
RISK FACTORS

You should carefully consider all of the information in this document, including the following risk factors before making any [REDACTED] decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The [REDACTED] of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED]. The information given is subject to the cautionary statements in the section headed “Forward-Looking Statements.”

We believe that there are certain risks involved in our operations, many of which are beyond our control. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

The demand in the end markets of our industry is constantly changing. If we are unable to respond effectively to these changes, our business, results of operations and financial condition will be materially and adversely affected.

We operate globally. Our business primarily focuses on the R&D, manufacturing and sales of EV batteries and ESS batteries.

EV batteries are primarily used in EV, including PV and CV, and the electrification of other emerging areas. The demand for electrification in these applications may fluctuate due to various factors, including but not limited to the macroeconomic environment, end-user preferences, cost efficiency, electrification technology and completeness of the infrastructure. These factors may affect the demand for EV and thus affect the demand for EV batteries, and as a result our EV battery business may not be able to maintain its growth rate during the Track Record Period, which may in turn have a material adverse effect on our business, results of operations and financial condition.

ESS batteries are widely adopted in both FTM and BTM applications. The demand for ESS batteries in these applications is affected by various factors, including but not limited to global power demand, global penetration rate of renewable energy sources such as wind and solar, demand for grid stability, technological improvement in relevant areas (such as safety and life cycle), as well as cost efficiency. These factors will affect the demand for ESS batteries, thus our ESS battery business may not be able to maintain its growth rate during the Track Record Period, which may in turn have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

If we fail to maintain technology leadership in the battery industry, our operating results may be adversely affected.

Since inception, we have consistently made significant investments in R&D, and achieved technology leadership in battery materials, battery systems, battery recycling and other related areas. Through these efforts, we have established industry-leading technological R&D capabilities.

The battery and new energy industries are at a stage of rapid development and technology innovation continues to emerge. We cannot guarantee that we will be able to timely adapt our R&D focus to technological and industry trends, successfully launch and commercialize new products, or complete our R&D goals within the anticipated time and budget. Meanwhile, industry players are investing in the R&D of innovative technologies. If our competitors develop new technologies that we fail to keep up with, these technologies may provide them with performance or price advantage over us, potentially undermining our technology leadership and competitive advantages. If any of these events occurs, our business, results of operations and financial condition could be materially and adversely affected.

We face risks of changing new energy industry policies.

To address global climate change challenges, countries and regions worldwide are increasingly emphasizing green and low-carbon, and sustainable development, and implementing supportive policies for green and low-carbon development and energy transition.

In mainland China, under the national carbon neutrality target, the government has promulgated, revised and updated policies to promote the development of non-fossil energy sources, comprehensively drive green energy transition, encourage the development of NEV and energy storage markets and guide high-quality development of lithium-ion battery industry. These policies, among other factors, drive the development and growth in the EV battery and ESS battery industries, and uncertainties and changes in level of support of such policies may affect our operations.

Outside of mainland China, many countries and regions have implemented policies to support the development of new energy industry and boost market demands, but there might be additional requirements or restrictions on such supportive policies. Changes in these policies or our failure to meet such conditions could adversely affect our operational results.

Our business faces competition.

We face competition in the global EV battery and ESS battery market. Our existing and potential competitors may seek to increase their market share through measures such as investing in R&D, increasing production capacity and aggressively conducting sales and marketing activities. Our competitors may also attempt to attract customers or increase sales volume by reducing price. Competitive pressures may adversely affect the demand and pricing

RISK FACTORS

of our products, which in turn affect our growth and market share. If we fail to compete effectively, we may not be able to maintain or expand our market share, which may adversely affect our business, results of operations and financial condition.

We may face risks if there are quality issues with our products.

Batteries carry energy and are crucial to the performance and safety of EV and ESS; hence, product quality is of significant importance. We are always highly committed to product quality and safety, considering them vital to our operation. Our quality management and risk control systems span across the entire product life cycle, including product design, procurement, production, sales, usage and maintenance. We did not experience any major product quality or safety issues during the Track Record Period. However, given that product quality control involves complex processes and may be difficult to manage, and our products have long life cycle, we cannot guarantee that there are no and will not be any quality issues with our products.

Any quality issues with our battery products could compromise our product performance, lose customers and/or orders, and reduce our profitability. In severe cases, we may need to recall our products or take other measures. In addition, third parties who have suffered losses may bring claims or legal proceedings against us. Any of these events could have an adverse impact on our brand and reputation. Certain product liability claims may arise from defective parts and components that we have procured from suppliers. While we may seek indemnification from suppliers for these low quality materials or defective components, such efforts may be costly, time-consuming and ultimately futile. These suppliers may not be able to fully compensate us or at all, for the losses we suffer as a result of these defects and product liability claims.

If we are unable to retain our existing customers or attract new customers, our business, financial condition and results of operations could be materially and adversely affected.

Our EV battery customers primarily consist of domestic and international automotive OEMs. Our ESS battery customers and partners mainly comprise ESS integrators, project developers, and operators.

Our product quality and manufacturing capability are widely recognized globally. However, our future success depends significantly on our ability to maintain and enhance such customer relationship. If we are unable to retain existing customers or attract new customers in the future due to our products failing to meet customer requirements or market demand, or various other factors, our business, financial condition and results of operations will be adversely affected.

RISK FACTORS

We face uncertainties and risks in overseas manufacturing and operations.

