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## RISK FACTORS

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An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before deciding to make any [REDACTED] in our H Shares. Our business, financial condition, or results of operations could be materially and adversely affected by any of these risks and uncertainties. Additional risks and uncertainties that are presently unknown to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition, or results of operations. The [REDACTED] price of the H Shares could decline significantly due to any of these risks and uncertainties, and you may lose all or part of your [REDACTED].

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

*We operate in a competitive market and may not be able to compete effectively against our existing and future competitors.*

We operate in the PVC flooring industry, which is highly competitive, and face competition from a number of PVC flooring manufacturers. We compete principally on the basis of our proven track record, differentiated product portfolio, strong product innovation and research and development capabilities, global production capacity, customer stickiness, product quality, and our visionary management team. The pricing of similar products by competitors may adversely affect the pricing of our products. Our results of operation could be materially and adversely affected should we be unable to compete successfully in one or more of the foregoing areas. Furthermore, if our competitors reduce their prices significantly, we may have to reduce our prices to maintain our competitiveness, which could adversely affect our pricing capability, business, revenue, and profitability. We may not be successful in maintaining or expanding our market share against our competitors. We may also not be able to compete with our competitors in the industry considering the changing and competitive market environment. Our competitors may be able to respond quickly to new or changes in market trend or customer demands or adopt more competitive pricing policies. Existing or increased competition could adversely affect our market share and materially affect our business, financial condition and operating results.

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***Trade restrictions, trade barriers, and potential new duties imposed by the United States or other overseas market for delivery of our products could materially and adversely affect our business, financial condition, and results of operations.***

During the Track Record Period, our revenue was primarily generated from overseas markets, which included North America, Europe, and other countries and regions. In particular, the United States has been our key market from which we generated a substantial portion of our revenue during the Track Record Period. Specifically, in 2023 and 2024 and for the nine months ended September 30, 2025, revenue generated from the U.S. market accounted for 79.6%, 68.5%, and 81.2% of our total revenue, respectively. Our business and prospects, however, are potentially vulnerable to changes in the United States and other overseas markets’ trade policies. These policies may shift particularly if the political or economic relations between China and the United States or other countries deteriorate materially. Particularly, in recent years, the United States government has taken steps to impose restrictions on trade with China, affecting areas such as import tariff, data transfer, and protection of intellectual property. The future United States trade policies remain uncertain. Any further escalation in these trade tensions could negatively impact our sales into the United States, whether through increased tariffs, duties, export controls, restrictions on market access, or other measures. We cannot assure you that our customers will be able to shift their tariff burden to the end consumers effectively, or at all. In that case or if the applicable tariff continues to increase, it may be inevitable that our customers would require their suppliers, including us, to reduce our prices in order to share the burden of tariff. Other overseas markets may also adopt similar tariff or trade measures, which could further affect our product deliveries and pricing. Consequently, our business, financial condition, and results of operations may be adversely affected.

***Our overseas business development is subject to various cross-border operating risks, any failure to handle which may adversely affect our business, financial condition, and results of operations.***

During the Track Record Period, we had operations in Vietnam and our sales covered North America, Europe, and other countries and regions. We plan to further build localized teams in these markets. As we plan to continue to expand our business into various regions and countries overseas, we will face various risks and challenges, including, but are not limited to, changes in political environment and economic conditions, increased competition from local players, cultural difference, and the complexity of compliance with laws and regulations in different jurisdictions. Any failure to handle these risks effectively could result in damage to our reputation, increase in costs, or disruptions to the execution of our business plans and operations. In addition, our plans for overseas business development may require significant investments in sales and marketing, human resources, and research and development, which may not yield the expected return on investment. The timing of our expansion plans may also be affected by factors beyond our control, such as changes in economic conditions, political environment, or delays in obtaining necessary licenses and permits. Furthermore, we may be subject to additional regulatory requirements in foreign countries, which may increase our compliance costs and subject us to legal and regulatory risks. These requirements may also limit our ability to operate in certain regions or countries, which could negatively impact our growth prospects. We may need to allocate significant resources to manage and mitigate these cross-border operating risks, which could increase our expenses and adversely affect our financial performance. If we are unable to manage these risks effectively, our business, financial condition, and results of operations may be materially and adversely affected.

