
RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial condition and prospects. In any such case, the market price of our H Shares could potentially 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 the section headed “Forward-Looking Statements” in this document.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised these risks and uncertainties into: (i) risks related to our business and industry, (ii) risks related to where we conduct business, and (iii) risks related to the industrial policies and regulatory requirements in Chinese Mainland.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our results of operations are highly sensitive to demand in NEV, ESS, AI and digital infrastructure and other downstream industries we serve.

Demand for our battery chemicals is closely tied to the production plans and order patterns of battery manufacturers and their customers in NEV, ESS and consumer batteries. During the relevant periods, fluctuations in product shipment volumes and inventory adjustments by NEV, ESS customers, together with changes in industry competition and upstream raw material prices, had a direct impact on our sales volume, product mix and gross profit margin for battery chemicals and certain organic fluorochemicals. Certain downstream customers of our lithium-ion battery electrolytes are battery manufacturers who have begun to adjust their sourcing strategies by increasing in-house production of electrolytes. Demands for our organic fluorochemical products are affected by capital expenditure cycles and technology roadmaps in AI and digital infrastructure, semiconductors, pharmaceuticals and clean energy sectors. Demand for our electronic information chemicals, including capacitor and semiconductor chemicals, is influenced by investment in semiconductor fabrication and consumer electronics, and is subject to cyclicity.

If demand in one or more of these downstream industries weakens, if technology or policy trends favour alternative materials or solutions, or if we are unable to respond in a timely manner to customers’ changes in product specifications, our sales volume, capacity utilisation, selling prices and gross profit margins could be materially and adversely affected.

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The selling prices of our products may face downward pressure, which will adversely affect our profit margins, results of operations and financial condition.

The average selling price of our products is influenced by raw material costs, competitor pricing, market trends and labour costs. The average selling price of our battery chemicals decreased from RMB23,853 per tonne in 2023 to RMB14,916 per tonne in 2024, and further decreased to RMB12,613 per tonne in 2025. The average selling price of our organic fluorochemicals decreased from RMB317,060 per tonne in 2023 to RMB230,624 per tonne in 2024, and further decreased to RMB194,259 per tonne in 2025. For the six months ended June 30, 2025 and 2026, the average selling price of our organic fluorochemicals decreased from RMB210,019 per tonne to RMB159,246 per tonne. Growing overcapacity and greater price competition have placed further downward pressure on selling prices. Any decline in the selling price could result in reduced gross profit margins and net profit, which may adversely affect our results of operations and financial condition.

Our profitability is highly dependent on raw material costs and supply stability, and we may not be able to fully pass on cost fluctuations to our customers.

Raw materials, including fluorine-containing feedstocks, solutes, solvents, and additives, represent the largest component of our production costs. In 2023, 2024, 2025, and the six months ended June 30, 2026, our raw material costs accounted for approximately 78.5%, 74.8%, 76.9%, and 83.6%, respectively, of our total cost of sales, and are expected to remain the largest component of our cost structure.

Prices of raw materials are subject to significant volatility due to changes in supply and demand, upstream capacity expansions or shutdowns, fluctuations in commodity prices and exchange rates, and broader geopolitical and macroeconomic developments. For example, LiPF₆ prices have experienced substantial fluctuations in recent years, including a sharp increase in 2021, which directly affected the costs of solutes and related materials. In addition to raw materials, our cost base is also affected by utilities, transportation, warehousing and other necessary supplies and services, which may be impacted by inflation, extreme weather events and other factors beyond our control. In practice, we often procure key inputs at market-based prices and compete in markets where customers are highly sensitive to pricing. As a result, we may not be able to fully or promptly pass increases in raw material and other input costs on to customers. If we are unable to adjust our selling prices, product mix or cost structure to offset increases in input costs, or if we are required to reduce prices in response to market conditions, our gross profit margins and results of operations could be adversely affected.

We also rely on third-party suppliers for a number of raw materials and bulk chemical feedstocks, including solutes, solvents, and other bulk chemical feedstocks. Unexpected shortages, delivery delays or quality issues, whether due to supplier operational issues, logistics disruptions, changes in global demand, force majeure events or other events, could interrupt our production schedule or require us to source from alternative suppliers. There is no assurance that suitable alternatives will be available on comparable commercial terms, within an acceptable timeframe or at all. Any material disruption to the supply of key raw materials and related supplies and services, or any sustained increase in their costs that we cannot offset, could materially and adversely affect our business, financial condition and results of operations.

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

We operate in highly competitive markets for battery chemicals, organic fluorochemicals and electronic information chemicals. In battery chemicals, we compete with a number of domestic and overseas producers of lithium-ion battery electrolytes, solutes, solvents and additives, including companies with longer operating histories, larger scale and more extensive customer relationships. As upstream capacity expanded, particularly from 2023 onwards, prices for lithium-ion battery electrolytes and certain key raw materials declined sharply, driving industry-wide pricing pressure.

In organic fluorochemicals and electronic information chemicals (including capacitor chemicals, semiconductor chemicals), we compete with both diversified chemical groups and specialized players. Some of these competitors have strong R&D capabilities, well-established relationships with multinational customers and broad product portfolios. Competition in these segments is often product- or application-specific and may be based on performance, reliability, purity, qualification record, delivery and price. In particular, in the organic fluorochemicals market, we are experiencing increasingly fierce competition due to its highly fragmented nature and the rapid development of domestic competitors. While this market has historically been dominated by overseas materials manufacturers, an increasing number of Chinese chemical companies, which traditionally operated in other segments of the fluorochemical industry chain, are now aggressively expanding into our high-value-added sectors, such as HFPO and its downstream products. This cross-segment expansion by domestic peers intensifies the competition for market share. These competitors may leverage their existing upstream or downstream capabilities, scale, and capital resources to capture market opportunities, potentially leading to greater pricing pressure, industry overcapacity, and the need to offer more aggressive commercial terms.

Existing competitors are expanding capacity and upgrading products, and new entrants may target niche sub-segments or offer lower prices. If our products are perceived as less competitive in terms of performance, quality, reliability, supply security or price, or if our competitors react more quickly to new materials, process technologies or customer requirements, our sales volume, selling prices and margins could be adversely affected. We may also be required to offer more favourable commercial terms to retain or win customers, which could reduce our profitability. Any material loss of market share or sustained pressure on pricing could have a material adverse effect on our business, financial condition and results of operations.

