

RISK FACTORS

An [REDACTED] in our H Shares involves a high degree of risk. You should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the [REDACTED] in our H Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the [REDACTED] of our H Shares, and could cause you to lose all or part of your [REDACTED]. The order in which the following risks are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on our business, financial condition, results of operations, prospects or on the [REDACTED] of our H Shares.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The growth of our business depends on the growth and performance of downstream industries.

Our products are key materials for the production of lithium-ion battery. Demand for our electrolytes is closely tied to the market demand for their end applications, including power batteries, energy storage system (“ESS”) batteries, consumer electronics batteries and batteries for emerging applications.

Power batteries are primarily used in electric vehicle (“EV”), including passenger vehicles and commercial vehicle, and the electrification of other emerging areas. According to Frost & Sullivan, EV battery market is entering an accelerated expansion phase, shipment volume in China increased from 226.0 GWh in 2021 to 1,103.0 GWh in 2025, representing a CAGR of 48.6% from 2021 to 2025. Accordingly, the sales volume of our electrolytes for power batteries increased continuously from 40,556 tons in 2023 to 46,806 tons in 2024, and further increased to 75,209 tons in 2025. In addition, the sales volume of our electrolytes for power batteries increased from 31,117 tons in the six months ended June 30, 2025 to 56,446 tons in the six months ended June 30, 2026. Nevertheless, the demand for electrification in these applications may fluctuate due to various factors, including but not limited to the macroeconomic environment, end-user preferences, cost efficiency, electrification technology and completeness of the infrastructure.

ESS batteries are widely adopted in both front-of-the-meter (grid-side, owned by power companies for large-scale grid support) and behind-the-meter (user-side, owned by users for self-consumption and cost reduction) applications. According to Frost & Sullivan, in China, driven by the expansion of new energy installations and supportive policies such as the 14th Five-Year Plan for New Energy Storage Development and the Guidance on Accelerating the Development of New Energy Storage, shipment volume increased from 48.0 GWh in 2021 to 352.0 GWh in 2025, representing a CAGR of 64.6% from 2021 to 2025. Therefore, the sales of our electrolytes for ESS batteries increased continuously from 7,624 tons in 2023 to 11,198 tons in 2024, and further increased to 30,164 tons in 2025. In addition, the sales volume of our electrolytes for ESS batteries increased from 10,410 tons in the six months ended June 30, 2025 to 19,700 tons in the six months ended June 30, 2026. Nevertheless, the demand for ESS batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability and technological improvement in relevant areas (such as safety and cycle life), as well as cost efficiency.

Consumer electronics batteries are primarily used in portable devices such as smartphones, laptops, tablets, wearable devices, and other personal electronic products. According to Frost & Sullivan, influenced by economic fluctuations and consumer demand, the global shipment volume of consumer electronics batteries remained relatively stable at 98.0 GWh in 2021 and 110.0 GWh in 2025. Therefore, due to the intense competition, the sales volume of our electrolytes for consumer electronics batteries decreased from 4,372 tons in 2023 to 2,617 tons in 2024, and further decreased to 1,630 tons in 2025. In addition, the sales volume of our electrolytes for consumer electronics batteries increased from 758 tons in the six months ended June 30, 2025 to 964 tons in the six months ended June 30, 2026. Correspondingly, the revenue from the sales of our electrolytes

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for consumer electronics batteries also decreased from RMB152.2 million in 2023 to RMB63.6 million in 2024, and further decreased to RMB48.7 million in 2025. In addition, the revenue from the sales of our electrolytes for consumer electronics batteries increased from RMB21.1 million in the six months ended June 30, 2025 to RMB38.2 million in the six months ended June 30, 2026. The demand for consumer electronics batteries is influenced by factors such as consumer spending patterns, technology advancements in electronic devices, replacement cycles, overall economic conditions, and shifts in consumer preferences.

As a result, changes in these factors may affect the demand for the end applications of our products. If we are unable to adapt promptly to these changes, our business, financial condition and results of operations may also be adversely affected.

We face intense competition in the industries in which we operate.

We compete with a number of domestic and international companies. The global electrolyte industry comprises both independent electrolyte manufacturers and affiliated electrolyte manufacturers. Independent manufacturers, including us, primarily supply electrolyte products to multiple lithium-ion battery manufacturers and compete based on factors such as product performance, formulation capabilities, quality consistency, customer base, supply reliability and technological innovation. In contrast, affiliated electrolyte manufacturers primarily produce electrolyte products for internal consumption within their own lithium-ion battery manufacturing operations, and their competitiveness is supported by vertical integration and coordination with downstream battery production. According to Frost & Sullivan, in terms of electrolyte revenue, on a standalone basis excluding affiliated manufacturers and considering only independent electrolyte manufacturers, the top five electrolyte suppliers accounted for a combined market share of 49.2% in 2025, indicating a relatively concentrated market. See “Industry Overview — Overview of the Global Electrolyte Industry — Competitive Landscape of Global Electrolyte Industry.” New and existing independent electrolyte manufacturers and affiliated electrolyte manufacturers strive to increase their market share with continued R&D efforts, optimized production processes and active marketing campaigns. We expect to face competition from both existing and new competitors as we expand into new business lines, geographic markets and product categories. Competition could also have a material and adverse impact on customer demand for, and product pricing of, our electrolytes, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to maintain or enlarge our market share, which would have a material adverse effect on our businesses, financial condition and results of operations.

