*An [**REDACTED**] in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an [**REDACTED**] in the H Shares.*

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We have a limited operating history, making it difficult to evaluate our business prospects, and we may not be successful in expanding our operations or managing our growth.

We were established in October 2017, and achieved bulk delivery for lithium-ion batteries in April 2019. Our limited operating history makes it difficult to evaluate our business prospects, and to plan for our future. We have relatively limited historical data for making judgments on the demand for our products, our ability to develop, manufacture and deliver products, or our profitability in the future. We may not always be accurate in predicting industry trends that may emerge and affect our business. We experienced significant revenue growth and the increase in our production capacity during the Track Record Period. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Revenue." However, our historical revenue growth should not be considered as an indicator of our future performance. Investors should comprehensively consider our business and prospects in light of the risks and challenges we face in our industry as a new entrant, including but not limited to our ability to:

- design and produce safe, reliable and quality products;
- continuously improve our R&D capabilities;
- improve operating efficiency and achieve economies of scale;
- build a well-recognized and respected brand;
- expand our customer base; and
- effectively manage our supply chain.

If we fail to address any of the aforesaid risks and challenges, our business, financial condition and results of operations could be materially and adversely affected.

Our business growth depends, in large part, on our ability to efficiently execute our production capacity expansion plan. We plan to achieve a designed production capacity of 77GWh by the end of 2023 and over 150GWh by the end of 2025. The success of our production expansion plan may also be affected by a number of factors beyond our control, including but not limited to the progress of the construction conducted by third-party construction companies, development of local laws and regulations and government support. Even if we succeed in expanding our production capacity, there may not be enough demand for our products to justify the increased capacity. If there is persistent mismatch in the demand for our products and our production capacity, we may experience problems associated with overcapacity and under-utilization of our resources, which may result in adverse impact to our business, financial condition and results of operations. Furthermore, as we expand our production capacity in the future, we expect to incur additional depreciation and operational expenses, which may also adversely affect our results of operations.

Our growth may also be affected by factors such as our ability to manage a continuously growing organization as we expand, control expenses and investments in anticipation of expanded operations, implement and enhance administrative infrastructure, system and processes, comply with environmental, workplace safety, and relevant regulations, execute our strategies successfully, and address new markets and potentially unforeseen challenges as they arise.

If we are unable to manage our growth effectively, we may be unable to take advantage of market opportunities, execute our business strategies or respond to competitive pressures which could have a material adverse effect on our business, results of operations and prospects.

We recorded net losses in the past, and we have not been profitable yet.

We have been incurring net losses from operations during the Track Record Period. We incurred net losses of RMB53.3 million, RMB804.2 million and RMB450.8 million in 2020, 2021 and 2022, respectively. See "Financial Information – Results of Operations." We are not yet profitable for a number of reasons, including but not limited to the fluctuation in prices of key raw materials, the time needed for the release of our production capacity and the formation of economies of scale, the need for improvement in our production efficiency, and the increasingly intense competition, as well as other risks discussed herein. There is no assurance as to whether and when we will become profitable. Our ability to become profitable in the future will not only depend on our efforts to sell our products but also to control our costs. If we are unable to adequately control the costs associated with our operations, we may continue to experience losses in the future.

Our plans to achieve profitability may not develop as expected, which may affect our business sustainability.

We have plans and have adopted various measures to sustain our business and achieve profitability. See "Business – Business Sustainability – Path to Profitability." We intend to continue to invest substantially in the foreseeable future in expanding our production facilities to achieve economies of scale. See "Future Plans and Use of [**REDACTED**]." We also plan to continue to optimize product design and improve product performance, and to continue to conduct strategy cooperation and joint development with suppliers to leverage the suppliers' resource pool. See "Business – Business Sustainability." However, such plans may not materialize or develop as timely and to the extend as expected, in which case may not achieve profitability as planned or at all. In addition, if we fail to achieve economies of scale through our efforts or fail to adopt adequate cost control and price adjustment measures, our plan to achieve profitability may be adversely affected. These plans may be more costly than we expect, which may result in significantly increased expenses and failure to achieve our intended profitability. In the worst case of the abovementioned events, our business sustainability may be affected.

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

Technological innovation is critical to our success, and we make significant investments in product R&D. In 2020, 2021 and 2022, our R&D expenses were RMB72.7 million, RMB245.6 million and RMB767.7 million, respectively. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Research and Development Expenses." In order to maintain and expand our competitive advantage, we may devote more resources in the future. In addition to our in-house R&D capabilities, we also engage in joint R&D collaboration with third parties to jointly develop new technologies and products. See "Business – Research and Development – Our Research and Development." However, as R&D activities are inherently uncertain, we cannot assure you that our R&D projects will be successful or be completed within the anticipated time frame and budget, or that our newly developed products will achieve wide market acceptance. If we fail to keep up with the latest technological development and industry trends, we may suffer a decline in our competitive position. Even if such products can be successfully launched, we cannot assure you that they will be accepted by our customers and achieve anticipated sales target or profit.

In addition, we cannot assure you that our existing or potential competitors will not develop products which are similar or superior to our products or more competitively priced. Due to uncertainties in the time frame for developing new products and the duration of market window for these products, there is a substantial risk that we may have to abandon a product or a potential product that is no longer commercially viable, even after we have invested significant resources in the development of such product.

If we fail to respond appropriately in the afore-mentioned situations, our significant expenditures on R&D may not generate corresponding benefits, which may materially and adversely affect our business, prospects, financial condition and results of operations.

We may not be able to increase our production capacity as planned, and even if our production expansion projects proceed as planned, we may not be able to increase our production output in a timely manner or at all as envisaged.

We expect to expand our battery production capacity to meet customers' expected demands for our products. We plan to achieve a designed production capacity of 77GWh by the end of 2023 and over 150GWh by the end of 2025. See "Business – Production – Planned Production Facilities." Such expansion will impose significant responsibilities on our senior management and require significant commitment of our resources, including financial resources and the time needed to identify, recruit, maintain, and integrate additional employees. Our proposed expansion will also expose us to greater overhead and support costs and other risks associated with the manufacture and commercialization of new products as disclosed in this document. Based on our total budgeted investment for our planned production facilities in Foshan, Liuzhou, Jiashan and Wenzhou and our accounting policies on depreciation, we expect to incur additional depreciation expenses of approximately RMB402.1 million, RMB1,007.0 million and RMB1,519.0 million arising from such production expansion plans in 2023, 2024 and 2025 respectively. We expect operational expenses arising from such production expansion plans in 2023, 2024 and 2025 will be approximately RMB1,280.3 million, RMB2,626.9 million and RMB3,297.1 million, respectively. Difficulties in effectively managing the budgeting, financing, forecasting and other process control issues presented by such expansion could negatively affect our business, prospects, results of operations and financial condition. Such expansion is also required to obtain various approvals, permits, licenses and certificates and complete relevant inspections by competent government authorities. There is no assurance that we will be able to execute our expansion plan as contemplated or at all. Any delay or failure to obtain relevant approvals, permits, licenses and certificates or complete the inspections for our production expansion projects may materially delay our production expansion or even result in the cancellation of such plans, which may adversely affect our business, financial conditions and results of operations. See "– We may experience delays and/or failures in obtaining and renewing, such as, relevant PRC governmental approvals, licenses or permits for our new construction/expansion projects."

However, even if we manage to expand our production capacity as planned, there is no assurance that we may increase our production output in a timely manner or at all as envisaged. Our ability to increase our production output is subject to significant constraints and uncertainties, including but not limited to:

- delays by our suppliers and equipment vendors and cost overruns as a result of a number of factors, many of which may be beyond our control or cannot be foreseen, such as increases in raw material prices and problems with equipment vendors;
- delays in government approval process or denial of required approvals for production by relevant government authorities;
- our ability to configure the production lines for specific products in a timely manner;
- the performance of the manufacturing equipment we procured and the production expertise we retained; and
- diversion of significant management attention and other resources.

Moreover, our product development, manufacturing and testing protocols are complex and require significant technological and production process expertise. Any change in our processes could cause one or more production errors, requiring a temporary suspension or delay in our production line until the errors can be researched, identified, and properly addressed and rectified, and thus limit our production output. This may occur particularly as we introduce new products, modify our engineering and production techniques, and/or expand our production capacity. In addition, our failure to maintain appropriate quality assurance processes could result in increased product failures, loss of customers, increased warranty reserve, or increased production and logistics costs, and delays.

If we are unable to increase our production output in a timely manner or at all in the end because of any of the risks described above, we may be unable to fulfill customer orders or achieve the growth we expect. In addition, if we are unable to fulfill customer orders, our reputation could be affected, and our customers could source products from other companies. The combination of the foregoing could materially and adversely affect our business, financial condition and results of operations.

We are exposed to price fluctuations of raw materials.

Prices of raw materials have a significant impact on our cost of sales. In 2020, 2021 and 2022, costs of raw materials accounted for 67.5%, 68.3% and 79.9% of our cost of sales for the respective periods. See "Financial Information – Significant Factors Affecting Our Results of Operations – Fluctuation in Prices of Raw Materials" for a sensitivity analysis of raw material price fluctuations on our gross profit/(loss) before income tax. The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices at all times. Raw materials for our products primarily include cathode materials, anode materials, separators and electrolyte solutions. Historically, we experienced significant price fluctuations of key raw materials needed for our products. For example, the average price of lithium carbonate, a kind of key raw material for LFP cathode, has experienced significant fluctuations during the Track Record Period. According to the F&S Report, in 2020, 2021 and 2022, the average price for lithium carbonate was RMB47,100 per ton, RMB131,100 per ton and RMB496,100 per ton, respectively. See "Financial Information – Significant Factors Affecting Our Results of Operations – Fluctuation in Prices of Raw Materials." We cannot assure you that the prices of key raw materials needed for our products will return back to a level favorable to us in the future, and also, we cannot assure you that we will not experience significant increases in the prices of raw materials in the future. Under such circumstances, we may need to adjust the prices of our products accordingly to pass down the increased costs onto our customers, or procure other sources of supply of raw materials. However, we cannot assure you that we will be able to pass all or a portion of the increased costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. More specifically, as of the Latest Practicable Date, sales agreements for 0.15GWh ESS battery products remained to be subject to fixed pricing arrangement without flexibility to reflect raw material price fluctuation, which was equivalent to approximately 0.9% of our total sales volume of battery products in 2022. If we fail to respond appropriately to the increases in the prices of raw materials needed for our products, our business, financial condition and results of operations may be materially and adversely affected.