We are subject to environmental, health and safety risks and increasingly stringent regulations relating to chemical products.

Our manufacturing processes involve hazardous chemicals, including fluorinated substances, solutes and other materials that are subject to stringent environmental, occupational health and safety and hazardous waste regulations in the PRC and other jurisdictions where we operate. We must comply with extensive laws and regulations governing, among other things, air and water emissions, solid and hazardous waste management, chemical classification, labelling and storage, process safety, workplace exposure limits, emergency response and site remediation. Any such incident could result in personal injury, property damage, production disruptions, remediation obligations, reputational harm and penalties or enforcement actions by regulators.

Regulatory standards relating to fluorinated chemicals and other substances are evolving and may become more stringent, including through tighter emission limits, product restrictions, additional permitting requirements, broader application of “dual control” measures on energy consumption and intensity, including potential restrictions or bans on PFAS-related substances. Compliance with new requirements may require significant capital investment, could affect the production or sales of certain products, and may result in penalties, suspension of operations or loss of licences if we fail to comply.

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Our business model requires significant capital expenditure and capacity expansion, and delays, underutilisation or cost overruns in new projects could adversely affect us.

We have historically invested, and expect to continue to invest, substantial capital resources to expand and upgrade our production capacity across our three business segments. Our expansion projects involve complex processes, including site selection, land acquisition, environmental impact assessments, design, construction, equipment procurement, trial runs and customer qualifications. Continued investment in new capacity and equipment has contributed to higher depreciation and other fixed costs, and that slower ramp-up of new facilities could put pressure on profitability. If we are unable to complete expansion projects as planned, or if our new or expanded facilities operate at low utilisation rates, we may not be able to recover our capital investments on schedule, or at all, and may be required to recognise impairment losses. Lower-than-expected cash flows from these projects could also limit our ability to fund future investments, thereby adversely affecting our growth, business, financial condition and results of operations.

We may not be able to achieve the desired benefits from our R&D efforts, keep pace with technological change or evolving industry standards, or successfully commercialise new products.

We rely on technological innovation to sustain and grow our businesses in battery chemicals, organic fluorochemicals and electronic information chemicals. These industries are characterized by rapid technological change and evolving customer specifications and industry standards, with new materials, processes and application requirements continuously emerging.

We have historically made substantial investments in R&D. Our R&D expenses amounted to RMB485.1 million, RMB392.9 million, RMB501.9 million, and RMB294.6 million in 2023, 2024, 2025, and the six months ended June 30, 2026, respectively. Despite this investment, there is no assurance that our R&D efforts will yield commercially viable products, that new products will be successfully scaled up for mass production, or that we will achieve the anticipated returns on our R&D investment. The transition from laboratory development to commercial-scale production involves significant technical, operational and financial risks, and products may remain in development or qualification stages for extended periods without achieving commercialisation.

In addition, technological advancements or the development of substitute chemicals, materials or alternative technology routes may reduce demand for our products or certain application scenarios. For example, changes in battery chemistries, electrolyte systems or energy storage technologies could affect demand for certain battery materials; alternative materials or process technologies could reduce demand for certain fluorochemicals or electronic information chemicals products; and changes in commodity prices could affect the relative economics of substitute solutions. Competitors may also develop products that are similar, superior or more cost-effective than ours, and we may not be able to respond quickly or at comparable cost.

We may fail to adequately protect our trade secrets and other proprietary know-how, which could adversely affect our competitive position.

Our competitiveness depends in part on proprietary process know-how, production recipes and other non-patented technologies. We cannot guarantee that our trade secrets and know-how will not be leaked, misappropriated or independently developed by others, and our remedies may be limited by the effectiveness of enforcement in relevant jurisdictions. Any failure to protect our proprietary technologies could erode our competitive advantages and materially and adversely affect our business, financial condition and results of operations.

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We may be subject to risks associated with our product quality, and minor defects in our products may result in disproportionate losses and liabilities.

The success of our business depends on our ability to consistently supply products that meet increasingly stringent customer specifications and industry standards for performance, safety and reliability. Our products are typically used as upstream, process-critical inputs in high-value downstream applications, and the ultimate products manufactured by our customers, such as NEV and ESS batteries, semiconductors and other electronic components, often have a high unit value. As a result, even a minor quality issue, contamination incident or performance deviation in our products may cause our customers’ production yield losses, production line disruptions, product failures or recalls, or safety-related incidents, and may give rise to customer claims for compensation or indemnity that could be material and disproportional to the value of our products supplied. If our product quality fails to meet customer requirements, our customers may reject, return or reduce orders, request price concessions, require us to undertake rework or sorting, suspend our qualification status or remove us from approved supplier lists, and in more severe cases seek recourse for broader downstream losses. Any of the foregoing could adversely affect our reputation, customer relationships and market position, and could have a material and adverse effect on our business, financial condition and results of operations.

Our products are highly formula-driven and process-sensitive. Product quality can be affected by factors such as variations in raw material quality, deviations in process parameters, equipment malfunction, human error, contamination, improper storage or transportation, or failure to fully implement our quality control procedures. While we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period, if defects are discovered after delivery or after our customers have incorporated our products into their own production, we may incur significant costs in investigating root causes, implementing corrective actions, conducting product replacement or remediation, and resolving customer claims, and we may face reputational harm and potential legal exposure.

We are exposed to product concentration risks, particularly in respect of certain battery chemicals products.

Our business is principally focused on battery chemicals, organic fluorochemicals and electronic information chemicals. Within these segments, a significant portion of our revenue is derived from our battery chemicals, including lithium-ion battery electrolytes. Our revenue derived from battery chemicals amounted to RMB5,053.1 million, RMB5,115.6 million, RMB6,679.4 million, RMB2,815.4 million, and RMB5,748.2 million representing 67.6%, 65.3%, 69.4%, 66.4%, and 77.1% of our total revenue in 2023, 2024, 2025, and the six months ended June 30, 2025 and 2026, respectively. As a result, fluctuations in demand, pricing or competitive dynamics affecting these key products of battery chemicals may have a disproportionate impact on our business and results of operations. Although we continue to broaden our product portfolio, any significant decline in demand for a major product category, adverse pricing pressure or loss of a key customer could materially affect our revenue and results of operations. We may not be able to diversify our revenue base in line with our plans, or at a pace sufficient to mitigate concentration in key product families. If we fail to maintain or grow sales of our key products, or if one or more major product categories experiences sustained volume or pricing pressure, our business, financial condition and results of operations could be materially and adversely affected.

