we aware of any material litigation or arbitration that is threatened against us. However, we cannot assure you that we will not be involved in disputes or proceedings in the future, which may expose us to additional risks and potential liabilities. Such disputes and proceedings may be costly and time-consuming to defend or resolve, and may require us to incur significant legal and related expenses, including fees relating to appraisal, auction, enforcement and legal advisory services.

In addition, litigation or disputes may lead to regulatory inquiries, investigations or administrative actions. Any such claims, disputes or proceedings may result in reputational damage, increased operating costs and diversion of management's attention and resources from our core business. Any adverse judgments, arbitral awards or regulatory outcomes involving us or our Directors, senior management or key employees could materially and adversely affect our business, financial condition and results of operations.

Our non-compliance with relevant social insurance and housing provident fund contribution laws and regulations in the PRC could lead to retrospective contribution and imposition of fines and penalties.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. During the Track Record Period, we failed to pay the social insurance contributions and housing provident fund contributions in full for its employees. See "Business — Employees — Social Insurance and Housing Provident Fund" for details. As advised by our PRC Legal Adviser, pursuant to relevant PRC laws and regulations, if we fail to make social insurance contributions in compliance with the relevant PRC laws and regulations in the future, we may be required to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the outstanding social insurance contributions are due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay housing provident fund in full, the relevant housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Our rights to use some of our leased properties could be challenged by third parties due to defects, which may adversely affect our business operations and financial condition.

We leased certain properties in the Chinese Mainland in connection with our business operations. As of December 31, 2025, we leased three properties across Chinese Mainland, with an aggregate GFA of over 29,000 sq. m., which were mainly as our production base. Among which, two of the lease agreements had not been registered with relevant authorities as required by applicable PRC laws and regulations.

As advised by our PRC Legal Adviser, failure to complete the registration of lease agreements may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant PRC authorities for each of these lease agreements if we fail to complete the registration of lease agreements within the stipulated period. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to such leases. We may need to expend significant management and financial resources to arrange relocation from these relevant properties. If we fail to find qualified alternative premises on terms acceptable to us, or if we are subject to any material liability resulting from challenges to our leases of properties for which our lessors do not hold valid titles or failed to complete the necessary procedures, our ordinary course of business may be disrupted and delayed, materially adversely affecting our business operations, financial condition and results of operations. See "Business — Properties — Leased Properties."

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our selected property interest as of April 30, 2026 prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), an independent property valuer, are set forth in the valuation report set out as Appendix III to this document. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

Fluctuations in the interest rates of our borrowings may affect our financial condition.

We have borrowings to support our business expansion and provide financing for our operation. As of December 31, 2023, 2024 and 2025, we had borrowings of RMB79.7 million, RMB197.9 million and RMB249.0 million, respectively, mainly representing bank loans relating to the establishment and operation of our production base, which was in line with our business expansion. During the Track Record Period, our bank borrowings are all denominated in RMB with fixed interest rates ranging from 1.4% to 4.7%. Our interest expense may increase in the future if interest rates increase, which may materially and adversely affect on our financial condition and results of operations.

Our ability to meet our financial obligations largely depends on our operating performance and the ability of our customers to fulfil their payment obligations to us. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we encounter difficulties in generating sufficient cash to repay our outstanding financial liabilities, our liquidity, business, financial condition and results of operations may be materially and adversely affected, and we may not be able to expand our business.

Share-based compensation may cause shareholding dilution to our existing Shareholders and may adversely affect on our financial performance.

We have implemented share incentive scheme. For the years ended December 31 2023, 2024 and 2025, share-based payment expenses incurred were RMB2.5 million, RMB4.4 million and RMB1.9 million, respectively. To further motivate our employees and non-employees to contribute to us, we may grant additional share-based compensation in the future. Issue of additional Shares in respect of such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred in respect of such share-based payment may also increase our operating expenses and therefore adversely affect on our financial performance.

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business, financial condition and results of operations.

We may pursue acquisitions, investments or strategic alliances to expand our business and enhance our capabilities. Such transactions involve risks and uncertainties. Strategic alliances may expose us to risks including disclosure or misappropriation of proprietary information, counterparty default or non-performance, and potential reputational damage arising from our partners' actions.