Our results of operations may also be adversely affected by the decrease in the prices of raw materials, for we purchased some key raw materials and resold to our suppliers for the purpose of securing our stable supply of key raw materials. See "Financial Information – Revenue – Revenue by Product Usage."

We purchase certain key raw materials and components from third parties, and we may not be able to secure our supply of key raw materials in a stable and timely manner.

We currently purchase certain key raw materials needed for our products from third parties. Despite that we make strategic arrangements with major suppliers of raw materials to lock the price and/or quantity of our key raw materials in advance to ensure the stable supplies of key raw materials, our current suppliers may be unable to satisfy our future requirements of quality and quantity of raw materials on a timely basis. See "Business – Raw Materials, Components and Suppliers – Raw Materials, Components and Supply Agreement." Moreover, the prices of raw materials and components could fluctuate significantly due to circumstances beyond our control. See "– We are exposed to price fluctuations of raw materials and components." If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary materials and components, produce the raw materials or components in-house or redesign our proposed products to manufacture available substitutes at reasonable cost. If we fail to do so, it will result in a significant delay in our manufacturing and delivery of our products, which may result in liabilities of damages and damage to our reputation, and will adversely and materially affect our business, results of operations and financial condition.

We may be required to purchase certain amounts of raw materials under the long-term off-take agreements entered into with some of our raw material suppliers, which may exceed our production needs.

To ensure the stable supplies of key raw materials, we have made and may continue to make strategic arrangements in the future with major suppliers of raw materials to lock the price and/or quantity of our key raw materials in advance. For example, we purchased LFP, one of our key raw materials, from some of our suppliers pursuant to long-term off-take agreements at a benchmark price by referring to the then prevailing market prices. See "Business – Raw Materials, Components and Suppliers – Raw Materials, Components and Supply Agreement." Under such agreements, we may be required to purchase certain amounts of raw materials from the suppliers which may exceed our production needs, and may restrain our liquidity. It may also result in overstock of raw materials for certain periods and cause more impairment losses of our inventories due to inventory obsolescence, or due to the rapid increase in raw material prices for certain periods combined with our failure to adjust the selling prices of our battery products accordingly in a timely manner, and thus adversely affect our business, financial condition and results of operations.

Moreover, in the event that the selling prices of relevant raw materials do not increase as expected, we may be subject to the adverse impact of purchasing raw materials at prices that are higher than the market price, which in return may adversely affect our results of operations.

We face competition in our business.

The global lithium-ion battery market is highly competitive and concentrated, and we expect that the competition will be even more intense in the future. According to the F&S Report, top five EV battery manufacturers in China accounted for approximately 85.3% of China's total EV battery installation volume in 2022, which increased from 81.9% in 2020. According to the same source, top five China-based ESS battery manufacturers accounted for approximately 61.3% of the global total ESS battery installation volume in 2022, which increased from 40.3% in 2020. Our existing competitors may seek to increase their market shares through various measures, such as continued R&D efforts, increased production capacity, optimized production process and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition.

We may fail to recover our trade and bills receivables in a timely manner, which may affect our financial condition and results of operations.

As of December 31 2020, 2021 and 2022, our trade and bills receivables amounted to approximately RMB611.8 million, RMB1,053.5 million and RMB4,194.1 million, respectively. We incurred impairment of trade receivables of RMB2.1 million, RMB3.6 million and RMB84.7 million as of December 31, 2020, 2021 and 2022, respectively. We were able to shorten our trade receivables turnover days from 2022 as we strengthened our customer relationship and market position. See "Financial Information – Liquidity and Capital Resources – Trade and Bills Receivables." However, there can be no assurance that we will be able to maintain our trade receivables turnover days at a reasonable level. Should the credit worthiness of our customers deteriorate, or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may continue to incur impairment losses in the future and our results of operations and financial position could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers within their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties, which, if successful, could cause us to pay significant damages and incur other costs.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by the employees, and confidentiality agreements signed with the third parties to protect our intellectual property rights. Although we have applied and obtained a number of trade marks and patents for the operations of our business, there is no assurance that we are able to successfully apply and be granted new intellectual property rights in a timely and cost-effective manner in the future, for such applications are expensive and time consuming. See "Business – Intellectual Property." Despite our efforts to protect our proprietary rights, unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. As of the Latest Practicable Date, we were not involved in any legal proceeding against parties who we believe are infringing upon our intellectual properties.

Our success is also subject to our ability to use, develop and protect our technology and trade secrets without infringing the intellectual property rights of third parties. Others may hold or obtain patents, copyrights, trademarks, or other proprietary rights used in our products and service. This might prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. From time to time, we may receive communications from intellectual property right holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. Our uses of trademarks relating to our design, software, technology could be found to infringe upon existing intellectual property rights owned by others. In addition, if we are found to have infringed upon a third party's intellectual property rights, we may be required to do one or more of the following:

- cease to sell products that are involved in the challenged intellectual property rights owned by others;
- pay damages;
- redesign our products; or
- establish and maintain alternative branding for our products.

The validity and scope of any potential claims/requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the afore-mentioned will materially and adversely affect our business, financial condition and results of operations. As of the Latest Practicable Date, we were not involved in any legal proceeding against us for the infringement upon intellectual properties of third parties.

We may be subject to financial and reputational risks due to product recalls and product liability claims.

Lithium-ion battery used in EVs and ESSs are inherently complex and may be subject to failure, accidents or other malfunctions. Although we have not been involved in any material product quality accident, product recalls or other similar events during the Track Record Period and up to the Latest Practicable Date, there is no assurance that we will not be involved in those events in the future. The risk of product recalls and product liability claims, and associated adverse publicity, is inherent in the development, manufacturing and sales of our products. Our products and the products of third parties in which our products are a component are becoming increasingly sophisticated and complicated as technologies continue to advance, and as demand increases for lighter and more powerful rechargeable battery.

Product quality and liability issues may affect not only our own products but also the third-party products in which our battery products are a component. Our efforts to maintain product quality may not be successful, which may result in us incurring expenses in connection with, for example, product recalls and product liability claims, and adversely impact our brand image and reputation as a producer of high-quality products. Any product recalls or product liability claims seeking significant monetary damages could have a material adverse effect on our business and financial condition. A product recall or product liability claim could generate substantial negative publicity about our products and business, interfere with our manufacturing plans and product delivery obligations as we seek to replace, or repair affected products, and inhibit or prevent commercialization of other future product candidates.

We may be subject to liabilities and disruption in operations in connection with accidents that occur during the manufacturing process at our production facilities due to, among others, failure to comply with safety measures and procedures.

In the course of operations and production, we implement and require our employees to comply with safety measures and procedures as stipulated in our internal policies. Nevertheless, there is no assurance that our safety measures and procedures are strictly followed by our employees. As our manufacturing process is complicated and inevitably involves operation of tools, equipment and machinery and use of chemical materials, accidents resulting in employee injuries or even deaths may occur. Such accidents may result in disruption of our operation and subject us to liabilities, and we may not have adequate or sufficient insurance to cover such liabilities, which could then adversely affect our business, results of operation and financial condition. See "– We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards."

If we are unable to retain existing customers and attract new customers, our business, financial conditions and results of operations will be adversely affected.

During the Track Record Period, we achieved significant growth of our business, with total revenue growing from RMB907.0 million in 2020 to RMB2,109.1 million in 2021, and further to RMB14,647.8 million in 2022. However, there is no assurance that we could retain our existing customers or attract new customers as we did during the Track Record Period, or at all. If we fail to retain our existing customers or attract new customers in the future due to that our products could not meet the requirements of the market, or that our selling prices are not competitive, or due to other factors disclosed in this herein, our business, financial conditions and results of operations will be adversely affected.

Our business is exposed to the supply-demand dynamics in the lithium-ion battery industry, and thus is affected by market demand for the end products where our batteries are used.

We provide battery products that are used for EVs and ESSs. Accordingly, our results of operations have been and are expected to continue to be affected by downstream demand for EVs and ESSs. Strong growths in China's EV market and EV battery annual installations, as well as the global ESS market, were major drivers for our growth during the Track Record Period. See "Financial Information – Significant Factors Affecting Our Results of Operations – End Market that We Serve and Fluctuation in Customer Demand." The downstream demands for EVs and ESSs are affected by many factors, such as:

- the specifications of EVs, such as purchase price, charging time, driving range, reliability and battery life; and of ESSs, such as the cost of renewable energy and the cost of corresponding energy storage systems;

- the government policies which promote the development of EVs and ESSs;

- the seasonality of China's EV market, where historically the sales volume of EV in the fist half year was generally lower than that of the second half year, which was affected by factors such as consumption habits, launch time of new EVs and holidays; and

- the macro-economies which affected the consumption habits of the society.