Our sales conducted through trading companies may subject us to risks associated with limited control over end customers.

We primarily sell our products through direct sales to end customers, and we also conduct a portion of our sales through trading companies. In respect of sales conducted through trading companies, such trading companies typically purchase our products on an outright basis and,

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upon the transfer of ownership and risks, resell the products to their end customers. We do not have direct contractual relationships with such end customers and do not have control over their procurement decisions, business operations or resale activities. We also do not impose restrictions on the resale prices, geographical distribution or distribution channels of the trading companies.

Accordingly, changes in the operating conditions of the trading companies, their customer base, market competition or their relationships with end customers may affect their demand for our products, which could in turn adversely affect our sales performance and results of operations.

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. Our revenue generated overseas represented 25.3%, 24.8% and 16.8% of our total revenue in 2023, 2024 and 2025. For the six months ended June 30, 2025 and 2026, our revenue generated overseas represented 20.9% and 11.2% of our total revenue, respectively. Our overseas revenue is primarily generated from East Asia, the Americas, Europe and Southeast Asia. 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 products. 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.

In addition, the PRC government has imposed, and may impose additional export restrictions on battery material technologies in the future. For example, the Announcement on Adjustment and Promulgation of the Catalogue of Technologies Prohibited or Restricted from Export by China issued by the Ministry of Commerce and the Ministry of Science and Technology, effective on July 15, 2025, has resulted in new export restrictions on specific battery cathode material preparation technologies, including those related to lithium ferro phosphate and similar compounds. The export of our organic fluorochemicals may be subject to regulatory oversight under the Regulations on the Administration of Controlled Chemicals, revised on January 8, 2011, and the relevant catalogues of controlled chemicals or precursor substances promulgated by PRC authorities. If any of the Company’s products are classified as controlled chemicals or precursor substances, their production, sale, transportation, or export may be subject to registration, filing, licensing, or other regulatory approval requirements, and in certain circumstances may be restricted or prohibited. In addition, certain technology exports now require a license or are prohibited, and any failure to obtain the necessary approvals could limit or delay our ability to supply technologies, products, or services to overseas markets, potentially resulting in a material adverse effect on our overseas operations.

In recent years, complexities in international relations, such as the geopolitical tensions between the United States and China, have presented new challenges. There has been substantial fluctuation in the level and scope of tariffs and other trade restrictions imposed by

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both countries over the past period. Any escalation in political tensions, as well as increases in tariffs or changes to trade policies between the U.S. and China, may have a significant impact on our customers’ business, which may in turn reduce their demands for our products and business.

In addition, certain foreign jurisdictions may impose investment restrictions, economic sanctions and trade restrictions directly or indirectly affecting China-based technology companies. For example, the U.S. government issued the regulations implementing Executive Order 14105, Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern (such regulations, the Outbound Investment Rule). The Outbound Investment Rule, effective on January 2, 2025, imposes investment prohibition and notification requirements by U.S. persons on a wide range of investments, including acquisition of equity, in companies engaged in specified activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) AI. U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as “Covered Transactions”, and include certain acquisitions of an equity interest or contingent equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Outbound Investment Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. Notably, President Trump issued the America First Investment Policy Memorandum on February 21, 2025, which proposes to further expand industry sectors covered by the U.S. outbound investment regulations. These rules may limit our ability to engage in certain kinds of research or to invest or maintain investments in China; they may also limit our ability to raise capital from U.S. and other sources. Such laws and regulations are likely subject to frequent changes, and their interpretations and enforcements involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are outside of our control. If there are any such changes in the future, either to the rules or interpretation thereof, or to our business, U.S. investors may be subject to the requirements for notification of or prohibition from certain transactions with us, and our fundraising activities may potentially be subject to restrictions regarding investments or otherwise. Continuing changes in both U.S. and non-U.S. jurisdictions to foreign investment laws and rules could adversely affect our strategic initiatives, financial performance and growth prospects. On July 4, 2025, the One Big Beautiful Bill Act (the “OBBBA”) was enacted. The OBBBA provides a series of clean energy tax credits but restricts certain foreign entities, including entities under the control or influence of Chinese citizens, from claiming these tax credits. Moreover, the OBBBA imposes other restrictions, such as sourcing, licensing and payment restrictions, on these foreign entities. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by the U.S. or other jurisdictions in the future, may be burdensome or costly to comply with and may materially and adversely affect our strategic initiatives, financial performance and growth prospects. There is no guarantee that we will continue to be able to operate in existing geographic markets or enter into new markets given the investment restrictions, economic sanctions and trade restrictions that may be promulgated from time to time. In addition, our suppliers, customers and other business counterparties, either in China or overseas, may be subject to sanctions or other restrictions themselves. Any of our dealings with, or any failure by us to effectively and timely identify, sanctioned or other high-risk counterparties and adopt compliance measures accordingly could expose us to the risks of investigations, penalties, sanctions, additional regulatory scrutiny or reputational damage. Additionally, we may be required to suspend or terminate our business with our suppliers, customers and other business counterparties due to regulatory restrictions or other factors beyond our control, which could adversely affect our business and results of operations.

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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. As a manufacturer of organic fluorochemical products, our operations involve the extensive use, storage and handling of a variety of hazardous substances generated during our production processes. These substances impose inherent risks to our operations, and any mishandling or incident related to them could directly lead to operational disruptions, safety hazards, environmental harm, and subsequent legal and financial consequences. 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. No work safety incidents of moderate or higher severity occurred, and no suspected or confirmed occupational disease cases were reported during the Track Record Period.

If we are unable to execute our growth strategies and operation expansion plans effectively, our business and prospects may be materially and adversely affected.

Our business, financial condition and results of operations depend in part on our ability to effectively implement our expansion strategies and operation expansion plans. For further details of our expansion plans, see “Business — Production”. With our rapid development, the scale of our capacity has continued to grow and is expected to further expand, which will increase the responsibilities of our management. To effectively manage the expected growth of our operations and personnel, we will need to continue to improve our technological, operational and financial systems, policies, procedures and controls. If our management fails to properly manage the expansion of our business, or our organizational structure and management system do not improve in line with our expansion, our competitiveness may be weakened, and we may face management risks caused by rapid expansion.

We are subject to a stable, timely, and sufficient supply of energy and power at commercially reasonable prices.