Beyond China, we have established a manufacturing base in Thuringia, Germany, and we are preparing and advancing our plant in Hungary, our JV factory with Stellantis N.V. in Spain, and our battery value chain projects in Indonesia. We may continue to build overseas manufacturing bases for batteries and related materials in the future. For details, see “Business — Production — Manufacturing Bases.” The construction and operations in relation to these overseas manufacturing bases are subject to various risks and uncertainties, including but not limited to:

- political and economic instabilities, including changes in government policies or regulations affecting foreign investments, economic fluctuations and currency volatility, geopolitical tensions or conflicts impacting business operations;
- lack of familiarity with local laws, regulatory requirements and industry standards;
- potential differences in environmental, construction and other standards between overseas and mainland China;
- lack of familiarity with local operating and market conditions;
- operational constraints imposed by local labor union systems and potentially more stringent labor protection regulations;
- risk of legal proceedings in foreign jurisdictions;
- potential failure to achieve the expected returns from investing in manufacturing bases;
- potential difficulties in managing relationships with foreign customers;
- difficulties in enforcing agreements and collecting overdue receivables under local legal systems;
- difficulties and costs of staffing and managing overseas operations;
- challenges due to differences in social environment, culture and languages;
- difficulties in managing relationships with local communities and potential disputes with them; and
- other obstacles and risks related to overseas manufacturing and operations.

RISK FACTORS

As a global company, our success depends, in part, on our ability to manage these risks. The above-mentioned risks vary from country to country and are difficult to predict. We may not be able to develop and implement initiatives that address these risks effectively in each region in which we conduct business, and there can be no assurance that risks we may face as we expand our overseas manufacturing and operations will not adversely affect our reputation, business, results of operations, financial condition and the [REDACTED] from the [REDACTED].

Price fluctuation and inadequate supply of materials and equipment for our production could adversely affect our business, financial condition and results of operations.

The materials for battery manufacturing mainly include cathode, anode, separator and electrolyte, which are significantly affected by the price of metals or commodities such as lithium, nickel, and cobalt. The supply and prices of these materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of upstream mining resources, market supply and demand, potential speculative activities, market disruptions and natural disasters. Historically, we experienced significant price fluctuations of certain raw materials for our production. For example, during the Track Record Period, the price of lithium carbonate increased sharply and then declined significantly, resulting in relatively substantial fluctuations in our costs. In addition, we also use other materials in our production, including electronic parts and structural parts of batteries. Prices and supply of these parts are also affected by factors such as supply and demand, and technological advances. The above-mentioned price fluctuations and changes in supply of materials and parts required for manufacturing may affect our procurement costs and production activities.

We also purchase various equipment used in our production. To ensure the quality of our products, we purchase from reputable suppliers to ensure a secure, cost-efficient and timely supply of critical equipment. If our suppliers fail to meet our requirements, our business and results of operations may be affected.

Our success depends on our ability to protect our intellectual property rights. Intellectual property infringement by and disputes with third parties may adversely affect our business, financial condition and results of operations.

We regard our patents, know-how, proprietary technologies, trademarks, copyrights, domain names and other intellectual properties as critical to our business development and operations, and we rely on both intellectual property laws and contractual arrangements, and take a series of measures to protect our intellectual properties. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages as we expected. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial

RISK FACTORS

authority to be invalid or unenforceable. Furthermore, we may not have sufficient intellectual property rights in all countries and regions due to lack of comprehensive intellectual property laws in certain regions, and our ability to protect our intellectual property rights differs by jurisdiction.

We may be a party to claims and litigation as a result of infringement by third parties of our intellectual property rights. Even when we sue the parties for such infringement, such lawsuits may have adverse consequences for our business. Any of such lawsuits may be time-consuming and costly to resolve and may divert our management’s time and attention from our business. It could also result in a court or governmental agency invalidating, narrowing the scope of, or rendering our patents or other intellectual property rights involved in such lawsuits unenforceable which may significantly harm our business. Our products may infringe issued patents of third parties. If any of our products infringes a valid and enforceable patent, we may be prevented from selling, or choose to cease the sales of related products. Additionally, we may face liabilities to our customers, business partners or third parties for indemnification or other remedies in the event that they are sued for infringement in connection with their use of our products.

We carefully select suppliers and adopt relevant management policies. However, there can be no assurance that such measures will be sufficient to prevent suppliers from providing products with potential intellectual property issues, nor can we guarantee that we will be able to recover all damages or compensation from suppliers in respect of claims by third parties against us for such products or intellectual property infringement. If any of these events occur, our reputation could be damaged, and our business, financial condition and results of operations may be adversely affected.

Our brand may be counterfeited and imitated. We cannot assure that brand counterfeiting or imitation will not occur in the future or, if it does occur, that we will be able to identify or address the problem effectively or in a timely manner. Any occurrence of counterfeiting or imitation of our products or other infringement of our brand could adversely affect our reputation and brand.

Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses, we cannot assure that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. Similarly, if we recruit employees who breached confidentiality, and/or non-compete covenants with their prior employers, we may become subject to claims that such employees have improperly used or disclosed trade secrets or other proprietary information in violation of their confidentiality, and/or non-compete covenants in a way that unduly benefits us.

RISK FACTORS

We face potential challenges and risks managing the expansion into new products and new businesses.

We continuously expand our products and business, including but not limited to broadening our products applications and exploring integrated innovative solutions along the battery value chain. The expansion of these products and businesses exposes us to a number of risks and challenges, including but not limited to:

- failure of our new products or new businesses to be accepted by our customers or to meet our expected targets;
- insufficient experience or expertise in expansion into certain new products or new businesses, which may prevent us from effectively competing in these areas;
- failure to achieve expected investment returns from our new businesses;
- failure to make accurate analysis or judgment regarding market conditions of our new businesses;
- increasing difficulty in managing the day-to-day operations of our businesses;
- inability to hire additional qualified personnel or to hire and retain personnel on commercially reasonable terms;
- failure to enhance our risk management capabilities, internal control capabilities and information technology systems in a timely manner to support the expansion of new products and businesses;
- potential failure to obtain regulatory approvals for our new products or new businesses, or failure to timely respond to changes in legal or regulatory requirements; and
- imitation or replication of our new products and businesses by competitors.

Furthermore, we may encounter other risks and difficulties when expanding our new businesses through acquisitions and other forms. For details, see “— Our investments and acquisitions may not realize the expected benefits.”

Our business may be adversely affected if we fail to obtain government approvals or licenses for carrying out our operations and construction.