There is no assurance that the downstream demand for EVs and ESSs will maintain at the same level as we experienced during the Track Record Period which drove our revenue increase rapidly, or continue to increase in the future. If the downstream demand for EVs and ESSs do not increase as we expect, the market demand for our products will decrease correspondingly, which may result in under utilization of our production capacity, and in turn materially and adversely affect our business, financial condition and results of operations.

In addition, the U.S. Inflation Reduction Act (the "***IRA***"), passed into law by President Biden on August 16, 2022, sets aside $369 billion for climate and clean energy projects and policies. One of the key provisions for speeding the transition to EVs is a tax credit up to $7,500 for consumers in the U.S. purchasing EVs. However, in order to stimulate domestic production of not only EVs but also their batteries, the IRA requires EV manufacturers to provide verifiable evidence that large percentages of material sourcing and manufacturing take place within the US or in a partner country with a free trade agreement. EV manufacturers must prove that battery components have not been "extracted, processed or recycled by a foreign entity of concern." As such, to the extent an EV manufacturer is selling the EVs with our battery products in the U.S., the buyers will not be able to enjoy the tax credit. Without the tax credit, the demand and pricing of these EVs can be negatively affected, which in turn may have a negative impact on the pricing of our products to these EV manufacturers. Similarly, under the IRA there are certain tax credits available for the owners of ESS projects. However, if an ESS project fail to satisfy the relevant "domestic content" requirement, the tax credits that the project owner is eligible may be reduced. This may discourage U.S. ESS project owners from purchasing products from us or our customers. The European Union is also in the process of passing legislations with similar effects. Any of such legislations may affect our ability in developing overseas markets who focus on the sales to the U.S. and potentially Europe.

New legislations or changes in the PRC regulatory requirements regarding the end markets of our products may affect our business operations and prospects.

Our products are used in our customer's end products, including EVs and ESSs. New legislations or changes in the PRC regulatory requirements regarding these end markets may affect our business, financial condition, results of operations and prospects. For example, the PRC government has promulgated, amended and updated a number of legislations in relation to the new energy vehicle market. On June 28, 2012, the State Council of PRC approved the Energy-saving and New Energy Automobile Industry Development Plan (2012-2020) (《節能與新能源汽車產業發展規劃(2012-2020年)》) (國發[2012]22號), granting supports and subsidies to EVs. On July 14, 2014, the General Office of the State Council issued the Guiding Opinion of the General Office of the State Council on Accelerating the Popularization and Application of New Energy Vehicle (《國務院辦公廳關於加快新能源汽車推廣應用的指導意見》) (國辦發[2014]35號) to grant further tax incentives and exemptions for new energy vehicles. On March 13, 2015, the Ministry of Communications issued the Opinions on Accelerating the Promotion and Application of New Energy Vehicles in the Transportation Industry (《關於加快推進新能源汽車在交通運輸行業推廣應用的實施意見》) (交運發[2015]34號). A preferential vehicle licensing system has also been introduced in several cities in the PRC to further encourage the purchases of new energy vehicles. On October 20, 2020, the State Council issued the "Development Plan for New Energy Automobile Industry (2021-2035)" (Guobanfa [2020] No. 39) (《新能源汽車產業發展規劃(2021–2035年)》(國辦發[2020]39號)), proposing to achieve the large-scale application of vehicles with high driving automation through a 15-year effort. However, these policies are subject to certain limits as well as changes that are beyond our control, and we cannot assure you that future changes, if any, would be favorable to our business or financial condition. For instance, according to the Notice on Improving the Financial Subsidy Policies for the Promotion and Application of New Energy Vehicles (Caijian [2020] No. 86) (《關於完善新能源汽車推廣應用財政補貼政策的通知》(財建[2020]86號)) (collectively, the "**2020 Subsidy Circular**"), released by the Ministry of Finance, the Ministry of Industry and Information Technology, the Ministry of Science and Technology and the Development and Reform Commission on April 23, 2020, which was further confirmed on December 31, 2020 and December 31, 2021, save in areas such as public transportation, the subsidies for EV purchases from 2020 to 2022 will generally be reduced by 10%, 20% and 30%, respectively, based on the level of the previous year, and the total number of EVs sold in China that will be entitled to such subsidies should be no more than two million each year. In addition, the national EV subsidy policy under the 2020 Subsidy Circular was terminated on December 31, 2022. Such policies are expected to have a negative impact on the demand for EVs and hence for EV batteries. The termination of the subsidy policy could directly affect the profitability of the EV manufacturers in the short term and some of them may choose to pass down such increased costs to end customers, which may disencourage end customers from choosing EV, and then affect the overall market demand of EV batteries. In 2020, 2021 and 2022, our revenue generated from sales of EV battery products amounted to RMB673.2 million, RMB981.5 million and RMB4,642.8 million, representing 74.2%, 46.5% and 31.7%% of our total revenue in the same periods, respectively. Any uncertainty or delay in collection of the government subsidies may have an adverse impact on our product's end markets, which in turn might adversely affect the demand of our products.

In addition, in the context of the national goal of carbon neutrality, China energy storage market welcomes a series of favorable policies. For instance, Action Plan for Carbon Dioxide Peaking Before 2030 issued by the State Council in 2021 unveiled a series of action plan to accelerate the energy storage development. As for ESS industry, on July 23, 2021, the National Development and Reform Commission (the "**NDRC**") and the National Energy Administration (the "**NEA**") issued the Guiding Opinions on Accelerating the Development of New Energy Storage (《關於加快推動新型儲能發展的指導意見》) (發改能源規[2021]1051號), which set the goal of achieving a cumulative installation volume of 30GWh of ESS by 2025, and achieving the complete market development of new energy storage by 2030. On July 26, 2021, the NDRC issued the Notice on Further Improvement of the Time-of-use Pricing Mechanism (《關於進一步完善分時電價機制的通知》) (發改價格[2021]1093號), which encouraged the use of ESS to reduce the power load in peak hours. On December 21, 2021, the NEA issued the Regulations on Power Grid Connection and Operations (《電力並網運行管理規定》) (國能發監管規[2021]60號), which included electrochemical energy storage and other new energy storage into the management of grid-connected subjects. On March 21, 2022, the NDRC and NEA issued The "14th Five-Year Plan" New Energy Storage Development Implementation Plan (《"十四五"新型儲能發展實施方案》) (發改能源[2022]209號), which set the goal of enhancing the technological performance of electrochemical ESS and reduces the systematic cost by over 30% by 2025, and encouraged to innovate new energy storage business models and explore the application of business models such as shared energy storage, cloud energy storage and energy storage aggregation. In 2020, 2021 and 2022, our revenue generated from sales of ESS battery products amounted to RMB182.1 million, RMB859.5 million and RMB8,400.6 million, representing 20.1%, 40.8% and 57.4% of our total revenue in the same periods, respectively. There is no guarantee that such rules and regulations may not change in the future. Unfavorable policies against the development of new energy storage industry may adversely affect the development of our end customers of ESS battery products and may in return result in adverse impact to our business and results of operations.

We may need to change or adapt our business focuses from time to time in response to the new rules and regulations regarding the end markets of our products, but we may also not be able to do so timely and efficiently. Any new legislations or changes in the PRC regulatory requirements could materially and adversely affect our business, financial condition and results of operations.

We may fail to keep up with rapid technological changes and evolving industry standards.

We mainly manufacture and market lithium-ion batteries. As we believe that the market for lithium-ion batteries has good growth potential, we have focused our R&D activities on exploring new materials and structure to enhance our product quality and features while reducing cost. Some of our competitors are conducting R&D on alternative battery technologies, such as fuel cells and super capacitors, and academic studies are ongoing as to the viability of sulfur and aluminum-based battery technologies. If any viable substitute products emerge and gain market acceptance because they have more enhanced features, more practical applications, more power, more attractive pricing, or better reliability, the market demand for our products may decrease, and accordingly our business, financial condition and results of operations would be materially and adversely affected.

Furthermore, the lithium-ion battery market is characterized by rapid technological changes and evolving industry standards, which are difficult to predict. This, together with the frequent introduction of new products and models, has shortened product life cycles and may render our products obsolete or less marketable. For example, research on the electrochemical applications of carbon nanotechnology and other storage technologies is developing at a rapid pace, and many private and public companies and research institutions are actively engaged in the development of new battery technologies that may bring competitive advantages over the mainstream battery products in the market. If our competitors develop new technologies that we are not able to keep up with, such technologies may provide them with significant performance or price advantages over us and our technology leadership and competitive strengths may be adversely affected.

Our ability to adapt to evolving industry standards and anticipate future standards will be a significant factor in our ability to maintain and improve our competitive position and our prospects for growth. To achieve this goal, we have invested and plan to continue investing significant financial resources in our R&D infrastructure. R&D activities, however, are inherently uncertain, and we may encounter practical difficulties in commercializing our research results. See "– Failure to derive the desired benefits from our product R&D efforts may hurt our competitiveness and profitability." On the other hand, our competitors may improve their technologies or even achieve technological breakthroughs either as alternatives to lithium-ion battery systems or improvements on existing lithium-ion battery systems that would render our products obsolete or less marketable. Therefore, our failure to effectively keep up with rapid technological changes and evolving industry standards by introducing new and enhanced products may cause us to lose our market share and to suffer a decrease in our revenue.

We may face failure or delays in the design and launch of our new products.

The development and launch of new products involve complex efforts and there may be uncertainties at various stages before a product is launched. Any delay in the financing, design, production and eventually the launch of our new products could materially damage our brand, business, prospects, financial condition and results of operations. To the extent that we delay the launch of our new products, our growth prospects could be adversely affected as we may fail to grow our market share, keep up with competing products or satisfy customers' demands or needs. Due to the uncertainty in the market window for the new products, any delay in launch of new products may result in the obsolescence of such products and our investments in developing such products may become sunk costs, which will materially and adversely affect our business, financial position and results of operations.