Our production processes require a stable and sufficient supply of electricity, natural gas, steam, and water. We are exposed to the risk of volatility or disruption in the supply and pricing of these energy sources. Significant increases in energy prices, or the imposition of consumption restrictions or production limits, could materially increase our manufacturing costs and reduce our competitiveness if we are unable to adjust product pricing accordingly. Moreover, disruptions in energy supply due to natural disasters, extreme weather events, equipment failures, transportation interruptions or other unforeseen events could lead to unplanned production stoppages or reduced utilisation, adversely affecting our ability to meet customer orders. In addition, government policies aimed at reducing carbon emissions and promoting energy conservation may result in stricter requirements or guidelines for high energy-consuming enterprises. Compliance with such requirements may increase our capital and operating costs, and failure to comply could result in penalties or forced production cuts. Any of the above could have a material adverse effect on our business, financial condition and results of operations.

Unauthorised use of, or claims relating to, intellectual property rights may harm our brand and reputation and materially and adversely affect our business.

We regard our patents, trademarks and other intellectual property as critical to our success. While we seek to protect them through patents, trade secrets, confidentiality agreements and non-competition undertakings, we cannot assure you that these protections will

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prove effective. Some technologies remain in application or are protected only as trade secrets, making them vulnerable to leaks or misappropriation. Even granted patents may be challenged, circumvented or invalidated, and third parties may independently discover our proprietary information. Monitoring unauthorised use is difficult and expensive, and any failure to adequately protect our rights could adversely affect our competitive position, business and financial condition.

We also cannot be certain that our operations do not, or will not, infringe upon intellectual property rights held by third parties. As of the Latest Practicable Date, we were not involved in any IP-related disputes or legal proceedings that we consider material. However, we may be subject to such claims in the future, and defending against them can be costly and time-consuming, diverting management attention and resources. If we are found to have violated third-party intellectual property rights, we may face significant monetary liability, be prohibited from using the relevant intellectual property or be required to develop alternatives, and our business, financial position, results of operations and reputation could be materially and adversely affected.

We may not be able to properly manage our production capacity.

As of June 30, 2026, we had 13 production bases in operation and 11 new projects under construction. For details of the production capacity and utilisation rate, please refer to “Business — Production bases and layout”. There is no assurance that such plan will be successfully implemented as scheduled or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, failure to obtain requisite approvals from regulatory authorities, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. If the expansion results in production capacity that exceeds our business growth or does not align with market demand for certain product categories, we may encounter issues such as low utilisation rates of production capacity, overproduction, increased fixed costs, and reduced margins. If any of the foregoing events occur, our results of operations, financial performance and business prospects could be materially and adversely affected.

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.

Our production processes are complex, requiring equipment that is periodically modified and upgraded to improve production yields and product performance. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter production issues in achieving acceptable output or timely product delivery 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 labour 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.

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

Our operations depend on the availability and stability of a significant number of production workers, technicians, engineers and managerial staff. Any work stoppages, strikes, slow-downs or other labour disputes, whether due to wage levels, working conditions, safety incidents or other reasons, could disrupt our production, delay deliveries, lead to cancellation of customer orders and damage our reputation. Labour costs in the regions where we operate have increased in recent years and may continue to rise due to factors such as economic growth, inflation, regulatory changes, adjustments to minimum wage standards, social insurance and housing fund contribution requirements, and competition for skilled personnel. If we are unable to pass on higher labour costs to our customers through price adjustments or efficiency gains, our operating margins could be compressed and our profitability could be adversely affected. In addition, we must comply with applicable labour and employment laws and regulations in the jurisdictions where we operate, including those relating to working hours, occupational health and safety, social insurance and employee benefits. Changes in such laws or regulations, or failure to fully comply with them, may result in penalties, orders to make supplemental contributions, or labour disputes, any of which could have a material and adverse effect on 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.

We maintain inventories of raw materials, work-in-progress and finished goods to support our production and delivery schedules and to respond to customer demand. If our inventory levels are higher than appropriate due to inaccurate demand forecasts, changes in customer orders, delays in shipment or other reasons, we may incur increased storage, financing and obsolescence costs, and may need to recognise inventory write-downs or provisions. This risk is heightened in segments where product specifications or formulations change rapidly, or where downstream demand is volatile. Conversely, if we fail to maintain sufficient inventories of certain key products or raw materials, for example due to misjudgment of customer demand, delays in procurement or production disruptions, we may not be able to deliver products in a timely manner or at all. This could result in the loss of sales opportunities, damage to customer relationships and potential claims by customers for late delivery or failure to deliver. Either excessive or insufficient inventory levels may therefore have a material and adverse effect on our business, financial condition and results of operations.

We are exposed to credit risk of our customers and we may fail to collect our accounts receivables in a timely manner or at all.

We extend credit terms to our customers in the ordinary course of business. As a result, we are exposed to credit risk in respect of trade receivables, notes receivable and other amounts due from customers, including trading companies. Our customers may delay or fail to make payments for a variety of reasons. In particular, if any of our major customers or trading company customers were to experience financial distress, bankruptcy or liquidation, our ability to collect outstanding receivables from them could be adversely affected. We enter into a wide variety of contractual arrangements with different customers in the ordinary course of our business. For further details of our credit terms arrangement, see “Business — Customers and Suppliers — Customers — Customer credit terms and settlement”. If we are unable to recover significant amounts of receivables, or if we need to make higher provisions for expected credit losses, our liquidity, working capital, financial condition and results of operations may be materially and adversely affected.

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We are exposed to foreign currency exchange fluctuations and PRC foreign exchange controls, which may adversely affect our financial condition and our ability to meet foreign currency needs, including dividend payments.

A portion of our business settles transactions in U.S. dollars and other foreign currencies. As we have expanded into, and expect to continue to explore, overseas markets, we are increasingly exposed to foreign exchange risks.

Exchange rate movements between Renminbi and foreign currencies are affected by a wide range of factors beyond our control. Appreciation or depreciation of Renminbi against foreign currencies, or increased exchange rate volatility, may affect the Renminbi value of our foreign-currency-denominated assets and liabilities, our revenues and costs, and our reported foreign exchange gains or losses. We have the U.S. dollar as our core risk management currency and convert foreign currency positions into U.S. dollar equivalents for centralised monitoring and control. However, we remain exposed to risks arising from changes in monetary policy, including U.S. Federal Reserve policy, which may affect the U.S. dollar's value, foreign exchange market volatility, the valuation of our U.S. dollar-denominated cash balances and financial assets, and our interest income on U.S. dollar reserves.