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***Any material changes in our relationship with our major customers could adversely affect our business, financial condition, and results of operations.***

A majority of our revenue is derived from a limited number of customers. The revenue generated from our five largest customers in 2023 and 2024 and for the nine months ended September 30, 2025 amounted to 80.5%, 73.1%, and 71.7% of our total revenue, respectively. During the same period, sales to our largest customer accounted for 63.3%, 45.3%, and 53.9% of our total revenue, respectively. Our business, financial condition, and results of operations will likely continue to be subject to a significant degree of customer concentration for the foreseeable future. In the future, our current major customers may decide not to purchase our products, may purchase fewer of our products than they did in the past, or may alter their purchasing patterns. For example, our customers may cease purchases as they shift to competitors’ products, or their demand may decline due to factors such as unfavorable trade policies or macroeconomic conditions. Further, the amount of revenue attributable to any single major customer, or our major customer concentration generally, may fluctuate in any given period. If our major customers scale back or terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or we are unable to secure new customers at all or on favorable or comparable terms, our business, financial condition, and results of operations may be materially and adversely affected.

***We have a limited operating history in our PVC flooring business and overseas expansion. Our historical results may not be indicative of our future performance.***

Prior to 2017, we were primarily engaged in the laminate flooring business and began transitioning to the PVC flooring business in 2017. As a result of our limited operating history in PVC segment and overseas business, our ability to accurately forecast our future results of operations is subject to a number of uncertainties such as our ability to plan for and model future growth. Our business has grown from September 30, 2024 to September 30, 2025, and we expect continued growth in our business and revenues. However, our historical results may not provide a meaningful basis for evaluating our business, financial condition, and results of operations, and we may encounter unforeseen expenses, difficulties, delays, and other known and unknown challenges, and may not be able to achieve promising results in future periods. We cannot assure you that we will be able to achieve similar results or grow at the same rates as we did in the past. In future periods, our revenue growth may slow down or even decline for a number of reasons, including slowing demand for our products, intensified competition, material changes in technology, declining growth rate of our total addressable market, or our failure to continue to take advantage of growth opportunities. If our assumptions regarding risks and our future revenue growth turn out to be incorrect or if we do not respond effectively to uncertainties and challenges, our operating and financial results could differ from our forecast, and our business, financial condition, and results of operations could be materially and adversely affected.

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***Fluctuations in prices of raw materials or unstable supply of raw materials may adversely affect our business, financial condition, and results of operations.***

We rely on PVC resin powder as our primary raw materials. The price of PVC resin powder is subject to significant fluctuations driven by supply and demand conditions in the commodities markets, transportation costs, government regulations and tariffs, geopolitical events, exchange rate movements, the overall economic climate, and other unforeseen factors. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of PVC resin powder on a timely basis and at reasonable prices, or to make alternative sourcing arrangements, or if significant increases in the price of PVC resin powder cannot be passed on in full to our customers.

We depend on the timely supply of PVC resin powder to carry out our production plans. Any delays or disruptions in supply may lead to price fluctuations, which in turn affect our revenue. There is no assurance that we will be able to extend or renew our supply agreements on similar terms, or at all, and adverse economic or market conditions affecting our suppliers may further impact on our raw material availability. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

***If our marine logistics service providers fail to provide reliable and timely logistics services, our business, financial condition, and results of operations may be materially and adversely affected.***

We rely on ocean freight service providers to transport our products to overseas customers. The number of such providers is limited, and freight rates are highly susceptible to fluctuations in the international shipping market. We have outsourced our marine transportation and logistics management, especially in overseas markets, to third-party logistics service providers over whom we do not have direct control. To stabilize our freight costs, we have entered into direct contracts with two leading shipping companies. However, we cannot assure you that we will be able to renew or extend such contracts with our marine logistics service providers on similar terms, or at all. Ocean freight capacity may become tight from time to time due to fluctuations in global shipping demand, geopolitical tensions, port congestion, labor shortages, or other unforeseen events. Freight rates may also increase significantly as a result of volatility in the international shipping market. These factors could lead to delays in the delivery of our products, higher transportation costs, and disruptions to our supply and delivery schedules. Any such developments may materially and adversely affect our business, financial condition, and results of operations.

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***We are subject to foreign exchange exposure and currency conversion risks.***

Our consolidated financial results are affected by foreign exchange rate fluctuations. During the Track Record Period, the majority of our sales were settled in U.S. dollars. However, our costs are generally denominated in Renminbi and Vietnamese Dong. Accordingly, fluctuations in exchange rate of U.S. dollars, Renminbi, and Vietnamese Dong may affect our price competitiveness and harm our business operation and financial performance. In 2023 and 2024 and for the nine months ended September 30, 2025, we recorded a net foreign exchange gain of RMB7.3 million, RMB9.7 million, and RMB0.3 million, respectively. Changes in foreign exchange rates may be due to many factors such as changes in the global economy and geopolitical conditions which are beyond our control. We cannot assure you that we will make similar or any net foreign exchange gain in the future, which will in turn affect our future financial performance. We seek to manage and hedge our foreign exchange exposure through, among other measures, foreign exchange forward contracts and swap arrangements. However, these measures may not be sufficient to fully mitigate our foreign exchange exposure, and we may still be subject to significant exchange rate fluctuations. There is no assurance that our hedging arrangements will be effective or available on commercially acceptable terms, and any failure to manage our foreign exchange risks may adversely affect our business, financial condition, and results of operations.