We are required to obtain certain licenses, permits (such as investment permits), registrations, certificates, approvals and filings for our global business operations as well as for new projects and project expansion. In addition, various completion inspections and acceptances may be required before we commence production at new manufacturing bases.

RISK FACTORS

We must meet various specific conditions in order for the government authorities to issue or renew any such license, permit, registration, certificate, approval and filing, or complete necessary inspection and acceptance. We cannot guarantee that we will be able to timely adapt to new rules and regulations that may come into effect from time to time, which may affect our business operations, or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary licenses, permits, registrations, certificates, approvals and filings for our operations in a timely manner, or at all, in the future. Therefore, in the event that we fail to obtain or renew, or encounter significant delays in obtaining or renewing, the necessary government approvals for any of our operations, we will not be able to continue with our relevant business development plans or production activities, and our business, financial condition and results of operations may be adversely affected.

We face potential operational and safety risks in our production.

We face various potential operational and safety risks in our production, including but not limited to: (i) social and labor unrest, environmental incidents or public health emergencies, (ii) natural disasters (such as fires, floods, earthquakes, typhoons and other disasters), (iii) disruption of utility supplies such as water, electricity, gas and telecom, (iv) production accidents or interruptions due to operational errors, equipment breakdowns or improper management, or (v) risks that may occur during the process of mining and refining of mineral resources. Such risks may result in damages to, or destruction of, manufacturing facilities, personal injury or death, environmental damages, economic loss and legal liabilities. The occurrence of any of these events could result in the interruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

Any interruption to our operations may result in our inability to design and manufacture products as required by our customers and our inability to fulfill customers’ orders in a timely manner or at all. This may result in financial loss and damages to our reputation, which will adversely affect our business, results of operations, and financial condition.

Our investments and acquisitions may not realize the expected benefits.

We have made certain investments and acquisitions along the battery value chain. Such investments and acquisitions may involve certain risks and uncertainties, including but not limited to failure to achieve expected business objectives (such as expanding business, securing supply and acquiring technologies), unanticipated costs, inadequate return on investment and issues not discovered during the due diligence, which may adversely affect our business, results of operations and financial condition.

In addition, we may expand into new businesses through investments or acquisitions. Upon completion of such investment or acquisition, we may devote resources to support its business development or conduct business integration. These activities involve certain risks and uncertainties, and therefore there can be no assurance that we will be able to realize the expected benefits.

RISK FACTORS

We rely on third parties to provide logistics and warehousing services for our business. If these third parties fail to provide reliable and timely services, our business, financial condition and results of operations may be adversely affected.

We face complex environments in relation to logistics and warehousing, and therefore we engage competent suppliers to provide related services. The operations of these suppliers may be affected by various factors such as improper management, equipment breakdowns, commercial disputes, labor shortages or strikes and natural disasters. If any of these suppliers fails to provide reliable and timely services, or the price of such services increases significantly, the supply of our products may be interrupted or our logistics or warehousing costs may increase. In addition, we may not be able to identify suitable alternative suppliers, which could adversely affect our business, financial condition and results of operations.

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

Our current insurances include, among others, property insurance, product liability insurance, environmental pollution liability insurance and cargo transportation insurance. We do not, however, carry insurance in respect of certain situations that we believe are not insurable under industry norm, or which are not on commercially acceptable terms, if at all, such as those caused by war, tsunami, various environmental pollution, acts of terrorism, labor strikes and civil unrest. Accordingly, there can be no assurance that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. Any damages to our properties, such as fixed assets and inventories, that are not covered by insurance may result in substantial losses for us. Nevertheless, we would remain obliged for any bank borrowings or other financial obligations related to these damaged properties. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be adversely affected.

RISKS RELATING TO FINANCIAL, ACCOUNTING AND TAX MATTERS

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

We primarily relied on cash flow generated from operating activities and financing activities to fund our business operations during the Track Record Period. We believe that considering our current cash and cash equivalents, anticipated cash flow from operating activities and estimated [REDACTED] from the [REDACTED], we have sufficient funds to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources due to changed business conditions or other future developments, including any launch of new products and services, exploration of new businesses, expansion into new countries and regions, various R&D activities and marketing initiatives or investments we may decide to pursue. If we fail to obtain sufficient cash flow from operating activities, we may

RISK FACTORS

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

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

A substantial portion of our revenue and cost of sales is denominated in RMB. However, as we also operate a part of our business in certain countries and regions outside of mainland China, and have certain debts and cash denominated in foreign currencies, we are exposed to risks associated with foreign currency exchange fluctuations.

Changes in the foreign exchange rates could affect the results of our overseas operations. Our revenue from overseas sales amounted to RMB76.9 billion, RMB131.0 billion and RMB110.3 billion in 2022, 2023 and 2024, respectively, accounting for 23.4%, 32.7% and 30.5% of our total revenue for the same years, respectively. Certain of our income from overseas sales is denominated in foreign currencies such as USD and EUR. In managing the foreign exchange risks, we implement natural hedges and certain hedging instruments. We decide to utilize certain hedging instruments, such as leveraging foreign exchange risk contracts during the Track Record Period, depending on the nature of the transaction and financial market conditions to manage the associated foreign exchange risks, after conducting a detailed assessment. As of December 31, 2022, 2023 and 2024, our derivative financial instruments recorded as current assets amounted to RMB0.6 billion, nil and nil, respectively. As of the same dates, our derivative financial instruments recorded as current liabilities amounted to nil, RMB3.9 billion and RMB2.1 billion, respectively. We may maintain or further enhance our hedging policies in the future. However, the effectiveness of these hedging measures may be limited, and we may not be able to adequately cover our foreign exchange exposure or at all.

It is difficult for us to predict how external factors may impact the exchange rate of RMB to USD, EUR or other foreign currencies in the future. Further appreciation of RMB against foreign currencies may affect our overseas operations. On the other hand, if we decide to convert our RMB into Hong Kong dollars for dividends payment on our H Shares or for other business purposes, any depreciation of RMB against the Hong Kong dollar would have a negative effect on the value of, and any dividends payable on, our H Shares.