In addition, the conversion of Renminbi and our ability to conduct foreign exchange transactions are subject to PRC laws and regulations. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, require prior filing with the SAFE, along with documentary evidence, and we are required to conduct such transactions through banks licensed to conduct foreign exchange business. Foreign exchange transactions under the capital account, however, are subject to registration with SAFE or its designated banks. We expect to be able to pay dividends in foreign currencies without prior approval from SAFE by complying with applicable procedural requirements. However, we cannot guarantee that we will have sufficient foreign exchange to meet our foreign exchange needs at any given time or under any given exchange rate.

Any tightening of PRC foreign exchange controls, changes in relevant policies, delays in registration or settlement procedures, or insufficiency of foreign exchange could restrict our ability to obtain or remit foreign currencies to satisfy our operational needs, overseas expansion, capital expenditures or dividend payments to shareholders. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations, and the value of your [REDACTED].

We may be exposed to risks from our hedging activities in relation to fluctuations in the prices of our raw materials and foreign exchange rates.

During the Track Record Period, we conducted commodity hedging activities to effectively manage the risks of significant price fluctuations of raw materials and, similarly, fluctuations in foreign exchange rates, with a view to improving the stability and sustainability of our operating performance. Hedging activities involves inherent risks and may not fully offset price movements and may result in losses. If we fail to properly monitor our hedging positions, we may be required to deposit additional margin or liquidate positions at a loss, which could adversely affect our liquidity and financial condition.

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

We have historically relied on short-term and long-term borrowings to fund our operations and capital expenditures and expect to continue doing so. As of June 30, 2026, we had total interest-bearing bank loans and other borrowings of RMB1,208.0 million, of which 76.1% (RMB919.8 million) were due within one year or on demand. Our reliance on these

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borrowings exposes us to interest rate risk, and any escalation in prevailing interest rates could substantially increase our finance costs. If we breach any applicable covenants, our bank loans may become immediately payable, which could materially and adversely affect our business, financial condition and results of operations.

Our ability to meet our debt obligations depends largely on our operating performance and the ability of our customers to fulfil their payment obligations to us, both of which are subject to factors beyond our control. We may be unable to refinance our indebtedness on commercially reasonable terms, or at all, and if we encounter difficulties generating sufficient cash to service our debt, we may be forced to sell assets, issue additional securities, reduce capital expenditures or seek to restructure our indebtedness. Obtaining additional financing may result in dilution of shareholders' equity interests or increased fixed obligations and operating covenants that restrict our operations. Failure to service our debt could result in penalties, increased interest costs, legal action by creditors or, in extreme circumstances, bankruptcy.

We may need additional capital for business operations and expansion, and may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

Our business is capital-intensive. We require significant capital to, among other things, expand and upgrade our production capacity, invest in new technologies and products, enhance R&D capabilities, maintain and overhaul existing facilities, meet working capital needs and pursue potential acquisitions or strategic investments. Our ability to obtain additional capital on acceptable terms, or at all, will depend on a number of factors, including our business performance and prospects, financial condition, credit rating, market conditions for capital-raising activities, investor appetite for securities in our industry, and macroeconomic and political conditions. If we are unable to obtain sufficient financing when needed, we may have to scale back or delay our expansion, capital expenditure or acquisition plans, or limit our operations, which could adversely affect our growth prospects.

We have engaged and may continue to engage in acquisition and investment activities, which could require significant management attention, disrupt our business, dilute shareholder value, and adversely affect our future financial condition and results of operations.

From time to time, we may acquire or invest in other companies, products, services, or technologies. Such activities involve risks, including difficulties in identifying suitable targets at acceptable prices, conducting adequate due diligence, negotiating and consummating transactions, and integrating acquired businesses into our existing operations. We may not accurately assess the value of acquisition targets. Our valuation assumptions may prove incorrect due to incomplete information, undisclosed liabilities or changes in market conditions, and the value of an acquired business may subsequently deteriorate due to competitive, regulatory or macroeconomic developments.

Even if we complete such transactions, they may not achieve their intended benefits or strengthen our business as expected. We may face challenges in aligning management teams, systems, cultures and operations, and in retaining key personnel of the acquired business. We may fail to realise the anticipated benefits, synergies, cost savings or efficiencies, which could result in impairment charges and a material adverse effect on our financial condition and results of operations. Acquisitions may disrupt our ongoing operations and divert management attention. Funding acquisitions through cash, debt or equity issuances could increase our leverage, affect our financial condition or dilute our shareholders.

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We rely on various services from third-party providers for our business operations.

We rely on third-party providers for a range of services that are important to our operations, including but not limited to logistics and warehousing, utilities supply, equipment installation and maintenance, engineering and construction services, security, cleaning and certain testing and inspection services. If any provider fails to perform its obligations or experiences financial difficulties, our operations could be interrupted or delayed and we may incur additional transition costs. Any material disruption or deterioration in the services provided by third parties could adversely affect our business, financial condition and results of operations.

Our risk management and internal control systems, together with our corporate governance framework, may not be able to fully protect us from all risks inherent in our business.

We have established a risk management and internal control system to identify, assess, monitor and mitigate risks across our operations, financial reporting and compliance. This system encompasses policies and procedures covering financial controls, procurement and sales, inventory, quality control, EHS, IT, anti-fraud and anti-corruption, and legal compliance. We also maintain a corporate governance framework that clearly defines the respective roles and responsibilities of the board, management and committees.

During the Track Record Period, to safeguard effective collection of payments, we accepted payments from other entities within that customer’s group designated by a certain customer under a temporary fund reallocation arrangement. Such third-party payments represented an extremely low proportion of revenue, involved only isolated instances, and were supported by written agreements. As advised by our PRC Legal Adviser, these arrangements did not breach any mandatory PRC legal provisions, and the risk of our being required to return such funds is remote, as (i) they were based on genuine transactions and do not constitute unjust enrichment, and (ii) the underlying agreements were duly performed with no related administrative penalties incurred. As of the Latest Practicable Date, all such transactions ceased and we have since brought the relevant settlement arrangements within our internal control framework with enhanced monitoring measures.