***Our products are subject to safety, health, or quality standards and requirements that may from time to time be imposed by either the government or by customers which may increase our costs or restrict our operations.***

Our products are subject to safety, health, and quality standards and requirements imposed either by the PRC government or the government of the jurisdictions to which our products are exported, or by our customers. Our customers may also request higher quality standards requirements on our products from time to time. The failure by us to comply, or the allegation of such non-compliance, with any present or future safety, health, or quality standards or requirements could result in the damage of our reputation, loss of customer contracts, or even cessation of operations. To comply with these standards or requirements, we may have to incur significant expenses for additional equipment and higher production costs, which could materially and adversely affect our business, financial condition, and results of operations.

***Our business exposes us to personal injury, product liability, and warranty claims and related governmental investigations, which could result in negative publicity, harm our reputation, and adversely affect our business, financial condition, and results of operations.***

We cannot assure you that our quality control measures will be as effective as we expect. There can be no assurance that we will be able to detect and fix all defects in our products. We may face the risk of significant monetary exposure to claims if we fail to implement and maintain our quality control steps and our products do not meet required standards or contain design or manufacturing defects.

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If our products are defective, the sale of such products could expose us to product liability claims relating to personal injury or property damage and may require product recalls or other actions. Third parties who are subject to such injury or damage may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects in the raw materials purchased from our suppliers. Attempting to enforce our rights against such suppliers may be expensive, time-consuming, and ultimately futile. Such suppliers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. In addition, product defects may trigger governmental investigations or regulatory inquiries, which could result in penalties, mandatory corrective actions or additional compliance costs. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claim or litigation could result in the expenditure of funds and managerial efforts in defending them. Further, a product liability claim could generate substantial negative publicity about our products and brand, which would have a material adverse effect on our business prospects and financial condition.

*We may be subject to liability in connection with industrial accidents or safety hazards at our production facilities inherent to our production.*

Our production process involves the operation of equipment and machinery which is potentially dangerous. Given the extensive use of high-temperature, high-pressure, cutting, pressing, and automated production machinery across our flooring production lines, such equipment may pose risks of mechanical failure, fire, crushing, cutting, or other occupational safety hazards. Although we have developed safety measures and train our employees to follow such measures, we cannot assure you that our safety measures or other related rules and regulations will be strictly followed by our employees. Thus, accidents or safety hazards may occur at our production facilities, whether due to equipment malfunctions, mishandling of materials, or other operational disruptions, potentially resulting in injuries or fatalities. In such events, we may be liable for loss of life or property, personal injuries and related medical expenses, and may face fines, penalties, or even criminal liabilities for violations of applicable PRC or overseas workplace safety and workers’ compensation laws. In addition, our insurance coverage may not be sufficient to cover all potential losses arising from an accident or safety incident. Any such incident, whether involving worker injuries or damage to our production facilities, could disrupt our operations and adversely affect our ability to fulfill customer orders. We may also be required to suspend operations pending governmental investigations, which could further impact our production schedule and overall business performance.

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***Our planned further business expansion in China and new regions in overseas markets may be delayed or challenged.***

We intend to actively seek expansion opportunities in China and overseas. Our current focus is to develop overseas markets and gradually expand in the PRC market. In overseas markets, we intend to further expand into new regions in the United States and Europe. In the PRC market, we plan to focus on customers in the commercial projects sector, such as hotel developers and chain retail stores. However, we may encounter difficulties when expanding into new regional markets. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have more robust financial resources, a more established presence, and a better understanding of customer demands and preferences. Our geographic expansion efforts may be affected by factors beyond our control, including macroeconomic conditions, local government policies, competition in the PVC flooring industry, changes in customer demand. If we fail to effectively manage our business strategies or expansion plans, or the rising costs associated with them, our business, financial condition and results of operations may be adversely affected.