Our success depends not only on our own ability but also on our customers’ ability to develop and produce, market and sell their products in a timely and cost-efficient manner.

Our business performance largely relies on our customers’ ability to develop and produce, market and sell their end products in a timely and cost-efficient manner to address the evolving preferences of their customers, regulatory standards and technological advancement. Inability to do so could reduce the demand for our products, which in turn could cause the decline in our revenue and profitability. Further, any such adjustments to their sales and marketing strategies may affect their sales, and may in turn, result in a material and adverse impact on our business, financial condition and results of operations.

We are subject to customer concentration risk.

We rely on our major customers for a substantial portion of our revenue. In 2023, 2024, 2025 and the six months ended June 30, 2026, sales to our five largest customers in each period accounted for 82.3%, 73.0%, 72.2% and 74.8% of our total revenue, respectively, and our sales to our largest customer accounted for 60.1%, 59.3%, 48.4% and 56.1% of our total revenue, respectively. We anticipate that we will continue to face the risk of customer concentration. We cannot guarantee that our major customers will continue to do business with us, that they will not reduce their business volume with us, or that they will not purchase electrolyte products from our competitors or establish their own production capacity. Moreover, we cannot guarantee that our major customers will not have a change of their business scope or business model, will continue to maintain their market position and reputation, will not cease to operate or will not experience operational or financial difficulties. Any material adverse change in the operation, financial performance or financial condition of our major customers may have a significant adverse impact on us.

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We may not be able to derive the desired benefits from our R&D efforts, which may negatively affect our competitiveness and profitability.

We rely on technological innovation for our continued growth. However, R&D activities are inherently uncertain. We may not always be able to achieve the desired benefits from R&D investments, reach the industry’s technological frontier, or respond promptly to changes in industry standards. If our R&D and technology cannot deliver timely product updates, we may fall behind market trends and be unable to launch new or improved products promptly. This could result in a loss of market share as customers choose competing products that better meet evolving industry requirements or consumer preferences.

Furthermore, the commercial maturity of other emerging new energy technologies, such as hydrogen fuel cells, supercapacitors, or alternative energy storage solutions, may dilute the use of batteries in certain application scenarios. This trend may lead to reduced demand for our products in those segments. In addition, alternatives to our products may become more economically attractive as global commodity prices shift in the future. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Possible future overcapacity in the battery and electrolyte industries in Mainland China may adversely affect our business, financial condition and results of operations.

The battery and electrolyte industries in Mainland China have experienced rapid capacity expansion in recent years, driven by strong growth in downstream sectors such as new energy vehicles and ESS. However, such expansion may outpace demand, leading to potential overcapacity and intensified market competition. According to Frost & Sullivan, since 2022, rapid capacity expansion combined with a moderation in downstream demand led to industrywide overcapacity. Total capacity increased from approximately 2.1 million tons in 2022 to around 5.0 million tons in 2024, while utilization declined to about 30% in 2024, resulting in downward pressure on electrolyte prices in China. As a result, industry participants, including us, have experienced margin pressure. Our gross profit margin decreased from 11.0% in 2023 to 4.4% in 2024, and we recorded a net loss in 2024 despite an increase in sales volume. We are also actively expanding our production capacity, which is expected to exceed 500,000 tons per year upon completion. If market demand does not grow in line with such capacity expansion, we may face underutilization of our facilities and further pricing pressure. If industry overcapacity emerges in the future, it may lead to continued price competition, reduced profitability and inefficient utilization of production capacity, which could materially and adversely affect our business, financial condition and results of operations.

The downward trend in electrolyte product prices may adversely affect our gross profit margin.

The prices of electrolyte products have experienced a downward trend in recent years, primarily driven by fluctuations in raw material prices, particularly solutes such as LiPF_6 , as well as intensified market competition. Such price declines have had, and may continue to have, a direct impact on our profitability. If the downward trend in product prices continues or intensifies, we may face sustained margin pressure, especially where reductions in raw material costs lag behind declines in selling prices or where we are unable to pass cost increases to customers in a timely manner. Any continued decrease in the selling prices of our products, combined with volatility in raw material costs and competitive pricing pressure, could result in further compression of our gross profit margin and may materially and adversely affect our business, financial condition and results of operations.

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Failure to retain our existing customers or attract new ones could materially and adversely affect our business, financial condition and results of operations.

To increase our revenue and sustain our growth, we are committed to maintaining existing customers and attracting new customers. Our ability to maintain existing customers or attract new customers depends on the various factors, some of which are beyond our control. It may be challenging to offer products tailored to the specific needs of our customers, as well as to maintain consistent customer support, as our customer base grows and becomes more diverse. If we are unable to maintain our existing customers or attract new customers, our business, financial condition and results of operations will be materially and adversely affected.