Acquisitions and investments may require substantial costs and management resources, and may be subject to regulatory approvals, which could delay or prevent completion. Following completion, we may face challenges in integrating acquired businesses, technologies and personnel. Such transactions may also result in increased operating expenses, additional capital requirements, share dilution, incurrence of debt, goodwill impairment or other unforeseen liabilities. In addition, acquisitions and integration efforts may divert management attention from our existing business and disrupt our operations, and we may fail to retain key personnel or maintain customer and supplier relationships.

If we are unable to successfully execute or integrate acquisitions, investments or strategic alliances, or fail to realize their anticipated benefits, our business, financial condition and results of operations may be materially and adversely affected.

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

Our business, financial condition and results of operations are influenced by global and regional macroeconomic conditions, including interest rates, inflation, access to credit and overall industry conditions, which may affect demand for our products. In addition, geopolitical tensions, armed conflicts, acts of war or terrorism may create economic uncertainty and disrupt global trade and supply chains, which could adversely affect our operations and customer demand. We are also exposed to risks arising from natural disasters and public health events, including extreme weather conditions, earthquakes, floods, epidemics and pandemics, which may disrupt our production, logistics and business operations. Any of the foregoing factors, individually or in combination, could materially and adversely affect our business, financial condition and results of operations.

Compliance with environmental, health and safety laws and ESG requirements may result in significant and increasing costs, which could adversely affect our financial performance.

Our operations are subject to extensive environmental, health and safety laws and regulations, as well as evolving ESG-related requirements. Compliance with these requirements requires continuous investment in production processes, equipment upgrades, pollution control measures, monitoring systems and personnel. As regulatory standards become more stringent and ESG expectations continue to evolve, we may be required to incur additional capital expenditures and operating costs to maintain compliance. Such costs may include investments in new technologies, facility upgrades, waste treatment and emissions control, as well as ongoing compliance monitoring and reporting. We may not be able to fully pass on such increased costs to our customers due to competitive pressures, which could adversely affect our margins and profitability. In addition, any failure to meet evolving regulatory or ESG requirements may result in fines, operational restrictions or other regulatory actions. Accordingly, increasing compliance costs and related uncertainties could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN CHINA AND OTHER JURISDICTIONS

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

All of our business assets are located in China and a substantial portion of our sales and revenue is currently derived from China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. Please see "Regulatory Overview" for details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us. The legal systems in these geographic markets vary significantly from one jurisdiction to another.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is still evolving. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

Furthermore, many legal systems in the geographic markets where we operate are based in part on their respective government policies and internal interpretations, some of which are not published on a timely basis and may have retroactive effects. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

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

Our operations are subject to PRC tax laws and regulations.

As a company incorporated in China, we are subject to PRC tax laws and regulations. We cannot assure you that we are able to fully comply with such laws and regulations. Any violation of such laws and regulations may result in fines, other penalties, actions or proceedings that could adversely affect our business, financial condition and results of operations.

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

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

We are subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with capital raising activities, including this [REDACTED].

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

In addition, on December 28, 2021, the CAC, together with other relevant administrative departments, jointly promulgated the revised Cybersecurity Review Measures (《網絡安全審查辦法》) with effect from February 15, 2022, according to which critical information infrastructure operators that procure internet products and services, and network platform operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The Cybersecurity Review Measures further provide that an online platform operator who possesses personal information of over one million users and intends to list in a foreign country must be subject to the cybersecurity review. Our PRC Legal Adviser is of the view that the term of "listing on a foreign stock exchange" under the Cybersecurity Review Measures exempts listing in Hong

Kong from the mandatory obligation of ex-ante declaration of cybersecurity review. Furthermore, the governmental authorities have discretion to initiate a cybersecurity review on any data processing activity if they deem such activity affects or may affect national security. The identification of critical information infrastructure operators is subject to specific identification rules stipulated by relevant industry regulators and the notice from the relevant regulators pursuant to the Regulations on Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》). As of the Latest Practicable Date, we had not received any notification classifying us as "critical infrastructure information operator" from the relevant supervisory authorities. There can be no assurance that the relevant PRC government authorities would not determine us as "critical infrastructure information operator" in the future.