Our business, financial condition and results of operations may be subject to adverse effect from the risk of customer concentration.

In each of 2020, 2021 and 2022, our revenue from the top five customers for the respective periods was approximately RMB631.8 million, RMB1,075.9 million and RMB5,592.6 million, accounting for 69.7%, 51.0%, and 38.2% of our total revenue during the respective period. During the same periods, our revenue from the largest customer for the respective periods was RMB350.4 million, RMB516.4 million and RMB1,708.3 million, accounting for 38.6%, 24.5% and 11.7% of our total revenue during the respective period. See "Business – Marketing, Sales and Customers – Our Customers."

Despite the fact that we have mitigated the concentration of customers throughout the Track Record Period, as we are in an industry that generally have a high concentration of customers, we may still be affected by risks arising from the customer concentration, especially given that we had a high concentration of customers in 2020. We cannot assure you that our major customers will not diversify their suppliers, change their business scope or business model nor suspend their operation, or they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation and financial conditions of our major customers may in turn have a material adverse effect on us. There is no assurance that we are able to maintain good relationship with our major customers, or our major customers will continue to have high demands for our products in the future. Under the aforementioned circumstances, if we are unable to identify and acquire suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be materially and adversely affected.

We may experience difficulties in establishing large-scale production capacity and estimating potential cost savings and efficiencies from anticipated improvements to our production capacity.

While our production capacity achieved to date is already at commercial scale, it has not achieved what we expect will be necessary to fully meet the demand we see in the market for our products. The manufacturing process for our expected full commercial scale is still being refined and improved. There are risks associated with scaling up manufacturing to larger commercial volumes, including but not limited to, technical or other problems with process scale-up, process reproducibility, stability issues, quality consistency, timely availability of raw materials, cost overruns, and adequate definitions or qualifications for safety, reliability, and quality. There is no assurance that our production facilities will be successful in establishing a larger-scale commercial manufacturing process that achieves our objectives for production capacity. Moreover, we had experienced low manufacturing efficiency historically. Although our manufacturing efficiency improved from 2020 onward, there is no assurance that we could continue to improve our production efficiency that achieves our targets for optimal unit cost of battery products, in a timely manner or at all. If we are unable to produce sufficient quantities of product on a timely basis and in a cost-effective manner, our commercialization efforts would be impaired which could materially affect our business, financial condition, results of operations, and growth prospects.

Our business is capital intensive. The sources of our future financing can be uncertain, and our working capital can be unstable during certain quarters.

We operate in a capital-intensive industry that requires substantial capital and other long-term expenditures, including expenditures for the purchase of equipment and construction of production facilities. To the extent that we expand or add new production facilities, we expect to fund the related financial commitments and other capital and operating expenses from the [**REDACTED**] from the [**REDACTED**] Investments, banking facilities, and the net [**REDACTED**] from the [**REDACTED**]. However, we cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are commercially reasonable and affordable to us or consistent with our expectations. To the extent we cannot obtain financing for our expansion or acquisitions at reasonable costs or at all in the future, our business may be adversely affected. In addition, our expansions require us to make pre-construction preparation and trial production input, as a result, during certain quarters we may incur higher working capital needs that may affect our working capital sufficiency. We cannot assure you that we will not experience any unforeseen circumstances that may adversely affect our working capital in the future. If that happens, our business, financial position, results of operations, prospects may be affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs and cause us to lose sales.

In order to operate our business effectively and meet our consumers' demands and expectations, we must maintain a certain level of inventory to meet the needs of production and ensure timely delivery of our products. As of December 31, 2020, 2021 and 2022, we had inventories of RMB244.6 million, RMB720.7 million and RMB3,245.6 million, respectively. We determine our level of inventory based on our experience, number of orders from customers, assessment of customer demand and fluctuation in prices of raw materials. However, such assessment is inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. We recorded the provision for impairment losses of inventories of RMB7.2 million as of December 31, 2020. We recorded the provision for impairment losses of inventories of RMB89.8 million as of December 31, 2021, primarily due to the rapid increase in purchase prices of raw materials in 2021 and the fact that we did not manage to adjust the selling prices of our battery products accordingly in a timely manner, which together resulted in the net realizable value of our inventories lower than their costs. We recorded the provision for impairment losses of inventories of RMB65.0 million as of December 31, 2022, primarily due to the fact that certain of our new production lines were still in the ramp-up stage with higher costs, which resulted in the net realizable value of our inventories lower than their costs. Furthermore, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and negatively affect our reputation.

Any of the above may materially and adversely affect our business, results of operations and financial condition. As we plan to continue to expand our production capacities, we may continue to face challenges in effectively managing our inventory.

Our reputation is key to our business success. Negative news or publicity may adversely affect our reputation, business and growth prospects.

Any negative news or publicity in relation to us, or any of our Directors, management, Controlling Shareholders and joint ventures or business partners or counter-parties, or any of their respective affiliates (including, where applicable, any joint venture or business partner or counter-party thereof), among others, whether or not they act on our behalf or otherwise utilize or share our brand name, and even if proven untrue, could adversely affect our reputation, business and growth prospects.

We cannot assure you that such negative news or publicity would not damage our reputation or brand image. Given our specialized industry and market, negative news, publicity and word of mouth could spread quickly and negatively impact our reputation, brand image or relationship with third parties, which could have a material adverse effect on our business, financial condition and results of operations. Even if we are not a party to, not involved in, and not liable to these litigations, disputes and allegations, we cannot assure you that any of such negative news or publicity will not affect our reputation, brand image or relationship with third parties, which could in turn have a material adverse effect on our business, financial condition and results of operations.

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

Good working relationship with our employees across our business lines is crucial to our operations and success. We have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher on-going labor costs, which may have an adverse effect on our businesses, financial condition and results of operations. As of December 31, 2022, we had 8,885 full-time employees. Some of our employees are currently represented by labor unions. In addition, employees of some of our suppliers or customers may become unionized in the future or experience labor instability and we may not be able to predict the outcome of any future labor negotiations. Any conflicts between us and our employees' labor union or between our suppliers and customers and their respective unions (if any) could have an adverse effect on our financial condition and results of operations.

In 2020, 2021 and 2022, our direct labor costs amounted to RMB71.2 million, RMB174.6 million and RMB499.9 million, representing 8.9%, 7.2% and 3.7% of our total cost of sales, respectively. In addition, labor costs in regions where we operate have generally been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our financial condition and results of operations.

We face risks related to health epidemics, including the COVID-19 pandemic, which could have a material adverse effect on our business and results of operations.

We face various risks related to public health issues, including epidemics, pandemics, and other outbreaks, including COVID-19. The impact of COVID-19, including changes in consumer and business behavior, pandemic fears and market downturns, and restrictions on business and individual activities, has created significant volatility in the global economy and led to reduced economic activity. Specifically, difficult macroeconomic conditions, such as decreases in per capita income and level of disposable income, increased and prolonged unemployment or a decline in consumer confidence as a result of the COVID-19 pandemic, as well as reduced spending by businesses, could have a material adverse effect on the demand for our products.

In response to the COVID-19 pandemic, the PRC government enacted a number of measures, including implementing mandatory quarantine, requiring residents to remain at home and to avoid gathering in public. The COVID-19 pandemic has also resulted in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the country. Particularly, the resurgence of COVID-19 in the PRC in 2022 resulted in extended duration of afore-mentioned measures. While we did not experience material disruptions to our operations during the Track Record Period and up to the Latest Practicable date, there is no assurance that such material disruptions will not materialize in the future. Towards the end of 2022, with the outbreak of Omicron variant in China, the logistics in some regions have been affected to various degrees due to the government control measures in response to the pandemic. As we actively contacted with our suppliers and strategically procured key raw materials in advance according to our production plan, our production activities did not encountered any material disruption, nor was our product delivery. However, we may incur additional costs for dealing with the COVID-19 pandemic, such as the costs of sanitation and purchase of supervisory devices. Government restrictions on movement within the PRC had been relaxed as of the Latest Practicable Date, but there may be uncertainty as to the future progress and impact of the pandemic and thus, we may still be subject to operational restrictions. See "Financial Information – Significant Factors Affecting Our Results of Operations – The Impact of COVID-19."

Moreover, the COVID-19 pandemic could limit the ability of our customers, suppliers, vendors and business partners to operate in the ordinary course, including third party suppliers' ability to provide raw materials and components used in our products. We may also experience an increase in the cost of raw materials used in our commercial production. Even after the COVID- 19 pandemic has subsided, we may continue to experience an adverse impact to our business as a result of its global economic impact, including any recession that has occurred or may occur in the future.

Our operations depend on a stable, timely and adequate supply of energy at commercially reasonable prices.

We depend on the supply of energy to maintain our production processes. Our production volume and production costs are affected by price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy, power consumption policies and local and national regulatory requirements. Significant increase in energy prices may have a material effect on our profitability and result in decrease of our profit margin, if we are unable to adjust the price of our products and pass such increased costs to our customers accordingly. Moreover, if the supply of energy is affected by natural disasters, adverse weather conditions, suppliers' equipment failures, disruptions in transport or other inclement factors, we may not be able to identify and secure alternative sources of supply and/(or) at acceptable prices. We cannot assure you that unexpected and serious shortages of energy will not occur in the future. Any disruption in the supply of energy or fluctuation in energy prices may have a material adverse effect on our business, financial condition and results of operations.

Our facilities or operations could be damaged or adversely affected as a result of natural disasters and other catastrophic events.