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

We rely on third-party suppliers for our procurement of certain key raw materials used in the production of our electrolyte, such as solutes, solvents and additives. See “Business — Suppliers and Procurement.” We also rely on third parties for utilities, transportation, warehousing and other requisite services.

In 2023, 2024, 2025 and the six months ended June 30, 2026, our raw material costs accounted for 92.5%, 89.6%, 92.8% and 95.5% of our total costs of sales, respectively. As we procure certain key raw materials based on market pricing, our cost structure is subject to volatility in the prices of these raw materials, as well as fluctuations in the prices of utilities, transportation, warehousing, and other requisite services. As the primary raw material for lithium-ion battery electrolytes, the price of LiPF_6 directly affects our cost of sales and financial performance. For example, the average price of LiPF_6 decreased from approximately RMB130,200 per ton in 2023 to RMB62,500 per ton in 2024. See “Industry Overview — Price Analysis of Raw Materials and Electrolyte Products.” Largely as a result, the prices of our electrolyte products, which typically adjust in accordance with the market price of solutes, such as LiPF_6 , declined from approximately RMB30,000 per ton in 2023 to approximately RMB17,000 per ton in 2024. Despite the growth in sales volume of our electrolyte products, our revenue decreased by 35.3% from RMB1,576.6 million in 2023 to RMB1,020.6 million in 2024. We may not be able to offset increases in input prices by raising the prices of our products, which could result in a reduction in profit margins and, consequently, a material adverse impact on our financial condition and results of operations. Furthermore, significant increases in the prices of our products may erode our competitive advantage, potentially leading to a loss of sales and customer attrition. Accordingly, our business, financial condition, and results of operations may be materially and adversely affected.

In addition, any unexpected shortages, delivery delays or substandard quality in key raw materials, transportation, warehousing and other requisite services may disrupt our supply chain and, consequently, interrupt our production schedule. Failure to secure sufficient and consistent supply of key raw materials, transportation, warehousing and other requisite services for our operations at reasonable cost, or at all, may have a material and adverse impact on our business, financial condition, and results of operations.

Our products may not meet customers’ expectations and could potentially contain defects. We may be subject to financial and reputational risks due to product recalls and product liability claims arising from such defects.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. We cannot guarantee that there are no and will not be any quality issues with our products. Any quality issues with our products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In addition, third parties who have suffered losses may bring product liability claims or legal proceedings against us, which could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate considerable negative publicity about our products and business, which would materially and adversely affect our brand, business, prospects and results of operations.

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Our success depends in part on our ability to maintain and/or enhance our production capabilities and to produce high quality products in response to the market trend.

Our success depends in part on our ability to maintain and/or enhance our production capabilities, which are subject to significant risks and uncertainties, including: unexpected delays and cost overruns resulting from a number of factors, including increases in the prices of raw materials, transportation constraints, disputes with suppliers and service providers as well as equipment malfunctions and breakdowns; our ability to obtain or renew the required permits, licences and approvals from the relevant government authorities; and production interruption caused by natural disasters or other unforeseen events. We plan to expand our production capability in China and overseas to meet the increasing demand. Any material delay or any substantial increase in costs or quality issues in connection with these projects could materially and adversely affect our business, financial condition and results of operations.

Any failure to offer consistent service to our customers may harm our relationships with them and, consequently, our business, financial condition and results of operations.

We may be unable to quickly respond to accommodate short-term increases in customer demand for technical support. We may also be unable to modify the future scope of our technical support to compete with changes in the technical services provided by our competitors. If we experience increased customer demand for support, we may face increased costs that might harm our results of operations. If we are unable to provide efficient customer support, our business may be harmed. Any failure to maintain consistent support services, or a market perception that we do not maintain consistent support services for our customers, would harm our business.

Our production processes are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to manufacturing difficulties or potential accidents.

There is no guarantee that we will not encounter production issues in achieving acceptable output due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations. In addition, we may experience disruptions in our production lines due to additional factors such as labor shortages or natural disasters, which may delay our production and delivery, leading to sales loss, increased costs and damaged customer relationships. Any such event may adversely affect our business, financial condition and results of operations.

Failure to maintain optimal inventory levels could increase our inventory holding costs or negatively impact our sales.

Our inventories primarily included raw materials, work-in-progress and finished goods. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our inventories amounted to RMB30.3 million, RMB53.7 million, RMB177.0 million and RMB281.1 million, respectively. Our average inventory turnover days were 20 days, 18 days, 28 days and 25 days in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. However, we may not be able to effectively manage our inventory levels or to identify any excessive build-up or insufficient stock of inventory in our global operations. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices could impair the image of our brands and harm our gross margin. However, if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damages to our reputation and relationships with our customers. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could adversely impact our business, financial condition and results of operations.

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We are subject to credit risk related to defaults of customers.