Inherent limitations mean our systems may not identify or address all risks in a timely and effective manner, particularly amid business expansion, new product launches or market entry. Controls may be circumvented or rendered inadequate due to changing circumstances, resource constraints, system limitations, human error, collusion or fraud. Failure to prevent material misstatements, regulatory breaches, operational incidents or other significant risks could result in financial losses, sanctions, reputational harm or other adverse consequences, and any material failure of our risk management, internal control or governance systems could have a material adverse effect on our business, financial condition and operating results.

Any preferential income tax treatment and the government grants and subsidies that we enjoy may be altered or terminated. There may be different interpretations between us and the relevant tax authorities as to the tax treatment, assessment and pricing of intra-Group transactions.

We benefit from various government grants and incentives, primarily related to R&D projects and construction of production facilities, as well as tax incentives such as reduced enterprise income tax rates for “High and New Technology Enterprises” and preferential regimes enjoyed by certain subsidiaries. Although we are not aware of any unresolved material tax disputes, there can be no assurance that we will not be subject to additional tax

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assessments, surcharges or penalties in the future. If government grants and tax incentives available to us are reduced, discontinued or required to be repaid, or if our effective tax rate increases as a result of policy changes or tax authorities’ interpretations, our financial condition and results of operations could be materially and adversely affected. Both the preferential income tax treatment and the government grants and subsidies we have received are subject to certain criteria and procedures stipulated by local governments, and their continuity is not guaranteed. If we are unable to obtain future government grants and subsidies or preferential tax treatment at comparable levels, or at all, our profitability for the period may be adversely affected.

We may also be subject to tax assessments or inquiries by the relevant tax authorities in the jurisdictions in which we operate. We were in communication with the tax authorities regarding a tax assessment involving approximately RMB5.9 million. The final outcome of such assessment is uncertain. If any such disagreement is ultimately resolved in a manner adverse to us, we may be required to pay additional taxes, late payment surcharges and penalties.

Any exercise of the redemption rights under our 2022 Convertible Bonds will have a dilutive effect on your shareholdings.

According to the terms of the 2022 Convertible Bonds, we would be required to transfer the beneficial interest of the relevant number of A Shares to the bondholders upon exercise of the conversion right by bondholders during the exercise period. Additional A Shares may be required to be issued to the bondholders as a result of automatic adjustments to the conversion price made under the terms of the 2022 Convertible Bonds. As of the Latest Practicable Date, the aggregate principal amount underlying the outstanding 2022 Convertible Bonds is RMB1,804,591,900, and the Company has not exercised the redemption right since the public issuance of the 2022 Convertible Bonds. Assuming a conversion price of RMB40.49 per A Share, being the prevailing conversion price as of the Latest Practicable Date, the aggregate number of A Shares which may be issued upon conversion of the outstanding 2022 Convertible Bonds would be approximately 44,568,829 A Shares, representing approximately 5.91% of the total number of Shares as of the Latest Practicable Date. For details, see “History and Corporate Structure — Issuance of 2022 Convertible Bonds.” If the bondholders exercise their conversion rights in whole or in part, additional Shares will be issued, which will dilute the interests of our existing Shareholders. Depending on the market price of our Shares at the time of conversion and the then-applicable conversion price, such conversion could also put downward pressure on the trading price of our Shares. Further, if the conversion price is adjusted downward pursuant to the anti-dilution or other adjustment provisions of the 2022 Convertible Bonds, the number of Shares to be issued upon conversion would increase, which would further dilute our Shareholders’ interests. Any of the foregoing could have a material and adverse effect on the value of your [REDACTED] in our Shares.

Share-based compensation may cause shareholding dilution to our existing Shareholders and have an adverse effect on our financial performance.

We have implemented share incentive schemes to attract, retain and motivate key management and employees, under which we may grant share options, restricted shares or other equity-based awards. The exercise of share options or the vesting of other equity-based awards will increase the total number of our issued Shares and dilute the ownership interests of our existing Shareholders. In 2023, 2024, 2025, and for the six months ended June 30, 2026, share-based payment incurred were RMB125.9 million, RMB55.6 million, RMB66.6 million, and RMB70.7 million, respectively. See note 37 to the Accountants’ Report set out in Appendix I to this document for details of the share incentive scheme. Under applicable accounting

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standards, we are required to recognise share-based compensation expenses in our consolidated statements of profit or loss based on the fair value of the awards at grant and the vesting schedule. As a result, our operating expenses may increase and our net profit may be reduced, which may in turn adversely affect our financial performance indicators and the attractiveness of our Shares. To further motivate our employees and non-employees to contribute to us, we may grant additional share-based compensation in the future. If we implement new share incentive plans or grant additional awards in the future, the dilutive and financial impact of share-based compensation may be further magnified. Expenses incurred in respect of such share-based payment may also increase our operating expenses and therefore have an adverse effect on our financial performance.

Failure to make adequate contributions to various employee benefit plans as required by regulations may subject us to penalties.

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. During the Track Record Period and up to the Latest Practicable Date, we have not received any administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. However, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident funds will at all times satisfy the relevant regulatory requirements mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of any non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. In addition to the above, if we fail to comply with any other relevant labour laws and regulations in the PRC, we may be exposed to penalties or be required to compensate employees.

Our business operations are subject to risks relating to ESG.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. There is no assurance that our practice will always be in line with the Good International Industry Practice.

Per- and polyfluoroalkyl substances (PFAS) represent an extensive group of chemical compounds. As of the Latest Practicable Date, the products we sell do not contain any PFAS explicitly prohibited by the applicable laws and regulations in each jurisdiction where we operate. Nevertheless, PFAS regulations worldwide, particularly in the European Union, continue to become more restrictive. We cannot guarantee that our PFAS alternative products will achieve equivalent performance, cost competitiveness or timely commercialisation. Future regulatory changes may impose additional compliance obligations, restrict the sale of our existing products or accelerate the phase-out of PFAS-containing materials.

Compliance with these ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources, and failure to comply could subject us to liability, fines, penalties, suspension of production, a loss of licenses, which could have a material adverse impact on our business and financial performance.

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Any negative publicity regarding our Company, Directors, employees or products, regardless of its veracity, could adversely affect our business.

Our image is sensitive to the public’s perception of us as a business in its entirety, which includes not only the quality and competitiveness of our products, but also our corporate management and culture. Any negative publicity about our Company, Directors, employees or products, regardless of veracity, could lead to potential loss of customers or difficulty in retaining or recruiting talent that is essential to our business operations. As a result, our business, financial condition, results of operations, reputation and prospects may be materially and adversely affected.