Our facilities or operations could be adversely affected by events outside of our control, such as natural disasters, wars, health epidemics such as the ongoing COVID-19 pandemic, and other calamities. We cannot assure you that any backup systems will be adequate to protect us from the effects of fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures, technology platform failures or internet failures, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to produce our products and provide services.

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

Our product quality is critical to our success. Therefore, we have a quality management system in place. The effectiveness of our quality management system depends on a number of factors, including the design of the system, the equipment used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. We are required to comply with specific guidelines based on product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection of our products are also based on relevant national and industry standards. We cannot assure you that our quality management system will continue to be effective or in compliance with relevant laws and regulations and standards. See "Business – Quality Control." Any significant failure in or deterioration of the efficacy of our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our business, financial condition and results of operations.

We may experience delays and/or failures in obtaining and renewing relevant PRC governmental approvals, licenses, permits or others required for our new construction/expansion projects.

We are required to obtain various approvals, permits, licenses and certificates throughout multiple stages of our new construction/expansion projects. Various completion inspections are also required before we commence production at our new facilities. Generally, such approvals, licenses, permits, certificates or inspections are only issued, renewed or completed after certain conditions have been satisfied. We cannot assure you that we will not encounter obstacles that delay us in obtaining or completing, or result in our failure to obtain or complete, the required approvals or inspections. In the event that we encounter significant delays in obtaining or renewing the necessary government approvals for any of our new construction/expansion projects, or fail to timely complete the inspections for our new production facilities, we will not be able to continue with our development plans or production activities, and our business, financial condition and results of operations may be adversely affected. Furthermore, under the relevant PRC land and property laws and regulations, we were required to obtain the real estate ownership certificates for our owned land and property, and to file the lease agreements for our leased properties. Failure to comply with the relevant laws and regulations may subject us to certain fines and penalties. See "Business – Properties."

We are dependent upon third parties for various services and components in connection with our business.

We rely on third-party service providers for some services in connection with our business, such as logistics and customs clearance. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner and as we may have limited control on customers who may resell our products, the services provided by them may not be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of their services, substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or that of our customers, our reputation in the industry will be affected. Our reputation in the industry will also be adversely affected if the third-party service providers do not comply with applicable laws and regulations. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

In addition, we incorporate components manufactured by third parties into our products. If there are quality issues with respect to these third-party components included in our battery products, we may not discover the issue until after our products have been shipped and installed. In addition, we may have little or no recourse against these third-party suppliers arising out of warranty claims made by our customers. If the components manufactured by third parties could not satisfy our specification and quality standards, or if there is any delay in delivering such components to us on time which may in turn delay our shipments of products, our business, reputation and results of operations may be materially and adversely affected.

Our battery packs (including battery boxes, battery racks and energy storage containers for ESS packs) rely on software and hardware that are highly technical. If these systems contain errors, bugs or vulnerabilities, or if we are unsuccessful in addressing or mitigating technical limitations in our systems, our business could be adversely affected.

Besides battery cells, we also produce battery packs (including battery boxes, battery racks and energy storage containers for ESS packs). Such products rely on software and hardware battery management systems that are highly technical and complex and will require modification and upgrades over their service life. In addition, certain of our products depend on the ability of such software and hardware to store, retrieve, process and manage immense amounts of data. Such software and hardware may contain errors, bugs, design defects or vulnerabilities, and the systems are subject to certain technical limitations that may compromise our ability to meet the designed objectives. Some errors, bugs or vulnerabilities inherently may be difficult to detect and may only be discovered after the code has been released for external or internal use. Although we attempt to remedy any issues that we are able to identify in our products as effectively and promptly as possible, such efforts may not be timely, may hamper production, or may not be to the satisfaction of our customers. If we are unable to prevent or effectively remedy errors, bugs, vulnerabilities or defects in our software and hardware, we may suffer damage in relation to our brand and reputation, loss of customers, loss of revenue or liability for damages, any of which could adversely affect our business and results of operations.

We may face challenge from new power systems that could be applied to the end products where our batteries are used.

EV batteries are a core component of EVs, and is one of our major source of revenue and focuses in future business development. Benefiting from the growth of global EV market, the global EV battery market gained a steady growth with the annual installation growing from 63.8GWh in 2017 to 504.5GWh in 2022, representing a CAGR of 51.2%, which is further expected to grow to 2,597.1GWh in 2027, representing a CAGR of 38.8% from 2022 to 2027, according to the F&S Report. However, there is no assurance that there would not be a development of power system for EVs that could replace lithium-ion batteries and thus make obsolete all of our EV battery products. In addition, new types of vehicles may emerge and ultimately replace EVs. In the event that new power system is to replace lithium-ion batteries, or new types of vehicles emerge to replace EVs, our business, financial condition and results of operations would be adversely affected.

We face risks associated with the international operations and sales of our products, and if we are unable to effectively manage these risks, our business and financial condition and results of operations may be materially and adversely affected.

While we generated over 95% of our total revenue during the Track Record Period from sales to customers located in the PRC, we also made sales to overseas customers in countries such as Indonesia, Australia, Turkey and France, as well as system integrators who may incorporate our battery products and sell their end-products overseas. See "Financial Information – Revenue – Revenue by Region." While we expect the PRC will continue to be our primary market, we may expand the sales of our products overseas, which will expose us to a number of risks, including, but not limited to:

- fluctuations in foreign currency exchange rates;
- increased costs associated with maintaining the ability to understand the local markets and develop and maintain effective marketing and distributing presence in various countries;
- providing customer service and support in these markets;

- difficulty with staffing and managing overseas operations;
- failure to develop and implement appropriate risk management and internal control structures tailored to overseas operations;
- difficulty and cost relating to compliance with different commercial and legal requirements of the overseas markets in which we offer or plan to offer our products;
- failure to obtain or maintain permits for our products or services in these markets;
- different safety concerns and measures needed to address accident related risks in different countries and regions;
- inability to obtain, maintain or enforce intellectual property rights;
- unanticipated changes in prevailing economic conditions and regulatory requirements; and
- trade barriers such as export requirements, tariffs, taxes and other restrictions and expenses.

Moreover, we intend to establish overseas production facilities in the future. The success of our overseas expansion plans depends on whether we could adequately, timely and effectively address the risks associated with overseas operations, such as failure to adopting different legal framework and government policies, restrictions or requirements relating to foreign investments, non-compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations, failure to protect our reputation from negative publicity against us, and limitations on ability of non-nationals to reside and work in such countries. We may not be able to develop and implement policies and strategies that will be effective in each location where we do business. A change in one or more of the factors described above may have a material adverse effect on our business, financial condition and results of operations.

The current tensions in international trade and rising political tensions may adversely impact our business, financial condition, and results of operations.

Some jurisdictions or organizations have through executive order, legislation or other governmental means, implemented measures that impose economic sanctions, export or import controls against certain countries or regions or against targeted industry sectors, groups of companies or persons, and or organizations. Such sanctions law and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. Therefore, such restrictions, and similar or more expansive restrictions that may be imposed by sanctions authorities in the future, may adversely affect our ability to work with certain existing and future customers and suppliers, which in turn could negatively affect our business. Furthermore, our association with customers, suppliers or other relevant parties that are or become subject to such restrictions could subject us to actual or perceived reputational harm, which could materially and adversely affect our business relationships business, financial condition, results of operations or prospects.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses, any of which could adversely affect our business, results of operations, financial condition, and reputation.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, and similar laws and regulations. However, our policies and procedures may not be sufficient, and our directors, officers, employees, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, anti-money laundering, or financial and economic sanctions laws could subject us to whistleblower complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, any of which could materially and adversely affect our business, reputation, financial condition and results of operations.

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

As a result of the highly specialized, technical nature of our business, we must attract, train and retain a sizable workforce comprising highly-skilled employees and other key personnel. If one or more of our highly skilled employees or key personnel were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Moreover, our industry is characterized by high demand and intense competition for talent, we may have to pay higher salaries and wages and provide greater benefits in order to attract and retain highly-skilled employees or other key personnel that we will need to achieve our strategic objectives. As we are still a relatively young company, our ability to recruit, train and integrate new employees into our operations may not meet the growing demands of our business. Our failure to attract, train or retain highly-skilled employees and other key personnel in numbers that are sufficient to satisfy our needs would materially and adversely affect our business and the results of operations. Staff that we are unable to retain also pose a risk, since they can inform competitors of our commercially sensitive information such as know-how and may lessen the technological advantages over our competitors that we have developed.

We may face risks in relation to the joint ventures. Our results of operations may be affected by the share of results of our joint ventures and we may be subject to related liquidity risk if no dividend is declared to us.

We have, and may have more, interests in many joint ventures engaging in battery products and related raw materials manufacturing business. As of the December 31, 2020, 2021 and 2022, we had investments in joint ventures of nil, nil and RMB132.4 million, respectively. Although the Company has majority shareholdings in, and control over, the board of some of our existing joint ventures, certain important resolutions of these joint ventures, including (i) the amendments to articles of association; (ii) the termination and dissolution of the joint ventures; (iii) the transfer of any interests in the joint ventures; or (iv) the merger of the joint ventures with other economic entities, must be passed by unanimous approval of the joint venture partners. Such joint ventures may involve special risks, including but not limited to the possibility that the joint venture partner may (i) have economic or business objectives that are inconsistent with ours; (ii) experience financial difficulties; or (iii) be unable or unwilling to fulfill their obligations under the joint venture contracts. If any of the above risks materialized in the future, our relationship with those joint venture partners and the related joint venture business may be adversely affected, which in turn would affect our business, financial condition and results of operation.