We are exposed to credit risk related to delays in payment and defaults of our customers. If any of our customers becomes insolvent or delays its payment of our fees, our cash flow, financial position and results of operations could be materially and adversely affected. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our trade and bills receivables amounted to RMB961.1 million, RMB605.4 million, RMB1,158.7 million and RMB1,561.5 million, respectively. In 2023, 2024, 2025 and the six months ended June 30, 2026, our trade receivable turnover days were 159 days, 275 days, 176 days and 111 days, respectively. We may not be able to collect all such trade and bills receivables due to a variety of factors that are outside of our control, including the adverse operating conditions or financial situation of customers and customers’ inability to pay. See “Financial Information — Discussion of Certain Key Balance Sheet Items — Trade and Bills Receivables.”

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

We are subject to a number of environmental, health and safety laws and regulations. See “Regulatory Overview.” In addition, our production lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, health and safety have examined and approved the relevant facilities. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to develop, manufacture and commercialize our products as planned. For example, during the Track Record Period, the construction of two production facilities were commenced before obtaining the safety review opinions. As relevant laws and regulations may evolve, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, fines, potential monetary damages, or production suspensions in our business operations.

There is uncertainty as to the bidding success rate of our Group in the future.

In 2023, 2024, 2025 and the six months ended June 30, 2026, 7.6%, 2.2%, 8.9% and 0.01% of our revenue was generated from the orders that were awarded by either invitation by tender or public tender, respectively. We cannot guarantee that we will be invited to participate in future tender processes. Even if we are invited, our bidding success rate is influenced by the following factors, some of which may be out of our control, including (i) our production capacity; (ii) the number of tenders submitted; and (iii) the pricing and other terms and conditions offered by us and our competitors. Therefore, we cannot assure you that we will succeed in the tender process and we may not be able to maintain or increase our bidding success rate. If we are not able to maintain the current bidding success rate, our revenue and operation may be adversely affected.

We recorded net losses in 2024.

We had net losses of RMB27.6 million in 2024, primarily driven by a decline in revenue and gross profit amid falling prices for our electrolyte products in line with the decrease in the average price of our core raw material, despite the sales volume increase. See “Financial Information” and “Business — Business Sustainability.” There can be no assurance we can achieve or sustain profitability in the future. We plan to continue to invest significant resources to further expand our production capacity. As a result, we anticipate incurring considerable operating costs and expenses in the foreseeable future, which may adversely affect our overall financial position. We may also face increased compliance costs associated with growth. Our efforts to grow our business may be costlier than we expect, or the rate of our revenue growth may be lower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses.

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Our historical results may not be indicative of our future performance and our results of operations, and we may not be able to manage future growth effectively.

Our historical financial information is not expected to be indicative of our future financial results. Our expansion plans may be affected by a number of factors beyond our control. Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition and results of operations may be materially and adversely affected.

We may need additional capital, but we may not be able to obtain financing on favorable terms or at all.

We may require additional cash resources due to changed business conditions or other future developments. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to operate and expand our business or to respond to competition could be adversely affected. Moreover, if we raise additional capital by issuing shares or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. In addition, our indebtedness may subject us to relevant covenants that restrict our operations and our ability to effectuate certain corporate decisions for our business and will require interest and principal payments for relevant indebtedness that could create additional cash demands and financial risk for us.

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 and June 30, 2026, we had interest-bearing bank borrowings of RMB169.4 million, RMB143.8 million, RMB434.3 million and RMB704.0 million, respectively. As of December 31, 2023, 2024 and 2025 and June 30, 2026, the interest rate on our interest-bank borrowings ranged from 2.5% to 4.05%. Our interest expense may increase in the future if interest rates increase, which may have a material and adverse effect on our financial condition and results of operations.

We are subject to risks relating to our equity investments and the fluctuation of fair value changes of our equity investment may affect our financial performance, our business, and results of operations.

Our financial performance is affected by the value of our equity investments. As of December 31, 2023, 2024 and 2025 and June 30, 2026, our equity investments designated at fair value through other comprehensive income were RMB53.4 million, RMB68.4 million, RMB67.5 million and RMB68.6 million, respectively. If the companies in which we hold equity stakes make unsound decisions or manage their operations ineffectively and inefficiently, resulting in poor performance or financial difficulties, this could have a negative impact on the value of our equity investments, which in turn would have a negative impact on our financial performance. In addition, weakened market conditions or unfavorable regulatory policies that adversely and materially affect the industries in which these companies operate may also have an adverse effect on the valuation of our equity investments, which could, in turn, have an adverse effect on our financial performance.

We are subject to fair value changes associated with our financial assets at fair value through profit or loss.

During the Track Record Period, we had certain financial assets at fair value through profit or loss. Our financial assets at fair value through profit or loss represented wealth management products at fair value and convertible bond. Our financial assets at fair value through profit or loss were RMB36.9 million, RMB41.9 million, RMB83.4 million and RMB115.3 million as of December 31, 2023, 2024 and 2025 and June 30, 2026, respectively. We are exposed to risks in

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relation to the financial assets, which may adversely affect our net changes in their fair value. The financial assets at fair value through profit or loss are stated at fair value and therefore directly affect our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may experience discontinuation, reduction or delay of any preferential tax treatment or government grants.