RISK FACTORS

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

Our inventories primarily include finished goods, work-in-progress and raw materials. As of December 31, 2022, 2023 and 2024, the balances of our inventories amounted to RMB76.7 billion, RMB45.4 billion and RMB59.8 billion, respectively. Our inventory turnover days were 78.8 days, 68.8 days and 70.2 days in 2022, 2023 and 2024, respectively. However, we may not be able to effectively manage our inventory level or to identify any excessive build-up or insufficient stock of inventory in our global operations. We may misjudge market demand. Inventory levels in excess of customer demand may result in inventory write-downs or write-offs, and the sale of excess inventory at discounted prices could impair the image of our brands and harm our gross margin; but if we underestimate the demand for our products, insufficient stock could result in delays in the shipment of our products, thereby impacting our ability to generate sales and cause damages to our reputation and relationships with our customers. Therefore, failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales, either of which could adversely impact our business, financial condition and results of operations.

We are subject to credit risk in collecting trade and bills receivables due from customers.

We generally grant a credit period within 60 days to our major customers. As of December 31, 2022, 2023 and 2024, the balances of our trade and bills receivables amounted to RMB61.5 billion, RMB65.8 billion and RMB64.3 billion, respectively. Our trade and bills receivables turnover days were 48.2 days, 57.9 days and 65.6 days in 2022, 2023 and 2024, respectively. There is no assurance that all such amounts will be settled on time or at all, and we are subject to credit risk in collecting the trade and bills receivables due from the customers. Our performance, liquidity and profitability may be adversely affected if amounts due to us are not settled on time or at all. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

We may record impairments of non-financial assets (other than contract assets).

We may record impairments of non-financial assets (other than contract assets), which may adversely affect our financial condition and results of operations. Goodwill, intangible assets with indefinite useful life and intangible assets with those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable. We measure impairment by comparing the carrying value of the asset to the recoverable amount of such asset, which is the greater of the fair value less costs of disposal and the value in use. If the recoverable amount is less than the carrying amount of such asset, we recognize an impairment loss based on the recoverable amount of such asset. The application of impairment test to our non-financial assets also requires management judgment regarding such assets.

RISK FACTORS

We have investments in associates and joint ventures, and our financial condition and results of operations may be affected by the fluctuation of share of results of such investments.

During the Track Record Period, we invested in certain associates and joint ventures, which were accounted for using the equity method. As of December 31, 2022, 2023 and 2024, the balances of our investments in associates and joint ventures were RMB17.6 billion, RMB50.0 billion and RMB54.8 billion, respectively.

Our equity investments may be subject to a variety of risks that are beyond our control, including but not limited to the risks that (i) the investee company incurs liabilities and expenses in excess of expectations and relevant negative matters that we fail to identify in our due diligence; (ii) the investee company is making a loss; (iii) the investee company fails to meet the conditions under which it may declare and pay dividends; or (iv) other shareholders of these associates and joint ventures have economic or business objectives that are inconsistent with ours, suffers financial difficulties, or is unable or unwilling to fulfill its obligations under the investment contract. If any of these events occur, our business, financial condition and results of operations may be adversely affected.

We are subject to liquidity risk associated with investments in associates and joint ventures, especially when no dividends are declared by such parties and investments in these vehicles not as liquid as other investment products. Large investment in an associate or a joint venture would require significant financial resources, resulting in significant cash outflow, increased debt financing, or both. As such, we may not be able to readily generate any cash flow from our investment in associates and joint ventures to fund our operations from time to time, or at all.

We are exposed to changes in the fair value of our financial assets measured at fair value. Fluctuations in their values would affect our results of operations and financial condition.

As of December 31, 2022, 2023 and 2024, we recorded financial assets measured at fair value through profit or loss (“FVTPL”) of RMB4.6 billion, RMB2.8 billion and RMB17.4 billion, respectively. As of the same date, we recorded financial assets measured at fair value through other comprehensive income (“FVTOCI”) of RMB39.5 billion, RMB69.4 billion and RMB65.2 billion, respectively. Fair values of financial assets at FVTPL and financial assets at FVTOCI are determined based on quoted prices in active markets, other market-observable inputs, or unobservable inputs using valuation techniques. For details, see Note 21 and Note 22 to the Accountants’ Report as set out in Appendix I to this document.

For financial assets measured at FVTPL and FVTOCI, factors beyond our control can significantly influence and cause adverse changes to the market-observable inputs that we use and thereby affect the fair value of such financial assets. These factors include, but are not limited to, general economic condition, changes in market interest rates, stability of the capital markets, shifts in our creditworthiness and other market-driven variables. Any of factors could cause the fair values to fluctuate or our estimates to vary from actual results, which could

RISK FACTORS

materially and adversely affect our results of operation and financial condition. Additionally, judgment and estimation are required in establishing the relevant valuation techniques where market-observable data for certain financial assets are not readily available, which inherently involves a certain degree of uncertainty. Changes in assumptions relating to our valuation could result in material adjustments to the fair value of such financial assets, which may have a material adverse effect on our financial position and results of operations.

Our interest-bearing indebtedness exposes us to interest rate risk in relation to our floating-rate debt, and our level of indebtedness may prevent us from meeting relevant obligations under our indebtedness, which may adversely affect our ability to raise additional capital to fund our operations.

During the Track Record Period, we had certain borrowings to finance our business operations and capital expenditures. We expect that we may continue to do so in the future and our liquidity risk may increase. As of December 31, 2022, 2023 and 2024, our borrowings amounted to RMB100.9 billion, RMB126.1 billion and RMB137.0 billion, respectively. As of the same dates, the borrowings bore an effective interest rate from 0.65% to 6.25%, 1.20% to 6.33% and 1.74% to 5.48% per annum, respectively.