***We may not be able to accurately anticipate or timely respond to changes in market trends.***

Our success and continued growth depend on our ability to develop new flooring products, surface technologies, and material formulations that meet the evolving requirements of our business customers. The development of new flooring products is a complex process requiring innovation, skilled research and development personnel, and accurate anticipation of industry and customer requirements. We cannot assure you that we will be able to identify or develop new products or technologies successfully, on a timely basis, or at all. In addition, we cannot assure you that any newly developed products will be accepted by our customers or incorporated into their procurement plans.

The flooring industry is influenced by changes in project specifications, environmental and safety standards, design trends, and procurement preferences of our customers including well-known overseas building material brands and retailers. These factors may change rapidly and can be difficult to predict. Our ability to respond to such changes depends on accurate market analysis, timely collection of customer feedback, strong research and development capabilities, and cost-effective production. If we fail to anticipate or respond to changing customer requirements, regulatory standards, or market trends, or if we misjudge customer demand for our products, our business growth and financial performance could be materially and adversely affected, potentially resulting in reduced orders or loss of key customers.

***If we fail to effectively develop our sales and marketing capabilities, we may not expand our customer base and market share, which could materially and adversely affect our business, financial condition, and results of operations.***

Our ability to grow our customer base and achieve broader market acceptance of our products depends largely on the effectiveness and scalability of our sales and marketing efforts. Efficient deployment of our sales and marketing resources and continued enhancement of our sales capabilities are critical to driving revenue growth and market penetration. Therefore, we plan to continue to invest in expanding our sales network. We cannot assure you that such investment will bring about positive impact on our customer base expansion or customer stickiness that is sufficient to recoup such investment. If our sales and marketing initiatives do not achieve the desired results, our business, financial condition, and results of operations may be materially and adversely affected.

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***Failure to maintain effective product quality control management may adversely affect our business, financial condition, and results of operations.***

We rely on our quality control system to ensure that our flooring products meet the specifications and quality requirements of our customers. Our production process involves multiple key stages, including raw material mixing, stabilization, lamination, cutting, inspection, and packaging, all of which require effective implementation of internal quality control procedures. We cannot assure you that our quality control system will continue to operate effectively or that defects will not occur. Any significant failure or deterioration in our quality control system, including failures in raw material mixing, lamination, stabilization, cutting, inspection, and packaging, may result in substandard or defective products being delivered to customers. Such incidents may damage our reputation among existing or potential customers and may lead to order reductions, product returns, claims, or even loss of key customers. Any of these events could materially and adversely affect our business, financial condition, and results of operations.

***Our production operations are exposed to risks of equipment failure or breakdowns, which could result in production interruptions and reduced output.***

We rely heavily on the use of machinery and equipment for our production, which may malfunction or break down during ordinary use. Any failure, substandard performance, or unexpected disruption — such as power outage — could interrupt or delay our operations, affect our production schedule, and impair our ability to deliver products to our customers on time. The stable operation of our machinery is critical to our business, and we cannot assure you that our production facilities will continue to operate reliably, or that we would be able to obtain timely repairs or replacements with comparable performance in the event of equipment failure. Furthermore, any prolonged disruption may also reduce our production capacity and utilization rate, which in turn may negatively impact our revenue, gross profit margin, and overall profitability. Such incidents could disrupt our production, require significant repair or replacement costs, and adversely affect our business, financial condition, and results of operations.

***If we are unable to effectively manage our inventory or maintain optimal inventory levels, our inventory may suffer from obsolescence or shortages, and our business, financial condition, and results of operations may be adversely affected.***

As of December 31, 2023 and 2024 and September 30, 2025, our inventories were RMB167.1 million, RMB310.5 million, and RMB194.4 million, respectively. In 2023 and 2024 and for the nine months ended September 30, 2025, our average inventory turnover days were 57.7 days, 115.3 days, and 90.2 days, respectively. We continuously upgrade our flooring products and introduce new offerings in response to evolving market needs, which require effective inventory management. However, we cannot assure you that our demand forecasts will accurately reflect actual market conditions. Significant or unexpected shifts in market demand may reduce the accuracy of our forecasts and affect the effectiveness of our procurement and inventory management practices. Factors such as new product launches, rapid product cycles, pricing changes, product defects, promotional activities, and shifting customer preferences may also lead to unpredictable purchasing behavior and deviations from our expectations.

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In addition, our international operations involve long-distance transportation and long lead times, which make it more difficult for us to react promptly to market changes and demand fluctuations. Ineffective inventory management may lead to inventory obsolescence, write-downs or write-offs, and may tie up substantial working capital. Conversely, underestimating demand or delays in raw material supply may result in inventory shortages, missed sales, higher procurement costs to secure urgent production, delivery delays, and loss of customer orders. If we are required to lower prices to accelerate inventory turnover, or to procure raw materials at higher prices to meet customer orders, our profit margins may be adversely affected. Any of these factors could materially and adversely affect our business, financial condition, and results of operations.