During the Track Record Period, our Company and a subsidiary of our Group in the PRC were subject to a preferential income tax rate of 15%. Such preferential tax treatment is subject to change and termination. In 2023, 2024, 2025 and the six months ended June 30, 2026, we decreased our tax expenses of RMB5.4 million, RMB6.1 million, RMB12.5 million and RMB13.1 million, respectively as a result of the preferential tax treatment, representing 0.3%, 0.6%, 0.7% and 0.7% of our total revenue in the respective periods. If our preferential tax treatment is revoked, becomes unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the various types of preferential tax treatment we enjoy could materially and adversely affect our prospects. See “Financial Information — Description of Major Components of our Results of Operations — Income Tax (Charge)/Credit.”

We also receive grants from local governments, which are conditional, discretionary and vary from year to year. In 2023, 2024, 2025 and the six months ended June 30, 2026, we recorded government grant as other income and gains of RMB10.6 million, RMB9.3 million, RMB2.2 million and RMB1.2 million, respectively, representing 0.7%, 0.9%, 0.1% and 0.1% of our total revenue in the respective periods. Local governments may decide to reduce or eliminate such grants at any time. We cannot guarantee the continued availability of the government grants currently enjoyed by us. Any reduction, cancelation, or repayment of government grants could adversely affect our business, financial condition and prospects.

The grant of equity-settled share-based awards may result in an increase in equity-settled share-based payment expenses.

We recognize share-based payment expenses in profit or loss in respect of equity-settled awards over their respective vesting periods, which typically extend over several years. An increase in the number of equity-settled awards granted, higher fair values of such awards at the date of grant or the granting of additional awards in the future may lead to a rise in the share-based payment expenses recognized by us. Such increased expenses will adversely affect our results of operations and financial performance for the periods during which the expenses are recognized. If we continue to grant equity-settled share-based awards as part of our remuneration and incentive arrangements, the recurring recognition of substantial share-based payment expenses may affect our profitability, financial condition and future prospects.

Changes in the market or our products may affect our pricing models and adversely affect our operating results.

Our pricing models face challenges from evolving market changes. As the market for our products grows, as our competitors introduce new products that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. In addition, regardless of the pricing model used, certain customers may demand higher price discounts. See “Business — Marketing and Sales — Pricing.” As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our business, financial condition and prospects.

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We are subject to the potential decline in selling prices of our products.

We are subject to the risk that the selling prices of our products may experience downward pressure due to a variety of factors, including intensified market competition, fluctuations in raw material prices, changes in customer procurement strategies, technological advancements and industrywide capacity expansion. There is no assurance that we will be able to maintain our current pricing levels or effectively pass on cost increases to our customers. If the selling prices of our products decline or if we are unable to timely adjust our cost structure or improve operational efficiency, our revenue, gross profit margin, overall profitability and financial performance may be materially and adversely affected.

We are subject to product concentration risk.

While we primarily supply lithium-ion battery electrolytes, we are subject to the risk of product concentration given that substantially all of our revenue was derived from our electrolyte products. During the Track Record Period, we generated the majority of our revenue from the sales of electrolytes for power batteries, which accounted for 77.7%, 76.8%, 68.1% and 70.4% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. Market demand for our electrolyte products may fluctuate due to changes in technology, customer preferences, regulatory developments, product substitution or shifts in industry trends. Any slowdown in demand for our electrolyte products, failure to expand or diversify our product portfolio, or the emergence of new technologies that render our existing products less competitive could adversely affect our sales, market position and growth prospects. There is no assurance that we will be able to broaden our product offerings or reduce our dependence on specific products, and any inability to do so may materially and adversely affect our business, financial condition and results of operations.

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

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

Pursuant to the Interpretation II of the Supreme People’s Court on Several Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (“**Interpretation II**”), which took effect on September 1, 2025, any agreement between an employer and an employee or any commitment made by an employee to the employer stating that social insurance premiums need not be paid shall be deemed invalid by the people’s court. Our Directors are of the view that the Interpretation II is not expected to have a material adverse impact on our operation. See “Regulatory Overview — Regulations on Employment and Social Welfare — Social Insurance.”

In addition, labor costs in regions in which we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing 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. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

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We may be unable to protect our intellectual property rights, and may be subject to infringement claims from third parties, either of which could reduce the value of our brands and harm our business and competitive market position.

Intellectual property rights are important to our business. We cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. If we are unable to adequately protect our intellectual properties, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer. Additionally, third parties may assert intellectual property rights against us. We may not be able to defend the intellectual property rights in these disputes. Any litigation arising from these claims could result in substantial costs to us and divert our resources. If any intellectual property claims against us are successful, we may not have a legal right to continue to use or sell products that are adjudicated to have infringed third parties’ intellectual property rights. We may be legally required to expend significant resources to replace the existing products we offer so that they do not infringe on third parties’ intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. As a result, our reputation, business, financial condition and results of operations could be materially and adversely affected.

We may face various risks associated with our international operations and overseas manufacturing, and our inability to effectively manage and contain them could adversely affect our business and performance.

While we generated substantially all of our total revenue during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers. As of June 30, 2026, we had established a subsidiary in Hungary to further develop our overseas business. The demand for and market acceptance of our products marketed and sold abroad are subject to uncertainties.