We are exposed to interest rate risk resulting from interest rate fluctuations. Rising interest rates could increase interest expenses relating to our outstanding floating-rate borrowings, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We cannot assure you that we will not have a substantial amount of borrowings in the future. The high amount of borrowings may (i) make it more difficult for us to fulfill our obligations under relevant indebtedness, exposing us to the risk of default, which, in turn, would negatively affect our ability to operate as a going concern; (ii) require us to allocate a higher portion of our cash flow from operations to fund repayments of principal and interest on our borrowings, thus reducing the availability of our cash flow for other purposes (such as working capital, capital expenditure and other corporate purposes); (iii) expose us to higher pressure under adverse economic or industry conditions; (iv) limit our flexibility in planning for strategic targets, or reacting to changes in our business or in the industry in which we operate; (v) potentially restrict us from pursuing potential strategic business opportunities; (vi) limit our ability to borrow additional funds; (vii) increase our exposure to interest rate fluctuations; (viii) increase our exposure to unpredictable adverse events, such as not having enough cash to cover potential product liability and/or expenses for upgrading technologies or equipment requirement for our production; and (ix) limit our finance budget, each of which will materially and adversely impact our business, results of operations and financial condition.

As a result of the covenants and restrictions, our business may be limited, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. A breach of any of the restrictive covenants could result in a default with respect to the related indebtedness. If a default occurs, the relevant lenders could demand immediate payment. This, in turn, could cause cross-default or payment

RISK FACTORS

acceleration of our other debts. In the event that some or all of our debt payments are accelerated and become immediately due and payable, we may not have the funds to repay, or the ability to refinance, such debt.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities are recognized when payment from a customer is received or is due (whichever is earlier) before we transfer the related goods or services. As of December 31, 2022, 2023 and 2024, we had contract liabilities of RMB29.4 billion, RMB30.1 billion and RMB33.2 billion, respectively. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of such contract liabilities will not be recognized as revenue. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

RISKS RELATING TO OUR OPERATIONS

If our current and future infrastructure, internal systems, operational processes, and control measures are unable to support our continuous business expansion, our business and prospects may be materially and adversely affected.

Our business has been growing in recent years, so has the scope of our business and number of employees. As we expand our product portfolio, customer base and geographical coverage, we will need to work with a larger number of suppliers and partners efficiently. We also need to continuously enhance and upgrade our infrastructure and technology, optimize our supplier management, refine our reporting systems and operational procedures, expand our employee base, train and incentivize our employees, and improve our internal control. All these efforts will require significant managerial, financial and human resources. We cannot assure you that such efforts will be successful. We cannot assure you that our current and future infrastructure, internal systems, operational procedures and internal control measures will be adequate and successful to support our expanding business or that our strategies and new business initiatives will be executed successfully. In addition, changes and developments taking place in industries that we operate in may also require us to re-evaluate our business model and adopt material changes to our long-term strategies and business plans. Our failure to adapt to these changes and developments and innovate may have a material adverse effect on our business, financial condition and results of operations. Even if we adapt to these changes and developments and innovate, we may nevertheless fail to realize the anticipated benefits of changes due to these measures, or our profitability may be harmed as a result.

RISK FACTORS

Our success relies largely on the continued service of our senior management and key technical personnel. Any loss of key personnel may materially and adversely affect our business, financial condition and results of operations.

Management and R&D capabilities are one of the key factors for our business development and competitive advantages. Our sustainable growth relies heavily on our ability to maintain a highly skilled senior management and technical team. We place great emphasis on cultivating and recruiting management and technical talent to ensure effective coordination and successful implementation of our management and R&D activities. To maintain the motivation and stability of our core management and technical personnel, we have established incentive schemes that encourage technical innovation, effectively ensuring the stability of our R&D system and continuous improvement of our R&D capabilities. However, due to intense competition for talent, we may face risks of losing core management and technical personnel.

Any litigation, legal and contractual disputes, claims or administrative proceedings against us could be costly and time-consuming to defend or settle, and could adversely affect our reputation.

Our business is subject to the risk of disputes, claims or legal proceedings brought by customers, suppliers, employees, government agencies and others in the forms of private actions, administrative proceedings, regulatory actions or other litigation. The outcome of such proceedings can be difficult to assess.

Claimants in such proceedings may seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such disputes may remain unknown for a substantial period of time. The cost of defending future disputes or proceedings may be significant and could negatively affect our results of operations if changes to our business operations are required as a result of such disputes or proceedings. Such disputes or proceedings could also adversely affect our reputation, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, any significant dispute or proceeding could adversely affect our business, results of operations, financial condition or reputation.

We face risks in relation to the buildup of our production capacity.

Our future success and growth potential are dependent on our ability to effectively manage our production capacity and successfully implement our production capacity construction plan. However, there is no assurance that such construction plan will be successfully implemented as scheduled or will be commercially successful. Our production capacity construction plan may also be subject to interruptions caused by risks commonly associated with large construction projects, such as insufficiency 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. As such, we may not be able to achieve the planned production capacity construction on time.

RISK FACTORS

We may be the subject of unfair competition, harassing, or other detrimental conduct by third parties including complaints to regulatory authorities, negative social media postings, and the public dissemination of malicious statements related to us that could harm our reputation and cause us to lose market share, customers and revenue.

We may be the subject of unfair competition, harassing, or other detrimental conduct by third parties. Such conduct includes complaints to regulatory authorities, negative social media postings, and malicious assessments against us. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time. Additionally, allegations against us, may be disseminated by anyone, whether or not related to us. Social media often publish such content without verifying the accuracy of the content posted and without affording us an opportunity for redress or correction. The occurrence of any of these events may harm our reputation, and in turn may cause us to lose customers and revenue.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, customers, suppliers or third parties.