Disputes with joint ventures and other business partners may also materially and adversely affect our businesses.

We are subject to risks associated with our joint ventures and other business partners, including potential liabilities arising from guarantees and other financial support provided by us. From time to time, we may establish joint ventures, strategic alliances or other forms of cooperation with third parties. These arrangements involve various risks, including that our partners may have business strategies, investment horizons or risk appetites that differ from ours, or may take actions that are inconsistent with our interests, policies or objectives. Any dispute with our joint venture or other business partners that cannot be settled in a timely manner could result in significant monetary damages and have a material and adverse effect on our business, financial condition and results of operations. We may also provide guarantees or other forms of financial support in connection with the financing requirements of our joint ventures. In June 2026, our Board and Shareholders’ meeting approved the provision of a guarantee in respect of banking facilities to be obtained by Shilei Fluorine Materials, our joint venture. Under the approved arrangement, we may provide a guarantee in respect of RMB214.1 million principal, together with the related interest, penalties and other costs and expenses, corresponding to our 42.83% equity interest in Shilei Fluorine Materials. The remaining portion of the relevant banking facilities is to be guaranteed by the other shareholder of Shilei Fluorine Materials, and Shilei Fluorine Materials has agreed to provide us with a full counter-guarantee in respect of our guaranteed amount. If Shilei Fluorine Materials or any other joint venture for which we provide financial support fails to repay its borrowings or otherwise perform its obligations, we may be required to make payments under the relevant guarantee. Any counter-guarantee or other risk mitigation arrangement may not be enforceable in a timely manner or may not fully compensate us for the losses incurred, particularly if the relevant joint venture is experiencing financial difficulties. We may also be requested to provide additional funding or other support to such joint ventures. Any material payment obligation, loss or dispute arising from these arrangements could adversely affect our liquidity, financial condition and results of operations.

We are exposed to risks relating to the retention of our senior management.

Our performance and future success depend to a significant extent on the services and leadership of our senior management and other key personnel, including experienced technical experts and R&D leaders. These individuals possess deep industry knowledge, long-standing customer relationships, and an understanding of our technologies, processes and internal systems. If one or more members of our senior management or other key personnel were to resign, join a competitor, establish competing businesses or otherwise reduce their involvement in our operations, we may lose important relationships, institutional knowledge and strategic direction. Our ability to execute our business plans, drive innovation, manage operations and maintain customer confidence could be adversely affected. Any significant loss of senior management or key personnel could have a material and adverse effect on our business and prospects.

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Our business depends substantially on the continuous efforts of our talent pool comprising employees and scientists who support our existing operations and future growth. If we are unable to retain, attract, recruit or train such personnel, our business may be materially and adversely affected.

Our success depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key personnel including scientists and experts, R&D professionals and experienced sales personnel. Competition for talent is intense, and we may not be able to retain or attract the qualified workforce necessary to support our future growth. Any of the above issues related to our workforce may materially and adversely affect our business, reputation, financial condition and results of operations.

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, including violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws. Any material fraud or misconduct could result in financial losses, regulatory penalties, reputational damage and adverse effects on our business.

We may be involved in claims, disputes, legal proceedings and administrative penalties in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labour disputes, antitrust, infringement of intellectual property rights, and environmental matters. Any claims, disputes or legal proceedings may result in substantial costs and diversion of resources and may materially harm our reputation.

Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.

We maintain various insurance policies in line with industry practice and regulatory requirements, which currently include, among others, property insurance, cargo transportation insurance, work-related injury insurance, environmental pollution liability insurance and product liability insurance in respect of certain products. However, our insurance coverage may not be adequate to cover all potential losses and liabilities that may arise in connection with our operations. Certain risks, such as environmental liabilities, reputational damage, loss of key personnel, cyber-attacks, product recalls or certain natural disasters, may not be insurable, may be subject to significant exclusions or deductibles, or may be insurable only at costs that we consider prohibitive. If we experience a significant uninsured or under-insured loss or liability, we may have to bear substantial costs ourselves, which could have a material and adverse effect on our business, financial condition and results of operations.

Our business and operations may be materially and adversely affected by natural disasters, epidemics and pandemics.

Our production bases, research facilities, warehouses, suppliers and customers are located in various regions in the PRC and overseas. Our business may be adversely affected by the occurrence of natural disasters or similar events, such as earthquakes, floods, typhoons, fires, extreme weather events, outbreaks of epidemics or pandemics, which may damage or disrupt our facilities, equipment or supply chain, interrupt production, or lead to government-mandated lockdowns, travel restrictions or changes in customer demand patterns. Any significant natural disaster, epidemic or pandemic could have a material and adverse effect on our business, financial condition and results of operations.

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RISKS RELATING TO WHERE WE CONDUCT BUSINESS

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

We sell to customers in Europe, the Americas and other parts of Asia. We operate an overseas production base in Poland, and plan to expand our international presence in Southeast Asia, the Middle East and Europe and other regions, subject to market conditions, including (i) fluctuations in foreign currency exchange rates, increased costs of building and maintaining local marketing, technical and service capabilities, and difficulties in recruiting, retaining and managing overseas teams; (ii) delays, cost overruns, suspension or cancellation in the construction and commissioning of new overseas production bases, and potential environmental liabilities at newly acquired or developed sites; (iii) challenges in providing on-the-ground customer service and technical support, and in managing relationships with local business partners; (iv) failure to implement risk management, compliance and internal control frameworks appropriate for local legal, tax, labour, health, safety and environmental regimes, and inability to obtain, renew or maintain necessary licenses, permits and registrations; and (v) different safety, environmental and emergency response standards across jurisdictions, trade barriers including tariffs, sanctions and export controls, and anti-bribery and related compliance requirements. Our Directors have confirmed that the tariffs and other trade restrictions arising from recent geopolitical tensions between China and the United States have not had any material adverse impact on our business operations or financial performance during the Track Record Period, reflecting: (i) a significant portion of our products sold overseas are exempt from such tariffs and other trade restrictions; (ii) the limited proportion of our revenue derived from direct exports to the United States; (iii) the relatively substantial contribution of our overseas markets in Asia, the Americas, and Europe, rather than the United States; (iv) the principal sourcing of our core raw materials and production equipment from suppliers within the PRC and other non-U.S. jurisdictions; (v) our localised overseas production model, which mitigates cross-border trade barriers including tariffs; and (vi) the stability of our operating results during the Track Record Period.