In addition, driven by the robust market demand for electrification in Europe and the need to deliver products efficiently to our customers operating in Europe, we are planning to begin the construction of a production base in Hungary in 2027 and may further expand production capacity with the aim of gradually meeting the demand from our overseas customers, subject to prevailing market conditions. In line with our strategies, we intend to continue to expand our international operations in the coming years. Our overseas manufacturing and international operations thus expose us to a number of risks, including, but not limited to: (i) increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing presence in various countries or regions; (ii) difficulty with staffing and managing overseas operations; (iii) unanticipated changes in prevailing economic conditions and regulatory requirements; and (iv) trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

Compared with operations in China, our home market, conducting overseas investment and expansion, particularly in markets and countries in which we have limited prior experience, subjects us to various risks and challenges. Specifically, we may be also exposed to compliance risks arising from various aspects of our operations in Hungary, including product liability, chemical safety, construction permitting, occupational health and safety and foreign direct investment regulations. See “Regulatory Overview — Hungary Laws and Regulations.” The success of our overseas investment and expansion plans depends on whether we could adequately, timely and effectively address the risks associated with overseas operations, such as the failure to adopt a different legal framework and government policies. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business, which may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We are subject to risks associated with international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions.

We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions, which could adversely affect our business, financial condition and results of operations. During the Track Record Period, we generated a small portion of our revenue from the sales to overseas customers, representing 0.02%, 0.03%, 0.02% and 0.02% of our total revenue in 2023, 2024, 2025 and the six months ended June 30, 2026, respectively. These cross-border transactions could be materially and adversely affected by international trade regulations, which could disrupt our supply chain, impact the competitive position of our products, or affect our capability to sell products in certain countries or regions. Moreover, as our business is closely interrelated with the performance of our customers’ end-use products in the marketplace, if our customers are subject to restrictive measures of trade protection, our performance and income will be adversely affected. There may be an increase in the severity and frequency of international trade friction and disputes related to our customers. While we have not been subject to any restrictions in respect of our overseas sales, nor affected by geopolitical tensions, trade protection measures, export controls or economic and trade sanctions during the Track Record Period and up to the Latest Practicable Date, we cannot guarantee that foreign governments will not further tighten import policies or impose more stringent product certification requirements for these categories in the future. In addition, some governments have implemented, or may implement, stricter import restrictions within the supply chain, including prohibitions on sourcing raw materials and components from specified regions. Compliance with these restrictions may increase our operational costs and complexity, and inability to demonstrate compliance could lead to restrictions on our ability to export products into certain countries or otherwise adversely affect our business or reputation.

We are subject to risks related to strategic acquisitions.

In November 2025, we acquired a 51.00% equity interest in Shandong Lizhong, which primarily engages in the manufacture of battery materials. See “History and Corporate Structure — Acquisitions and Disposals — Acquisition of Shandong Lizhong.” The acquisition exposes us to various risks and uncertainties. The valuation of the acquired equity interest is subject to assumptions and financial projections that may prove inaccurate, and there is no assurance that the valuation reflects its actual fair value, which may result in impairment or other adverse financial impacts. We also face integration risks relating to Shandong Lizhong’s operations, systems, internal controls, personnel and business relationships, and we may not be able to maintain the stability of its operations or preserve the quality and reputation of the acquired business. Moreover, we may not realize the anticipated benefits of the acquisition, including expected revenue growth, cost savings, operational synergies or efficiency improvements, and any failure or delay in achieving such benefits could materially and adversely affect our business, financial condition and results of operations.

We are required to obtain, maintain and renew various approvals, permits, licenses, registration and certificates for our business operations, which may be subject to potential delays or changes in standards.

We are required to maintain certain permits, licenses, registrations and certificates issued by the relevant government agencies in China and the overseas jurisdictions in which we operate to conduct our business operations. There is no assurance that we will be able to renew our existing approvals, permits, licenses, registrations and certificates without any condition or that we will be able to successfully obtain, retain or renew future permits, licenses, registrations and certificates in a timely manner, or at all, or that such permits, licenses, registrations and certificates will not be revoked by the relevant authorities. Failure to obtain or renew such permits, licenses, registrations and certificates as planned may adversely affect our business, financial condition and results of operations.

RISK FACTORS

We depend on information technology and other infrastructure that are exposed to certain risks, including cyber security risks.

We rely on a variety of information technology and automated operating systems to manage or support our operations. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks and thefts. Any significant disruption to our systems could result in unauthorized disclosure of confidential information and adversely affect our business and results of operations.

The success of our business depends on our ability to attract, train and retain highly skilled employees and key personnel.

Our success depends, to a significant extent, on the capability, expertise and continued services of our key personnel, including among others, key executives and R&D personnel. If we lose the services of any of our key personnel, we may not be able to find a suitable replacement with comparable knowledge and experience, and our business, financial condition, results of operations and prospects may be materially and adversely affected. We may also need to offer better remuneration and other benefits to attract and retain key personnel. Our failure to attract and retain competent personnel and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and to grow our business. If this occurs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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

During the Track Record Period, certain of our customers settled their payments with us through third-party payors. In 2023, 2024, 2025 and the six months ended June 30, 2026, the amount of third-party payments amounted to RMB6.5 million, RMB1.1 million, RMB2.8 million and RMB7.7 million, respectively, accounting for 0.4%, 0.1%, 0.2% and 0.4% of our total revenue in the respective periods. See “Business — Marketing and Sales — Third-Party Payment Arrangements.” We are subject to various risks relating to such third-party payment arrangements. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our business, financial condition and results of operations may as a result be adversely affected.