We may be exposed to fraud or other misconduct committed by our employees, customers, suppliers or third parties that could affect our reputation and subject us to litigation, financial losses and penalties imposed by governmental authorities. Such misconduct could include:

- concealing unauthorized or unlawful activities, such as money laundering, offering bribes to, or receiving bribes from counterparties in return for any type of benefit or gain;
- intentionally concealing material facts or failing to perform necessary due diligence procedures, and failing to identify potential risks that are material to our business decisions;
- improperly using or disclosing confidential information;
- misappropriating funds;
- conducting transactions that exceed authorized limits;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- engaging in unauthorized transactions to the detriment of our customers; or
- otherwise failing to comply with applicable laws or our internal policies and procedures.

RISK FACTORS

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all instances of non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, the precautions we take to detect and prevent fraud and other misconduct may not be effective. There is no assurance that we will not be involved in fraud or other misconduct in the future. If such fraud or other misconduct does occur, it may adversely affect our reputation.

Policies and regulations affecting, among other things, international trade and investment may adversely affect our business and results of operations.

We have operations in a number of jurisdictions. Therefore, we must be in compliance with government policies affecting international trade and investment, including but not limited to investment controls and restrictions, capital regulations, economic or trade sanctions, import and export regulations, tariffs or foreign investment filings and approvals. These policies change from time to time and are subject to a high degree of uncertainty. For example, we face risks associated with changes in trade policies or tariff regulations. Recently, the U.S. government has been rolling out a series of tariffs and relevant new policies, affecting various countries or regions as well as industries. In particular, on September 13, 2024, the Office of the United State Trade Representative announced a plan to raise the additional tariff rate applicable to U.S. imports of lithium-ion EV batteries and lithium-ion non-EV batteries from China, pursuant to Section 301 of the Trade Act of 1974, to 25%, effective from September 27, 2024 and January 1, 2026, respectively. Starting from March 4, 2025, the additional tariffs on imports from China imposed by the U.S. government has been raised to 20%. On March 26, 2025, the U.S. government announced to impose a 25% tariff on automobiles and certain automobile parts imported from all countries pursuant to authority granted by Section 232 of the Trade Expansion Act of 1962. In April 2025, the U.S. announced new reciprocal tariffs on all imports into the United States and made several subsequent modifications. The aforementioned tariff policies have been rapidly evolving. In recent years, the contribution of our revenue generated from products that were directly exported to the U.S. from China were relatively limited, however we cannot predict how tariff policies in various countries may further evolve or anticipate any potential impacts of subsequent developments in such policies on our business. If we, our customers or other partners are therefore affected, our business, financial condition, results of operations and financing capability may be affected.

We noted that the U.S. Department of Defense (“DoD”) included our Company in the list of Chinese Military Companies on January 7, 2025. We made a public response on the same day. We have never engaged in any military-related businesses or activities, therefore such designation by the DoD is a mistake. It does not restrict us from conducting business with entities other than a small number of U.S. governmental authorities, thus is expected to have no substantial adverse impact on our business. We are proactively engaging with DoD to address the false designation. We cannot guarantee that such attempts will be successful or that the relevant government agencies will not take any further actions. We may be subject to such actions, which may have a material adverse effect on our business and results of operations.

RISK FACTORS

Our compliance and risk management systems may not be sufficient to protect us from credit, market, liquidity, operation and other risks.

Given our global business operations, we must comply with a broad range of legal and regulatory requirements in multiple jurisdictions and local operational business processes. We have established compliance and risk management systems that support our operational business processes to comply with laws and regulations. However, there can be no assurance that our compliance and risk management systems are adequate to address all applicable risks in every jurisdiction. Similarly, we can provide no assurance that such internal controls and systems of joint ventures and other business partners can be aligned with our own, and we may have to rely on their internal controls and systems for the compliance of their business practices.

In addition, the policies we have put in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, breaches of sanctions, fraud, deception, tax evasion and other criminal or improper conduct may be insufficient to prevent such non-compliance.

The occurrence of any of these risks may result in reputational damages and material adverse legal consequences, including without limited to suspension or revocation of our relevant licenses related to business operation, revocation of qualifications of our management or employees, the imposition of fines or sanctions and penalties on us or the members of our management or employees and could lead to the assertion of damages claims by third parties or to other detrimental legal consequences, including civil and criminal penalties. If any of these risks were to materialize, this could also have a material adverse effect on our business, financial condition and results of operations, reputation or prospects.

Our operations rely on IT systems and networks, and any IT system failures, network disruptions or cybersecurity breaches may affect our business.

We rely extensively on IT systems, some of which are supported by third-party vendors, to manage and operate our business. If these systems malfunction, cease or experience interruptions in normal operations, experience security breaches or do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have an adverse impact on our operations and financial condition. If the software installed on the computers used by us and our employees is not properly authorized or licensed, we may be subject to claims or litigations from software vendors. We may be subject to IT system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecom failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or other events. We have business continuity and disaster recovery ability, which may not be sufficient for managing operational disruptions resulting from circumstances beyond our control.

RISK FACTORS

Our IT systems may be subject to computer viruses, malicious codes, unauthorized access, phishing and other cyberattacks. We continue to assess potential threats and adopt proper measures to address these threats. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in implementing adequate preventative measures. To date, we have seen no material impact on our business or operations from these attacks. However, we cannot guarantee that our efforts will prevent attacks or breakdowns to our or our third-party providers’ databases or systems. If the IT systems, networks or service providers we rely upon fail to function properly and we do not effectively address these failures on a timely basis, we may be exposed to business harm as well as litigation and regulatory action, including administrative fines, which could adversely affect our business and financial condition.

We are subject to risks relating to some of the properties we use.

We lease certain properties primarily to be used for warehousing. We may not be able to extend or renew such leases on commercially reasonable terms, or at all. This could disrupt our operations and result in significant relocation expenses. We may not be able to locate desirable alternative sites for warehousing.

Under laws and regulations in mainland China, all lease agreements are required to be registered with the local housing authorities. As of December 31, 2024, we had not completed such registration for certain of the lease agreements for the leased properties that we held. Although failure to do so does not in itself invalidate the leases, the lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant government authorities in mainland China. The fine ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

We may suffer losses caused by the occurrence of extraordinary events, including natural disasters or outbreaks of contagious diseases.