We are also subject to different legal and regulatory regimes in the overseas markets in which we operate, including requirements relating to foreign investment, customs and tax rules, labour standards, health, safety and environmental compliance, product registrations and permits, and intellectual property protection and enforcement. There is no assurance that our overseas projects will proceed on the anticipated timeline or at all. Any of the foregoing risks, if they materialise, could result in higher operating and compliance costs, disruptions to production or logistics, reputational damage or legal penalties, and could materially and adversely affect our business, financial condition, results of operations and prospects.

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.

A substantial majority of our assets are located in China, and a majority of our revenue is derived from our business in China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies in the PRC could affect our business and financial condition. Laws, regulations and policies related to our industries will continue to evolve, and compliance costs may increase. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

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Our business is influenced by industrial policies and regulatory requirements in the PRC.

Our products are primarily used in downstream sectors such as NEV, ESS, consumer electronics, AI and digital infrastructure, semiconductors and pharmaceuticals. Demand conditions and investment cycles in these industries are, in turn, influenced by industrial policies, technical standards and regulatory requirements in the PRC, including policies relating to NEV, ESS, IC, high-end manufacturing and environmental protection. Historically, certain PRC industrial policies and initiatives have supported the development of these downstream industries and, in turn, demand for advanced electronic chemicals and functional materials. However, PRC industrial policies may be adjusted, reduced or phased out, and new or more stringent regulatory requirements, such as those relating to environmental protection, work safety, energy consumption, carbon emissions, chemical management and product standards, may increase compliance costs, require operational adjustments, constrain production capacity expansions or alter the competitive landscape in our end markets. Any such changes could materially and adversely affect our revenue growth, capacity utilisation and profitability.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.

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. Interpretation and enforcement of laws and regulations may be subject to future implementation, and local courts may have discretion to reject enforcement of foreign awards or arbitration awards. Changes in current laws or regulations or the imposition of new laws and regulations may slow the growth of our industries and adversely affect our business, financial condition and results of operations.

We could be subject to changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities.

The EIT Law imposes a tax rate of 25% on business enterprises. Our Company and some of our subsidiaries are entitled to preferential tax treatment. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. Any changes to tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

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

We may, from time to time, undertake capital raising activities, including offerings of equity or debt securities in the PRC or overseas markets. In connection with such activities, we may become subject to approval, filing, registration or other regulatory requirements imposed by the CSRC or other relevant PRC governmental authorities, particularly in light of evolving regulatory frameworks governing offshore listings and securities offerings by PRC-related entities. Any failure or delay in obtaining the necessary approvals or completing the required filings could materially and adversely affect our ability to access capital markets in a timely manner or on commercially favourable terms, which may in turn impact our funding strategy, expansion plans and overall financial condition.

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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 realised 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 Chinese Mainland 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 Chinese Mainland 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 State Taxation Administration of the PRC (“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 realised 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.

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

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for investors to effect service of process upon or to

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enforce judgements outside of China against us and most of our Directors and senior management outside China. A judgement of a court of another jurisdiction may be reciprocally recognised or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgements of courts with certain foreign countries such as the United States, and enforcement in China of judgements of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People’s Court promulgated the Arrangement between the Chinese Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the “2008 Arrangement”). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgement. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People’s Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the “2024 Arrangement”), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgements, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgement, the circumstances where the recognition and enforcement of a judgement shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgements in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

RISKS RELATING TO CHINESE MAINLAND

We will be concurrently subject to listing and regulatory requirements of Chinese Mainland and Hong Kong.

As we are listed on the Shenzhen Stock Exchange and will be [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A Shares are listed on the Shenzhen Stock Exchange. The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Stock Exchange. Under current laws and regulations of China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. The H Share and A Share markets have divergent trading volumes, liquidity and investor bases, and the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share

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and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our H Shares.

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

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

The liquidity, [REDACTED] volume and [REDACTED] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world.

The [REDACTED] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities, the performance of companies engaging in similar business and specific business reasons such as fluctuations in our revenue, earnings, cash flows and investments, changes in our pricing policies and expenditures, regulatory developments, demand for our products, relationships with our suppliers, movements of key personnel, or actions taken by competitors. Our H Shares may also be subject to fluctuations in [REDACTED] related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

Our historical dividends may not be indicative of our future dividend policy. We cannot guarantee when and in what form dividends will be paid on our H Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our annual business and financial performance, cash flow, future capital expenditure and regulatory requirements. We may not have sufficient or any profits to make dividend distributions even if our financial statements indicate profitability. See “Financial Information — Dividend Policy”.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shenzhen Stock Exchange.

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] decisions as to whether

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to [REDACTED] our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. We may require additional cash resources to finance our continued growth or future developments, including any investments or acquisitions we may decide to pursue. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue Shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders’ interests in our Company.

Future sales or perceived sales of substantial amounts of the H Shares in the public market could negatively affect the price of the H Shares and our ability to raise additional capital in the future.

The market price of the H Shares could decline as a result of future sales of a substantial number of the H Shares or other securities relating to the H Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favourable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Our Controlling Shareholders Group has a significant influence in determining the outcome of major corporate transactions that require shareholders’ approval and may take actions that conflict with the interest of the other shareholders.

Our Controlling Shareholders Group has substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales 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 [REDACTED] is not exercised, no additional 2022 Convertible Bonds are converted and no additional A Shares are issued under the Effective Restricted Share Incentive Plans and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the [REDACTED]), the Controlling Shareholders Group will collectively hold approximately [REDACTED]% of the total issued share capital of our Company. The interests of our Controlling Shareholders Group may differ from those of other shareholders, and they may exercise their influence to take or fail to take actions that conflict with the best interests of other shareholders.

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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 “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would” or “will” and similar expressions. These statements are, by their nature, subject to significant risks and uncertainties. Prospective investors are cautioned that reliance on any forward-looking statement involves risk and uncertainties and that, even if the Directors believe the assumptions related to those forward-looking statements are reasonable, 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. The risks and uncertainties in this regard consist of those identified in the risk factors discussed above. In light of these and other risks and uncertainties, the disclosure of forward-looking statements in this document should not be regarded as representations by our Company that the plans and objectives will be achieved, and investors should not place undue reliance on such statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events, or otherwise. For details of these forward-looking statements including the associated risks, see “Forward-looking Statements.”

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our Shares or the [REDACTED].

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

Certain facts, forecasts and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts and other statistics in this document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.