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

We may be involved in legal proceedings, administrative proceedings and commercial or contractual disputes in the ordinary course of our business. Litigation and other disputes may lead to enquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management’s attention from our core business. During the Track Record Period, we were involved in one litigation as a defendant regarding the alleged quality defects in the electrolytes we sold. As of the Latest Practicable Date, the litigation had been settled and both parties confirmed that the electrolyte products supplied by us to the Plaintiff did not have any quality issue. See “Business — Legal Proceedings and Compliance — Litigation.” The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may have a material adverse effect on our reputation and our financial condition, results of operations and prospects.

RISK FACTORS

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners, or the electrolyte market as a whole may materially and adversely harm our brand image and reputation and cause deterioration in the level of market recognition of and trust in the products provided by us, thereby resulting in reduced sales volumes and revenues. In addition, such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Such negative publicity may also result in the diversion of management’s attention, and governmental investigations or other forms of scrutiny, which may have a material and adverse effect on our business, financial condition and results of operations.

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

Our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. The storage of these hazardous, toxic or flammable materials near our production facilities and the handling of these materials in the production process pose inherent risks. Any such incident relating to our production processes or the handling and storage of hazardous materials, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damage due to personal injuries or property damage, thereby adversely impacting our business, financial condition and results of operations. In addition, accidents incurred by employees during their commute to and from work or in the course of employment may also result in our bearing relevant expenses arising from work-related injuries. During the Track Record Period, we had four such incidents involving four employees. We have paid compensation totaling RMB33,484 in respect of two of these work-related injuries, and compensation for the remaining two was still under negotiation as of the Latest Practicable Date. We cannot assure you that similar work-related accidents will not occur in the future.

We may not be successful in implementing our business plans and strategies effectively or at all, which could materially and adversely affect our business, financial condition and results of operations.

We cannot guarantee that our business plans and strategies will be implemented successfully as scheduled or at all. If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities as expected or remain competitive in the industry. Moreover, our business plans and strategies may increase our operating costs and increase our cash outflows for operating and investing activities. Accordingly, if our business plans and strategies cannot be successfully implemented, or if they do not yield ideal results, our business, financial condition and results of operations may be adversely and materially affected.

We may not have sufficient insurance to cover our business risks.

We maintain insurance policies that are required under the PRC laws and regulations and are based on the assessment of our operational needs. During the Track Record Period, we maintained property insurance, work safety liability insurance and group accident insurance. However, our insurance coverage may not be adequate. In the event that we incur substantial losses or liabilities and our insurance is unavailable or inadequate to cover such losses or liabilities, our business, financial condition and results of operations could be materially and adversely affected.

RISK FACTORS

Failure to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations may subject us to penalties or other consequences.

During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees as required by the relevant PRC laws and regulations. See “Business — Legal Proceedings and Compliance — Non-Compliance.” As of the Latest Practicable Date, we had not received any notice or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities in relation to the above-mentioned arrangements as to our social insurance and housing provident funds contribution. As advised by our PRC Legal Advisor, based on the interviews with relevant competent government authorities, assuming that there is no material employee claims or material change to current PRC laws and regulations and the practice in policy implementation and inspection of local governments, the likelihood that we would be required by relevant authorities to pay all of the shortfall and late fees for social insurance and housing provident fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote. However, we cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future, nor can we assure you that there are no, or will not be any, relevant employee complaints against us. Any such order may adversely affect our business, financial condition, results of operations and prospects.

Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties and to renew our leases could adversely affect our business.

Some of our operations rely on leased properties. As of the Latest Practicable Date, we had not registered our lease agreements of our four leased properties with the relevant real estate administration bureaus in accordance with applicable laws and regulations in China. The non-registration does not affect the validity and enforceability of the lease agreements, but we may be subject to the aggregate amount of maximum fine of RMB40,000. See “Business — Legal Proceedings and Compliance — Non-Compliance.”

In addition, we may not be able to successfully extend or renew our leases upon their expiration at commercially reasonable terms, or at all. Consequently, we may have to relocate our operations, which could disrupt our business activities and lead to relocation costs, negatively impacting our business, financial condition and results of operations. Furthermore, if a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, our business and prospects may be adversely affected. In addition, as our business continues to expand, we may encounter difficulties in finding suitable alternative locations for our facilities. Any failure in relocating our operations could have a detrimental effect on our business, financial condition and prospects.

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

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

RISK FACTORS

Our business operations are subject to risks relating to Environmental, Social and Governance (“ESG”) Matters.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. While we believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint and maintain environmentally friendly business operations, there is no assurance that our practice will always be in line with the good international industry practice. Compliance with these ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources. If we are unable to satisfy such new criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, [REDACTED] may conclude that our policies with respect to corporate responsibility are inadequate and choose to [REDACTED] in our competitors. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties.