On September 24, 2024, the State Council published the Administration Regulations on Network Data Security (《網絡數據安全管理條例》) (the "**Data Security Regulations**"), which provides that network data processors conduct network data processing activities that affect or may possibly affect national security must conduct national security review in accordance with relevant laws and regulations. The Data Security Regulations provide no further explanation or interpretation as to how to determine what constitutes "affecting national security." As such, there remain uncertainties of interpretation, application and enforcement of the evolving relevant laws and regulations, and future regulatory changes may impose additional restrictions.

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

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our most Directors, Supervisors and senior management.

We are a company incorporated under the PRC laws and all of our assets and subsidiaries are located in China. The majority of our Directors, Supervisors and senior management reside within China. The assets of these Directors, Supervisors and senior management also may be located within China. As a result, it may be complex and difficult to effect service of process upon or to enforce judgements against us, most of our Directors, Supervisors and senior management outside China.

Any failure to comply with relevant regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year and participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We, our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options of H shares will be subject to these regulations when we become an H-share [**REDACTED**] company upon the completion of the [**REDACTED**]. Failure to complete SAFE registrations may subject them to fines and legal sanctions. In light of the above, we cannot assure you that we will continuously adopt additional H shares incentive plans for our directors, executive officers and employees under PRC law. In addition, the STA has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. We have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities.

RISKS RELATING TO THE [REDACTED]

The [REDACTED], [REDACTED] and [REDACTED] of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to [REDACTED].

The [**REDACTED**] at which our H Shares will [**REDACTED**] after the [**REDACTED**] will be determined by the marketplace, which may be affected by factors beyond our control, including our financial performance, changes in analysts' estimates and research coverage, the prospects and development stage of our business and the industry in which we operate, the valuation of comparable publicly traded companies, general market sentiment, changes in PRC laws and regulations, our actual or perceived competitive position, and broader political, economic, financial and social conditions.

There was no public market for our H Shares prior to the [**REDACTED**], and there is no assurance that an active and liquid [**REDACTED**] will develop or be sustained after [**REDACTED**]. The [**REDACTED**], which will be determined through negotiation with the [**REDACTED**], may not reflect the [**REDACTED**], and if an active [**REDACTED**] does not develop, the [**REDACTED**] and [**REDACTED**] of our H Shares may be materially and adversely affected. In addition, the Hong Kong Stock Exchange has from time to time experienced significant volatility in trading prices and volumes that have affected the market prices of securities of companies quoted on the Hong Kong Stock Exchange. As a result, [**REDACTED**] in our H Shares may experience volatility in the [**REDACTED**] of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Our Single Largest Shareholder Group has substantial influence over our Group and its interests may not be aligned with the interests of our other Shareholders.

Our Single Largest Shareholder Group has significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the Single Largest Shareholder Group will be together entitled to control the exercise of approximately [**REDACTED**]% of the voting rights. The interests of our Single Largest Shareholder Group might differ from the interests of our other Shareholders. In the event that our Single Largest Shareholder Group causes us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Single Largest Shareholder Group and our other Shareholders may also materially and adversely affect the aspects such as the decision and implementation of our business plans, which may in turn affect our results of operations and prospects.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distributions of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or HKFRS (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable laws and regulations in China, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

Should the [REDACTED] be higher than the net tangible book value per Share, subject to [REDACTED], you may experience an immediate dilution in the book value of the [REDACTED] you [REDACTED] in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] may be higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. As a result, you and other [**REDACTED**] of the [**REDACTED**] in the [**REDACTED**] may experience an immediate dilution in [**REDACTED**] net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. [**REDACTED**] 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. Furthermore, we may issue Shares pursuant to share incentive schemes, which would further dilute Shareholders' interests in our Company.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

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

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

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they may not be reliable.

Certain facts, forecast and statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this document. However, the information from the official government sources were not prepared or independently verified by us, the Joint Sponsors, [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.