In addition, our results of operations may be affected by the fluctuation in the share of results of our joint ventures. In 2022, we recorded share of losses of joint ventures of RMB1.6 million. Any losses our joint ventures record would negatively impact the results of our operations. Our investment in joint ventures creates exposure to liquidity risk. Our investments in joint ventures are not as liquid as other investment products as there is no cash return in our investment until dividends are received, even if our joint ventures reported profits under equity accounting. If there is no or negative share of profit from our joint ventures, or if we do not receive any dividends, our financial condition or result of operations could be adversely affected. Moreover, as we plan to continue to invest in our existing and future joint ventures for the expansion of our business, our liquidity may be further restricted if we need to make additional investments into the joint ventures or if we are not able to receive dividends from our existing or future joint ventures, which could adversely affect our ability to conduct or expand our business.

We may be involved in legal or other proceedings arising out of our operations from time to time and may face reputational risks and significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavorable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We may be involved in product liability claims, and our product liability insurance may not be sufficient to cover potential liability from product liability claims.

Designing, manufacturing and sales of quality products that are safe and reliable is of vital importance to our business. However, the lithium-ion battery can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials as well as other lithium-ion batteries. This faulty result could subject us to lawsuits of product liability claims, product recalls, or redesign efforts, all of which would be time consuming and expensive. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. In the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations. Moreover, we may not be fully indemnified or indemnified at all if liabilities arise from faulty components manufactured by our suppliers that are used in our products, or results from the faulty assembly by our EV manufacturer customers or ESS integrators.

Our product liability insurance to cover liabilities arising from product liability claims and product recalls in the PRC may not be sufficient to cover potential liability claims. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product recalls and product liability claims could prevent or inhibit the commercialization of our products or could result in a loss of customers and decrease in revenue, unexpected expenses and a loss of market share. If any of our products are found to have reliability, quality or compatibility problems, we will be required to accept returns, provide replacements, provide refunds, or pay damages. We cannot assure you that as we continue distribution of our products, we will be able to obtain or maintain adequate insurance coverage on acceptable terms, or that such insurance will provide adequate coverage against all potential claims. In the event that our exposure to liabilities exceeds the coverage of our insurance, we may still be required to incur substantial amounts, which would materially and adversely affect our business, financial condition and results of operations.

We may not have adequate insurance to cover losses and liabilities arising from various operational risks and hazards.

Our business is subject to a variety of operational risks, including but not limited to production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we may further expand our operations in overseas markets in the future, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These afore-mentioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We may not have adequate or any insurance to cover these operational risks. In addition to product liability insurance, we maintain property insurance and employee insurance for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

We may incur significant costs because of the warranties we provide with our products, and our provisions to cover future potential claims under our product warranties may be insufficient.

For EV battery products, we usually provide our customers with a warranty of 8 years or 120,000 kilometres for private passenger vehicles, and 5 years or 200,000 kilometres for commercial passenger vehicles; for ESS battery products, the warranty period varies on clients' needs. We usually provide our customers with a warranty period of 1-5 years for ESS battery cells, and the warranty period for ESS battery module and systems is generally longer. See "Business – Marketing, Sales and Customers – Sales Agreements." We provide a provision for these potential warranty expenses, which is based on an analysis of the Group's recent claims, past warranty data and the weight of all possible results and their related probabilities. In 2020, 2021 and 2022, our provisions for product warranty were RMB20.1 million, RMB36.7 million and RMB239.1 million, respectively. As we continue to upgrade our products design and introduce new models, there is no assurance that future warranty claims will be consistent with past history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient. This could have a material adverse effect on our business, financial condition and results of operations.

We recorded net current liabilities as of December 31, 2020 and 2021, which might expose us to certain liquidity risks and could constrain our operational flexibility.

We recorded net current liabilities of RMB967.2 million and RMB2,556.4 million as of December 31, 2020 and 2021, respectively, primarily for our due to our related parties. See "Financial Information – Liquidity and Capital Resources." We cannot assure you that we will not have net current liabilities in the future. A net current liabilities position exposes us to liquidity risks. Our future liquidity, capital expenditures, the payment of trade and other payables and the repayment of debt financing will primarily depend on our ability to generate an adequate cash flow from our operating activities. If we have a shortage in the cash flow generated from operations, our liquidity position may be materially and adversely affected, which in turn may impact our ability to execute our business strategies and constrain our business operation. See "– We recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operating outflow in the future." In such event, our business, financial condition and results of operations could be materially and adversely affected.

We recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operating outflow in the future.

In 2021 and 2022, we recorded net cash outflow from operating activities of RMB1,957.3 million and RMB2,230.5 million, respectively. See "Financial Information – Liquidity and Capital Resources – Cash Flow." There is no assurance that we will generate net cash inflows from our operating activities in the future. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity, financial condition and prospects may be adversely affected. We cannot assure you that we will continue to have sufficient cash from other sources to fund our operations. If we resort to other financing activities to obtain additional cash, we will incur additional financing costs, and we cannot assure you that we will be able to obtain financing to satisfy our needs of cash flow on terms acceptable to us, or at all.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

Our contract liabilities comprise advances received from our customers. We typically require some of our customers to pay part of the consideration for their purchases from us upon or prior to the delivery of the products. As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB8.9 million, RMB158.5 million and RMB184.4 million, respectively. See "Financial Information – Liquidity and Capital Resources – Contract Liabilities." Our recognition of contract liabilities as revenue is subject to future performance of contract obligations and may not be representative of revenue for future periods. The continued operation of our production facilities may be substantially interrupted and materially and adversely affected due to a number of factors, many of which may be beyond our control. As a result of disruption to any of our production facility or any problems in manufacturing our products, we may fail to fulfill our contract obligations or meet market demand for our products, and our results of operations, liquidity and financial position could be adversely affected.

Share-based payments may lead to shareholding dilution for our existing Shareholders and adversely affect our financial performance.

We adopted share incentive schemes for the benefit of our Directors, senior management, key technicians and key employees who, in the opinion of the Board, contribute directly to the overall business performance and sustainable development of the Group. See note 31 to "Appendix I – Accountants' Report" and "The Share Incentive Scheme" in "Appendix VI – Statutory and General Information." In 2020, 2021 and 2022, we incurred share incentive expense of nil, RMB42.6 million and RMB133.6 million, respectively. To further incentivize our Directors, senior management, key technicians and key employees, we may pay additional share-based payment in the future. Issuance of Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Such share-based payments may also increase our expenses and therefore have a material and adverse effect on our financial performance.

Our financial result may be affected by government grants.

We received government grants of RMB21.9 million, RMB42.6 million and RMB153.8 million in 2020, 2021 and 2022, respectively. Not all of the government grants are recurring in nature. See "Financial Information – Principal Components of Statement of Profit or Loss and Other Comprehensive Income – Other Income and Gains." Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government. In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future at the same level as we had during the Track Record Period, our financial condition and results of operations for the period may be adversely affected.

If we are unable to fully recover our contract assets, our liquidity and financial position may be adversely affected.

During the Track Record Period, we recorded contract assets from the sales of products, the receipt of the consideration of which is conditional. Contract assets will be transferred to receivables upon the expiration of warranty period when we have unconditional right to receive consideration from the customers. As of December 31, 2020, 2021 and 2022, we had contract assets of RMB6.7 million, RMB20.9 million and RMB113.4 million. See note 20 to the "Appendix I – Accountants' Report." We cannot assure you that the financial position of our customers will remain solvent or that we will be able to recover our contract assets in full or at all in the future. If we are unable to recover our contract assets, our liquidity and financial position may be materially and adversely affected, in particular as we have already incurred costs and expenses when conducting preliminary research and development for products and producing such products.

We may need to provide impairment losses for intangible assets, which could negatively affect our results of operations and financial condition.

We had intangible assets of RMB6.7 million, RMB10.3 million and RMB28.8 million as of December 31, 2020, 2021 and 2022, respectively. Our intangible assets mainly consist of software, emission rights and research and development costs. See note 2.3 and 15 to "Appendix I – Accountants' Report."

However, the intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the carrying value of our intangible assets is considered to exceed its recoverable amount and is therefore determined to be impaired in the future, we would be required to write down the carrying value or record a provision of impairment loss for these intangible assets in our financial statements during the period in which our intangible assets are determined to be impaired, and this impairment would adversely affect our results of operations and our financial condition. While we did not recognize impairment loss for intangible assets during the Track Record Period, we cannot assure you that there will be no such losses in the future, which could adversely affect our results of operations and financial conditions.

We may recognize impairment loss on our prepayments, other receivables and other assets.

We recorded prepayments, other receivables and other assets of approximately RMB131.2 million, RMB1,245.8 million and RMB1,325.1 million as of December 31, 2020, 2021 and 2022, respectively. During the Track Record Period, our prepayments, other receivables and other assets primarily consisted of (i) prepayment for raw materials, (ii) value-added-tax recoverable, and (iii) deposits and other receivables which includes capitalized [**REDACTED**] expenses. See "Financial Information – Selected Balance Sheet Items – Prepayment, Other Receivables and Other Assets" and note 17 to "Appendix I – Accountants' Report." Although these financial assets included in the above balances related to receivables had no recent history of material defaults, and as of December 31, 2020, 2021 and 2022, the loss allowance for such balances was all nil, we cannot assure you that there would not be any impairment charges on our prepayments, deposits or other receivables in the future. If we record impairment losses on such balances in the future, our business, financial condition and results of operations may be materially and adversely affected.

Fair value change of financial assets at fair value through profit or loss may affect our results of operations.

Fluctuation in fair value change of our financial assets at fair value through profit or loss, which primarily consist of wealth management products issued by commercial banks in Mainland China. As of December 31, 2020, 2021 and 2022, we had financial assets at fair value through profit or loss of RMB50.5 million, nil and RMB17.2 million, respectively. Changes in the fair value of the wealth management products are reflected in our consolidated statement of profit or loss. See note 21 to "Appendix I – Accountants' Report." The methodology that we use to assess the fair value of our investments in wealth management products involve a significant degree of management judgment and are inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on the wealth management products we invest in or that we will not incur any fair value losses on our investments in wealth management products in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

The uncertainty in global economic conditions could negatively affect our operating results.