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events especially in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations with respect to our global supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner, or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel

RISK FACTORS

restrictions, additional requirements in freight, relevant policies affecting the movement of products between regions, delays in the ramp-up of the production capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

Differences embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

The legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses still needs further clarification. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards, which may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

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

Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Developments in current laws or regulations or the imposition of new laws and regulations in our geographic markets may affect the growth of our industries and affect our business, financial condition and results of operations.

RISK FACTORS

RISKS RELATING TO GOVERNMENT REGULATIONS

Developments in social and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

We operate in the PRC and some overseas regions and therefore our business, financial condition, results of operations and prospects may be affected by local economic, social and legal policies. We cannot guarantee that our business operations will be able to benefit from such measures. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are subject to various laws, regulations and regulatory standards and any inability to comply with such requirements and standards may subject us to liabilities.

We are subject to various laws and regulations in the PRC and other jurisdictions in which we operate and are required to comply with all relevant requirements and standards.

For example, we are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in mainland China. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a mainland China enterprise is required to set up housing provident fund accounts and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a mainland China enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full. Although we had not been subject to any administrative penalties in connection with our contribution of social insurance plans and housing provident fund during the Track Record Period, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident fund will at all times satisfy the government authorities in mainland China mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of any such 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 labor laws and regulations in mainland China, we may be exposed to penalties or be required to compensate employees.

Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to,

RISK FACTORS

our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, among other things. Such events could impact our results of operations and financial condition.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other operational, transportation-related, occupational and environmentally related risks, which could materially and adversely affect our business, financial condition and results of operations.

Our business and production are subject to various risks, including operational and transportation-related risks and occupational and environmental hazards. We must comply with the extensive environmental, handling of hazardous substances, chemical manufacturing, health and safety laws and regulations and stringent standards in relation to the manufacturing and sale of battery products which are promulgated by the government authorities in mainland China. According to these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. We may experience various types of difficulties in connection with the manufacturing of our products. Some of our raw materials and chemicals are hazardous and their storage and use in the manufacturing process involve inherent risks including the leakage of flammable substances, toxic gases and liquids, equipment failures, industrial accidents, fires and explosions. Accidents, if they occur, could materially affect our production and may give rise to personal injuries and fatalities, damages to or destruction of properties or manufacturing facilities, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and damages to our reputation and corporate image. While we conduct regular inspections of the facilities we operate and conduct regular equipment maintenance to ensure that our operations comply with applicable laws and regulations, we cannot assure you that we will not experience any major accidents or work-related injuries in our future production processes.

Our operations may also be subject to difficulties related to the manufacturing such as capacity constraints, mechanical and systems failures, construction and upgrade delays and equipment delivery delays, any of which could cause suspension of production and reduced output. Scheduled and unscheduled maintenance programs may also affect our manufacturing output. Any significant production suspension or reduction could adversely affect our ability to produce and sell our products, which could have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection domestically and abroad. Any losses or unauthorized access to or unauthorized releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences.

Our business involves the utilization and storage of confidential information, including but not limited to personal information with respect to our employees. We are subject to laws relating to the collection, use, retention, protection and transfer of personal information

RISK FACTORS

domestically and abroad. In many cases, these laws apply not only to third-party transactions, but also may restrict transfers of personal information between us and our overseas subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in significant penalties or legal liability. Any failure by us to comply with other domestic and foreign privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others, which may lead to reputational impacts and significant legal liabilities.

We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other non-compliant incidents.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive a majority of payments from our operations in mainland China in RMB and may need to convert certain Renminbi into other currencies for payment of dividends, if any, to holders of our Shares, and to fund our business activities outside of mainland China, among other things. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of mainland China are subject to related regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise fulfill our foreign currency denominated obligations.

Under current foreign exchange regulations of mainland China, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches, through licensed banks for foreign exchange business, by complying with certain procedural requirements. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. However, prior registration and other procedures with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of mainland China to pay capital expenses. Further, there is no assurance that new regulations will not be promulgated in the future that would have further requirements on the remittance of Renminbi into or out of mainland China. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of mainland China or otherwise fund any future business activities that are conducted in foreign currencies.

RISK FACTORS

Non-PRC resident holders of our H Shares may be subject to mainland China income tax obligations.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the mainland China and a non-mainland China investor’s jurisdiction of residence that provides for a different income tax arrangement, mainland China withholding tax at the rate of 10% is normally applicable to dividends from mainland China sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in mainland China, or which have an establishment or place of business in mainland China if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% mainland China income tax rate if such gains are regarded as income from sources within mainland China unless a treaty or similar arrangement provides otherwise.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not PRC resident individuals are generally subject to a withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to a 20% income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals’ income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As

RISK FACTORS

of the Latest Practicable Date, the aforesaid provision had not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

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

Our offshore subsidiaries may be treated as a resident enterprise for PRC tax purposes.

Under the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside of mainland China with “de facto management bodies” located in mainland China may be considered PRC resident enterprises for tax purposes and may be subject to the PRC EIT at the rate of 25% on their global income. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (Guo Shui Fa [2009] No. 82) (the “**Circular 82**”), specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated by enterprises or enterprise groups within mainland China as major controlling shareholders under the laws of foreign countries (regions) will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation and management are located mainly within mainland China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in mainland China; (iii) primary properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings are located or kept within mainland China; and (iv) at least half of the directors with voting rights or senior management reside within mainland China. The SAT has subsequently provided further guidance on the implementation of Circular 82.

As our Company is a PRC enterprise, our offshore subsidiaries may be questioned by the competent regulatory authorities, and if our offshore subsidiaries are deemed PRC resident enterprises, the competent regulatory authorities may request EIT at 25% on such our offshore subsidiaries’ global income, except that the dividends they receive from our mainland China subsidiaries, if any, may be exempt from the EIT to the extent such dividend income constitutes “dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise.” Nonetheless, it remains subject to future interpretation as to what type of enterprise would be deemed a “PRC resident enterprise” for such purposes. The EIT on our subsidiaries’ global income could significantly increase our tax burden and affect our cash flows and profitability.