Any misconduct by business partners and/or their employees, could potentially expose us to significant legal liabilities, reputational harm and other damages that may adversely affect our business.

We rely on our business partners, including, among others, suppliers for raw materials and equipment, and third-party logistics service providers. We may not be able to successfully monitor, maintain and improve the quality of their products and services. In the event of any unsatisfactory performance by our business partners and/or their employees, our business, prospects, results of operations, financial condition, and cash flows may be materially and adversely affected.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future could materially and adversely affect our business, financial condition and results of operations.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions in which we conduct our business. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees, and disrupt our business network and operations. Any of these factors and other factors beyond our control could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE REGIONS IN WHICH WE OPERATE

Development in relevant social and economic policies, laws, rules and regulations could affect our business, financial condition and results of operations.

Our results of operations may be affected by the global economic, social and regulatory landscape. Our industry in general is affected by macroeconomic factors, including international, national, regional and local economic conditions, trade relationships, consumer demand and discretionary spending. Any of these factors may affect our business, financial condition and results of operations.

We may be subject to foreign currency exchange losses resulting from fluctuations in the value of the RMB and other currencies, and the requirements under applicable laws and regulations in connection with conversion of RMB.

Fluctuations in the exchange rate of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies are affected by, among other things, the changes in domestic and international political, economic conditions and monetary policies. Any appreciation or depreciation in the value of RMB or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the H Shares in Hong Kong dollars. In addition, the conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements.

RISK FACTORS

Furthermore, the [REDACTED] from the [REDACTED] are expected to be deposited in currencies other than RMB until we obtain necessary approvals from relevant PRC regulatory authorities to convert these [REDACTED] into onshore RMB. If the [REDACTED] cannot be converted into onshore RMB in a timely manner, our ability to deploy these [REDACTED] efficiently may be affected.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [REDACTED] or our future financing activities.

You may experience difficulties in effecting service of process upon us or our Directors who reside in Mainland China, or enforcing foreign court judgments against us or them in Mainland China.

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors and executive officers reside in China, and substantially all of the assets of such Directors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland China and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People’s Court, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

We are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligations under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation.

RISK FACTORS

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. 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 rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《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》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the State Administration of Taxation (國家稅務總局) (“SAT”), subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

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 rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han[2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong, China. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the Ministry of Finance of the PRC (中華人民共和國財政部) and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises [REDACTED] on overseas stock exchanges.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident [REDACTED], the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for our H shares, and their [REDACTED] and [REDACTED] may be volatile.

Prior to the [REDACTED], there was no [REDACTED] market for our H Shares. We cannot assure you that a [REDACTED] market for our H Shares with adequate [REDACTED] and [REDACTED] volume will develop and be sustained following the completion of [REDACTED]. If an active [REDACTED] market for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and [REDACTED] of our H Shares could be materially and adversely affected. The [REDACTED] and [REDACTED] volume of our H Shares may be highly volatile.

RISK FACTORS

Substantial future sales or the expectation of substantial sale of our H Shares in the [REDACTED] market could cause the [REDACTED] of our H Shares to decline.

Future sales of a significant number of our H Shares by our Shareholders in the [REDACTED] market after the [REDACTED], or the perception that these sales could occur, could cause the [REDACTED] of our H Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. We cannot assure you that our Shareholders will not dispose of H Shares held by them or that we will not issue H Shares, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by Shareholders, or the Shares available for sale by our Shareholders, or the issuance of Shares by our Company may have on the [REDACTED] of the H Shares.

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

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

As the [REDACTED] of our H Shares is higher than our consolidated net tangible book value per Share, [REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution upon such purchases.

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

The interest of our Single Largest Shareholder Group may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised and that the Share Split and the [REDACTED] application of our Company are completed), our Single Largest Shareholder Group will own [REDACTED]% of the total issued share capital of our Company. As such, our Single Largest Shareholder Group will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased H Shares in the [REDACTED]. In addition, the interests of our Single Largest Shareholder Group may differ from the interests of our other Shareholders.

We cannot assure you whether and when we will declare and pay dividends in the future.

We may not be able to pay any cash dividends in the foreseeable future. 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, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory provisions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See “Financial Information — Dividends.”

RISK FACTORS

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

Certain facts, forecasts and statistics contained in this document relating to, among other things, the industry in which we operate have been derived from various official government publications. However, we have not independently verified information and statistics from official government sources, and we cannot assure you of the quality or reliability of such source materials. Information from official government sources has not been prepared or independently verified by us, the [REDACTED] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such statistics. 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. In all cases, [REDACTED] should give consideration as to how much weight or importance they should attach to or place on such facts.

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.

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

Prior to the publication of this document, there has been coverage in the media regarding us and the [REDACTED], which contained among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for the accuracy or completeness of such media coverage or forward-looking statements. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. We disclaim any information in the media to the extent that such information is inconsistent or conflicts with the information contained in this document. Accordingly, [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of the information contained in this document only and should not rely on any other information.