Our operating results are directly affected by the general global economic conditions of the industries in which our major customer groups operate. Some of our business segments are highly dependent on the economic and market conditions in each of the geographic areas in which we operate. The uncertainty in global economic conditions varies by geographic segment and can result in substantial volatility in global credit markets. Credit volatility could impact our working capital for manufacturing, or result in cost changes or interruptions to suppliers whose components we rely upon if we are unable to access the needed credit for our operations. These conditions affect our business by reducing prices that our customers may be able or willing to pay for our products or by reducing the demand for our products, which could in turn negatively impact our sales and result in a material adverse effect on our business, cash flow, results of operations and financial condition.

The supply restrictions, trade controls or sanctions on semiconductor chips or other major components of EVs may disrupt the operations of our end customers and in turn adversely affect our business, results of operations, and financial condition.

The installation/application of semiconductor chips on EVs are common in the EVs industry, as such component is often applied to facilitate vehicle electrification and safety and driver assistance. Since late 2020, there has been a global shortage in the supply of semiconductor chips for automotive production resulting from the COVID-19 pandemic, increased demand for consumer electronics and disruption in semiconductor chip production due to labor shortage and severe weather. Moreover, there are various sanctions and export controls related to the trade of advanced semiconductor being announced or implemented, which have also affected the supply of semiconductor chips globally. There is no assurance that our downstream customers (i.e. EV manufacturers) will be able to obtain sufficient quantities of semiconductor chips and other major components for their operations at a reasonable cost, or at all. Also, while to the best of our knowledge, our downstream customers did not experience any supply restrictions or trade controls, or are subject to sanctions related to semiconductor chips or other major components which materially affected their business during the Track Record Period and up to the Latest Practicable Date, there is no assurance that they will not be materially affected by supply restrictions, trade controls or sanctions on semiconductor chips or other major components in the future. If suppliers of semiconductor chips and other major components are unable to meet the needs of our downstream customers on acceptable terms, or at all, our downstream customer's production and delivery could be disrupted, which in turn, could have an adverse effect on our business, results of operations and financial condition.

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

We rely on our computer systems and network infrastructure to conduct and monitor the daily operations of our manufacturing facilities, and to collect accurate up-to-date financial and operating and other transaction data for business analysis. We also rely on such systems and infrastructure to collect, process and store data concerning our customers, business partners and employees, including personal and transaction data. Therefore, our business is dependent upon the continued maintenance and enhancement of our computer systems and network infrastructure. Such systems and infrastructure are subject to certain risks, such as malfunction, nature disasters, and also the cyber security risks. Although we have devoted significant resources to develop our security measures against cyber security issues, our cybersecurity measures may not detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks and similar disruptions that may jeopardize the security of information stored in and transmitted by our systems or that we otherwise maintain. Breaches of our cybersecurity measures could result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of ransomware attacks, we may be asked to make a large lump-sum payment in order to resume the operation of our system, which may materially and adversely impact our business and financial condition. As techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers, we may be unable to anticipate, or implement adequate measures to protect against these attacks. There is no assurance that we will not be subject to any of those cyber security issues in the future. Any failure to adequately deal with such issues would result in a material and adverse effect on our business and results of operations.

Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

We have implemented risk management and internal control systems, and adopted risk management tools available to us with respect to our business operations. However, there is no assurance that our risk management, internal control systems and risk management tools are adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management and internal control systems depends on our management, employees and subcontractors. There is no assurance that our management, employees and subcontractors will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management, employees and subcontractors will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in economic, political or social conditions or government policies in the PRC could have a material adverse effect on our business and results of operations.

All most all of our operations are located in the PRC. As a result, our results of operations, financial condition and prospects are substantially affected by economic, political, social and legal developments in the PRC. In general, the Chinese government regulates its economy and related industries through implementation of industrial policies, and regulates the macro-economy of the PRC through fiscal and monetary policies. Over the last few decades, the Chinese government adopted a number of measures to promote its market economy and encourage the corporate entities to establish sound corporate governance. The Chinese government also exercised a significant impact on China's economic growth through strategic resource allocation, control of foreign currency denominated debt payments, monetary policy and preferential treatment for specific industries or companies. Any significant changes in Chinese government's policies or China's laws could have a material impact on China's overall economic growth. Although China's economy has been growing significantly over the last few decades, the growth rate has slowed down as China suffered from the impact of the COVID-19 pandemic on its economy in 2020 and 2021, and such trend is likely to continue in a period of time in the future. Due to the current economic, political, social and regulatory developments, it may be difficult for us to predict all the risks and uncertainties we may face, and a slow-down of China's economy may have a material adverse effect on our business and results of operations, in particular:

- during a period of economic slowdown, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us;

- we may not be able to raise additional capital on favorable terms, or at all; or

- trade and capital flows may further contract as a result of protectionist measures introduced in certain markets, which could cause a further slowdown in economies and materially and adversely affect our business and prospects.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the PRC's new energy industry and ultimately, the profitability of our business. Our labor and other costs may also increase due to pressure from inflation. Any future calamities, such as natural disasters, outbreak of contagious diseases or social unrest, may cause a decrease in the level of economic activities and adversely affect the economic growth in the PRC, Asia and elsewhere in the world.

As such, if the PRC's economy experiences significant adverse developments or a significant downturn, our business, financial condition and results of operations would be materially and adversely affected.

Uncertainties with respect to the PRC's legal system could limit the legal protections available to you and us. Holders of our Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company law or Hong Kong regulatory provisions.

Substantially all of our operating subsidiaries are incorporated under and governed by the laws of the PRC. The PRC's legal system is based on written statutes. Prior court decisions may be cited for reference, but have limited precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general, such as foreign investment, corporate organization and governance, commerce, taxation and trade. As substantially all of our business is conducted in the PRC, our operations are principally governed by the PRC laws and regulations. However, since the PRC's legal system continues to evolve rapidly, the interpretations of many laws, regulations and rules are not always uniform and enforcement of these laws, regulations and rules involves uncertainties, which may limit legal protections available to us. Furthermore, certain important aspects of PRC Company Law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class action suits and measures protecting non-controlling shareholders; restrictions on directors; disclosure requirements; different rights of classes of shareholders; general meeting procedures and disbursement of dividends. Our Articles of Association include provisions in accordance with the Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies formed in common law jurisdictions. Intellectual property rights and confidentiality protections in the PRC may not be as effective as in the United States or other countries. In addition, we cannot predict the effect of future developments in the PRC's legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

Payment of dividends or gains from the sale or other disposition of our Shares is subject to taxation under PRC law.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares ("**Non-PRC Resident Individual Holders**") are subject to the PRC individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《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》) (國稅函[2011]348號) dated June 28, 2011 and issued by the SAT of the PRC, the tax rate applicable to dividends paid to Non-PRC Resident Individual Holders of H Shares varies from 5.0% to 20.0%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the Non-PRC Resident Individual Holder of H Shares resides, as well as the tax arrangement between the PRC and Hong Kong. Non-PRC Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. In addition, under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations, Non-PRC Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20.0% on gains realized upon the sale or other disposition of H Shares. 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 of the PRC 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. Based on our knowledge, as of the Latest Practicable Date, the PRC tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders' investments in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("**EIT Law**") and its implementation regulations, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10.0% with respect to its PRC-sourced income, including dividends received from a PRC company and gains derived from the disposition of equity interests in a PRC company. This rate may be reduced under any special arrangement or applicable treaty between the PRC and the jurisdiction in which the non-PRC resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10.0% from dividends payable to non-PRC resident enterprise holders of H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-PRC resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-PRC resident enterprise holders' investments in H Shares may be materially and adversely affected.

Under the EIT Law, we may not be classified as a "high and new-technology enterprise" of the PRC. Such classification could result in unfavorable tax consequences.

Pursuant to the EIT Law, a high and new-technology enterprise may enjoy a preferential enterprise income tax rate of 15%. The Company and two subsidiaries of the Company, namely REPT Qingchuang and BatteroTech Shanghai, received approvals by competent government authorities, and were recognized as high and new-technology enterprises with a validity period of three years, which entitled the Company, REPT Qingchuang and BatteroTech Shanghai a preferential tax rate of 15% from 2020 to 2022, 2021 to 2023 and 2022 to 2024, respectively.

Despite being eligible for preferential tax rate as high and new-technology enterprises during the Track Record Period, there is no assurance that the Company or the subsidiary would successfully reapplied for the certificates of high and new-technology enterprises so as to enjoy the preferential tax rate after the expiry of the certificates, in which case our Group and our subsidiaries will be subject to the normal enterprise income tax rate of 25% as for all PRC enterprises. The effective tax rate will therefore significantly increase and may materially and adversely affect our profitability, which may have a material adverse effect on our business, results of operations and financial condition. Also, there can be no assurance that the EIT Law, its application or its interpretation will not change, in which case our effective income tax rate may increase significantly.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in the PRC or to enforce against them in the PRC any judgments obtained from non-Chinese courts.

Most of our Directors and executive officers reside within the PRC, and most of our assets and substantially all of the assets of those persons are located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-Chinese courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in the PRC if the requirements set forth by the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of Mainland and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) are met.

Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Provided in our Articles of Association, whenever any disputes or claims arise between holders of the overseas listed shares and the Company, holders of the overseas listed shares and the Company's Directors, Supervisors, general manager or other Senior Management, or holders of the overseas listed shares and holders of domestic shares, based on the Articles of Association or any rights or obligations conferred or imposed by the Company Law or any other relevant laws and administrative regulations concerning the affairs of the Company, such disputes or claims shall be referred by the relevant parties to arbitration. A claimant may elect arbitration at either the China International Economic and Trade Arbitration Commission in accordance with its arbitration rules or the Hong Kong International Arbitration Center in accordance with its securities arbitration rules. See "Appendix V – Summary of the Articles of Association." Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether any action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

The Chinese government's control over foreign currency conversion may adversely affect our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the Chinese foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. Under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. The Chinese government may also at its discretion restrict access in the future to foreign currencies for current account transactions. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

Failure to comply with the PRC Social Insurance Law and the Regulation on the Administration of Housing Provident Funds may subject us to fines and other legal or administrative sanctions.

Pursuant to the PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for some of our employees based on their actual salary level. See "Business – Compliance and Legal Proceedings." As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. We have made provisions in the amount of RMB0.9 million, RMB22.1 million and RMB78.1 million in 2020, 2021 and 2022, respectively, for the shortfall of contribution to social insurance fund. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. As advised by our PRC Legal Advisor, the non-compliance during the Track Record Period in relation to the payment of social insurance and housing provident fund will not have material adverse effects on our production and business operations.

The enforcement of PRC Labor Contract Law and other labor related regulations may materially affect our business, financial condition and results of operations.

Pursuant to the Labor Contract law of the PRC and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate the employment of some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. As confirmed by our PRC Legal Advisor, based on the confirmation letters issued by the competent government authorities, we were not subject to any significant administrative penalties for violating labor laws and regulations during the Track Record Period. However, if we were found to be in violation with the overtime working hours limitations as stipulated in the Labor Law of the PRC, it may subject us to a fine that ranges from RMB100 to RMB500 per person from local government authorities and we may be requested to take rectification measures to reduce the overtime working hours of our production employees.

During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC (中華人民共和國勞動合同法) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, the number of dispatched contract workers that an employer hires may not exceed a certain percentage of its total number of employees, to be decided by the Ministry of Human Resources and Social Security and the dispatched contract workers may only engage in temporary, auxiliary or substitute work. According to the Interim Provisions on Labor Dispatch promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014 (the "**Interim Provisions**"), the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). The Interim Provisions further requires the employer that is not in compliance with the above provisions to formulate a plan to reduce the number of its dispatched contract workers to below 10% of the total number of its employees. In addition, an employer is not permitted to hire any new dispatched contract worker until the number of its dispatched contract workers has been reduced to below 10% of the total number of its employees. The employers who fail to comply with the relevant requirements on labor dispatch shall be ordered by the labor administrative authorities to make correction within a stipulated period. Where correction is not made within the stipulated period, the employers may be subject to a penalty ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the 10% threshold. During the Track Record Period, the total dispatched contract workers hired by the Company have exceeded 10% of its total number of employees. As of the Latest Practicable Date, we had proactively rectified such non-compliance incidents during the Track Record Period by reducing the number of dispatched contract workers to below 10%. See "Business – Compliance and Legal Proceedings – Labor Dispatch." Even though we had not received any notice of warning or been subject to any administrative penalties or other disciplinary actions from relevant PRC authorities, we cannot assure you that the relevant PRC authorities will not take actions retrospectively against us for our past practice. If we decide to increase our number of dispatched workers in the future and are found to be in violation of the rules regulating dispatched contract workers, we may be subject to fines and penalties. Such penalties may adversely affect our business, results of operations and reputation.

As the interpretation and implementation of the Labor Contract Law, the Social Insurance Law and other labor related regulations (the "**labor-related laws and regulations**") are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Present or future environmental, safety and occupational health laws and regulations in the PRC may have a material adverse effect on our business, financial condition and results of operations.

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carry out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our manufacturing process in the future.

In addition, our manufacturing process produces pollutants such as wastewater, waste gas. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or any environmental laws adopted in the future will not materially increase our operating costs and other expense. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition or results of operations. In 2020, 2021 and 2022, the costs we incurred for complying with the requirements of the relevant environmental laws and regulations and our expenditures related to environmental protection amounted to approximately RMB19.2 million, RMB10.3 million and RMB27.1 million, respectively.

Inflation in the PRC could negatively affect our profitability and growth.

Economic growth in the PRC has, during certain periods, been accompanied by periods of high inflation, and the Chinese government has implemented various policies from time to time to control inflation. For example, the Chinese government introduced measures in certain sectors to avoid overheating of the Chinese economy, including increasing interest rates and capital reserve thresholds at Chinese commercial banks. The effects of the stimulus measures implemented by the Chinese government since the global economic crisis that commenced in 2008 and the continued growth in the overall economy since then have resulted in sustained inflationary pressures. If these inflationary pressures continue and are not mitigated by Chinese government measures, our cost of sales will likely increase and our profitability could be materially reduced, as there is no assurance that we would be able to pass any cost increases onto our customers.

Our legal right to some leased properties may be challenged.

As of the Latest Practicable Date, we had signed 20 property lease agreements in the PRC in respect of 20 leased units/buildings relating to our production and operations with a total area of 38,963.02 sq.m, among which four of the above-mentioned leased agreements in respect of four units of lease properties have not provided the property ownership certificates, and 19 of the above-mentioned lease agreements have not been registered and filed with the relevant PRC authorities in accordance with PRC laws and regulations. See "Business – Properties – Leased Properties." We cannot guarantee that the landlords from whom we leased such properties have the right to lease such properties to us. The relevant rightful title holders or other third parties may challenge our use of such leased properties and we may be required to seek alternative properties for lease on short notice. However, we may not be able to find alternative properties that are suitable for our use in a timely manner and at reasonable costs, or at all. Furthermore, as advised by our PRC Legal Advisor, we may be subject to penalties of RMB1,000 to RMB10,000 for each of the above-mentioned non-registered lease should we and our landlords fail to register the lease agreements upon request by the relevant authority.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, and their liquidity and market price maybe volatile.

Prior to the [**REDACTED**], there has been no public market for our H Shares. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between us and the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the market price of our H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the market price of our H Shares will not decline following the [**REDACTED**].

Furthermore, the price and trading volume of our H Shares may be volatile. The following factors, among others, may cause the market price of our H Shares after the [**REDACTED**] to vary significantly from the [**REDACTED**]:

- variations in our revenue, earnings and cash flow;
- unexpected business interruptions resulting from natural disasters or power shortages;
- major changes in our key personnel or senior management;
- our inability to obtain or maintain regulatory approval for our operations;
- our inability to compete effectively in the market;
- political, economic, financial and social developments in China and Hong Kong and in the global economy;
- fluctuations in stock market prices and volume;
- changes in analysts' estimates of our financial performance; and
- involvement in material litigation.

Moreover, shares of other companies listed on the Stock Exchange with operations and assets in China have experienced significant price volatility in the past. It is possible that our H Shares may be subject to changes in price not directly related to our performance and as a result, investors in our H Shares may suffer substantial losses.

Holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before trading of our H Shares begins.

The [**REDACTED**] of our H Shares is expected to be determined on the [**REDACTED**]. However, our H Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the pricing date. As a result, investors may not be able to sell or deal in our H Shares during that period. The price and trading volume of the H Shares may be highly volatile. Factors such as variations in our revenue, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, fluctuations in market prices for our products or fluctuations in market prices for product of other companies could cause the market price of our H Shares to change substantially. Any such developments may result in significant and sudden changes in the volume and price at which our H Shares will trade. We cannot assure you that these developments will not occur in the future. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, which could occur between the time of sale and the time trading begins.

Substantial future sales or the expectation of substantial sales of our H Shares in the public market could cause the price of our H Shares to decline.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the [**REDACTED**] as described in "[**REDACTED**]" in this Document, future sales of a significant number of our H Shares by our Controlling Shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in "Appendix VI – Statutory and General Information" or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

Assuming an [**REDACTED**] of [**REDACTED**] per Share, being the high end of the Indicative [**REDACTED**] range, the maximum sale [**REDACTED**] from the [**REDACTED**] are approximately [**REDACTED**]. In the event that any sale [**REDACTED**] from the [**REDACTED**] are given to the employees of the Group, this may be regarded as a share incentive expense which may have an impact on our profit before tax under IFRS. The Company's management would consider that such arrangement has no impact on the Group's cashflow or total equity.

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

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of investments in and/or acquisitions of new businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of battery producers;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- the PRC governmental regulation of foreign investment in new energy sectors in China;
- economic, political and other conditions in China; and
- the PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

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

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

Future sale or major divestment of Shares by our Controlling Shareholders may materially and adversely affect the prevailing market price of our H Shares.

Our Shares held by our Controlling Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "[**REDACTED**]" in this document. However, there is no assurance that after the restrictions of the lock-up periods expire, our Controlling Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing market price of our H Shares.

Our Controlling Shareholders may have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, our Controlling Shareholders will be entitled to exercise approximately [**REDACTED**]% of the voting rights of the Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise its substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits mean our net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less statutory reserve fund appropriations to general risk reserve, transaction risk reserve, and discretionary surplus reserve (as approved by our shareholders' meeting). As a result, we may not have sufficient profit to enable us to make future dividend distributions to our shareholders, even if our financial statements prepared in accordance with IFRSs indicate that our operations have been profitable.

Furthermore, future determination of dividends will also depend on various factors, including but not limited to our results of operations, cash flows and financial conditions, capital adequacy ratio, operation and capital expenditure requirement and other factors that our Board consider relevant. We cannot assure you that the factors we take into consideration will not change in the future.

Certain facts and statistics contained in this Document are derived from a third-party report and publicly available official sources and they may not be reliable.

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

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

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

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

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