RISK FACTORS

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. For example, our Company and several of our subsidiaries in mainland China have been qualified as high-tech enterprises or engaged in policy-encouraged businesses, accordingly, they were entitled to a preferential income tax rate of 15% during the Track Record Period. For details, see “Financial Information — Description of Selected Consolidated Statements of Profit or Loss — Income Tax Expenses.” 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. In addition, the PRC government may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with the tax laws and regulations in mainland China may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations in mainland China and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to invest more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental authorities. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes payable is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our Directors or senior management.

Most of our assets are situated in the PRC. In addition, most of our Directors and senior management reside in the PRC, and are PRC citizens. As cross-border service of process is typically cumbersome and time-consuming, it may be difficult for [REDACTED] outside of mainland China to effect service of process upon us or our management residing in mainland China. As mainland China does not have any treaties or other forms of written arrangement

RISK FACTORS

with the United States that provide for the reciprocal recognition and enforcement of foreign judgments, you may fail to enforce in courts in mainland China the judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us or our Directors or senior management.

On January 18, 2019, the Supreme People’s Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**Arrangement**”), which came into effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the mainland China. The Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the mainland China even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the mainland China, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the Arrangement.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of mainland China and Hong Kong.

As our A Shares are listed on the ChiNext of the Shenzhen Stock Exchange and our H Shares will be [REDACTED] on the Main Board of the Stock Exchange, we will be required to comply with the [REDACTED] 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 [REDACTED] rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the ChiNext of the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the ChiNext of the Shenzhen Stock Exchange and our H Shares will be [REDACTED] on the Main Board of 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 direct trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have different trading volumes, liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may

RISK FACTORS

adversely affect the [REDACTED] of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the [REDACTED] 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 [REDACTED] for our H Shares. We cannot assure you that a [REDACTED] 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 the result of negotiations between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be an indication of the [REDACTED] at which our H Shares will be [REDACTED] following the completion of the [REDACTED]. If an active [REDACTED] for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

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

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

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

The [REDACTED] of our H Shares and our ability to raise equity capital in the future at a time and [REDACTED] that we deem appropriate could be negatively impacted as a result of future [REDACTED] of our H Shares or other securities relating to our H Shares in the

RISK FACTORS

public market by our Shareholders, or the [REDACTED] of new shares or other securities, or the perception that such [REDACTED] or [REDACTED] may occur. In addition, our Shareholders may experience dilution in their holdings if we [REDACTED] more securities in the future. Furthermore, we may [REDACTED] shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders’ interests in our Company. New shares or equity-linked securities [REDACTED] by us may also confer rights and privileges that take priority over those conferred by the H Shares. [REDACTED] of Shares by such Shareholders and the availability of these Shares for [REDACTED] may have a negative impact on the [REDACTED] of our H Shares.

In addition, while [REDACTED] shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they [REDACTED], they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED]. Any sale of the H Shares [REDACTED] by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our H Shares and any sizeable sale could have a material and adverse effect on the [REDACTED] of our H Shares and could cause substantial volatility in the trading volume of our H Shares.

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.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of mainland China, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the IFRSs. The declaration, payment and amount of any future dividends are subject to the discretion of our Board of Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Board of Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of mainland China. For details, see “Financial Information — Dividends.” No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

We are exposed to risks associated with the potential spin-off.

We periodically evaluate strategic opportunities to enhance shareholder value, including, among others, spinning off subsidiaries, in light of our operations across multiple jurisdictions and markets, as well as our development of new business initiatives. These evaluations are

RISK FACTORS

contingent upon factors such as market conditions, financing requirements, subsidiary development and regulatory approvals. While no concrete plans have been formulated, we cannot preclude the possibility of spin-offs within three years of the [REDACTED] should such action align with our strategic objectives. Also, given our long-standing listing on the A-share market since 2018, we need to maintain flexibility for potential spin-offs within three years of the [REDACTED], which may require further waiver to be applied to and granted by the Stock Exchange.

A spin-off may enable our subsidiaries to directly access capital markets, thereby potentially securing incremental funding to accelerate their growth. While such transactions are designed to unlock intrinsic value, enhance competitive positioning and optimize operational efficiency, there is no assurance that these objectives will be achieved in full. Material risks associated with spin-offs may still include unanticipated costs (such as separation-related expenditures or restructuring costs, if any), operational complexities arising from organizational decoupling, potential disruption to the Group’s integrated business model and synergies and uncertain performance trajectories of spun-off entities, including their ability to sustain competitive positions. Should spun-off entities encounter operational challenges or financial difficulties, it may have adverse impact on our Group’s strategic objectives and corporate reputation. In the event of any proposed spin-off, we will ensure to provide full disclosure to the Shareholders and obtain all necessary regulatory and Shareholder approvals under applicable rules and regulation. We will also implement appropriate strategies and measures to mitigate risks so as to maintain operational cohesion and preserve strategic continuity across the organization.

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

As our A Shares are listed on the ChiNext of the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. 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 mainland 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. As a result, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] decisions as to whether to [REDACTED] our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] 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].

RISK FACTORS

You should read the entire document carefully and only rely on the information included in this document to make your [REDACTED] 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 [REDACTED] not to rely on any information contained in press articles or other media coverage relating to 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 authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our [REDACTED] should not rely on such information.

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

Certain facts, forecast and other statistics in this document are derived from various government, official sources and public information. However, our Directors cannot guarantee the 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 presenting 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 government and official sources have not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], 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, we cannot assure our [REDACTED] 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 [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters. The words “aim,” “anticipate,” “believe,” “could,” “predict,” “potential,” “continue,” “expect,” “intend,” “may,” “might,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking

RISK FACTORS

statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and [REDACTED] should not place undue reliance.