***We rely on information technology systems in managing our operations and any system failure or deficiency of such systems may adversely affect our business, financial conditions, and results of operations.***

We rely extensively on information technology systems, some of which are supported by third party vendors including cloud-based systems or other managed service providers, to manage and operate our business. We invest in new information technology systems designed to improve our operations. We may have failures of these systems in the future. If these systems cease to function properly, if these systems experience security breaches or disruptions or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have a material adverse impact on our cash flows, financial condition, and results of operations.

We may be subject to information technology system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our internet services, interfering with customer transactions, or impeding the delivery of our products. These events could materially and adversely affect our business, financial condition, and operating results.

***We do not have long-term purchase commitments from most of our customers, which expose us to potential volatility in our sales and revenue.***

We do not have long-term purchase commitments from most of our customers, and orders and prices are typically confirmed on a purchase-order basis. We cannot assure you that future order volumes or selling prices will be consistent with our track record or expectations. Cancellations, reductions, or postponements of purchase orders by a major customer, or by multiple customers, could adversely affect our production planning, cash flows, and revenue. The absence of long-term purchase commitments with pre-determined prices also exposes our selling prices to fluctuations.

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*We face legal, reputational, and financial risks from any failure to protect our customers and ourselves from cybersecurity incidents, breaches, or attacks.*

Our business operations involve activities related to data, including the collection, use, storage, retention, disclosure, and other processing of data. As such, we are subject to data security laws, such as the Law on Personal Data Protection 2025 and Decree No. 356/2025/ND-CP guiding the Law on Personal Data Protection 2025 in Vietnam. See “Regulatory Overview — Laws and Regulations in Vietnam — Regulations in Relation to Data Privacy”.

Our information technology systems may be subject to computer viruses or other malicious codes, unauthorized access attempts, phishing, and other cyberattacks. We continue to assess potential cybersecurity threats and invest in measures to prevent them, including network and system monitoring, skills and employee training, and enhancements to our security policies. However, cyberattack techniques evolve quickly and may remain undetected for extended periods, making it challenging to anticipate or implement adequate preventative measures. Although we have not experienced any material impact on our business or operations to date, we cannot guarantee that our security efforts will prevent future breaches or failures of our information systems. Any malfunction, disruption, or unauthorized access to the information technology systems or networks we rely on, or any failure of our business continuity plans to address such incidents in a timely manner, could expose us to reputational, competitive, and business harm, as well as litigation and regulatory actions, including administrative penalties. The costs and operational consequences of responding to cybersecurity incidents and implementing remediation measures could also be significant.

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

We may be exposed to fraud, bribery, or other misconduct committed by our employees, suppliers, customers, or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious activities in a timely manner or at all. Bribery, including acceptance of kickbacks, or other illegal benefits or gains by our employees or third parties, such as our suppliers, in our ordinary course of business, may be difficult to detect or prevent, and the precautions we take to detect and prevent such activities may not be effective. In addition to potential financial losses, misconduct of our employees or third parties could subject us to third-party claims and regulatory investigations. Our failure to detect and prevent fraud, bribery, and other misconduct may materially and adversely affect our reputation, business, financial condition, and operating results. However, there is no assurance that our enhanced measures can be adequate for us to detect and prevent the fraud or other misconduct, either previously conducted or may occur in the future, by our current or former employees or by third parties.

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***Any increase in the prices of electricity or by shortages of electricity supplies may adversely affect our business, financial condition, and results of operations.***

We use a substantial amount of electricity in our production process. Accordingly, any shortage or interruption in the supply of electricity could disrupt our operations and increase our production costs, and any increase in electricity prices could raise our operating costs and weaken the price competitiveness of our flooring products. In 2023 and 2024 and for the nine months ended September 30, 2025, our electricity costs were RMB40.0 million, RMB40.3 million, and RMB31.0 million, which accounted for 3.1%, 4.4% and 3.5% of our total operating costs, respectively. A significant increase in electricity prices would increase our monthly electricity expenses and impose pressure on our liquidity. We cannot assure you that electricity prices will remain stable in the future or that any volatility will not have a material impact on our operating costs.

In addition to price fluctuations, our operations are also exposed to risks of power shortages or outages. This risk is particularly relevant to our production facilities in Vietnam, where industrial parks have occasionally experienced electricity rationing or unstable power supply during peak seasons. Any electricity shortage, outage, or curtailment may force us to suspend or reduce production, delay delivery schedules, decrease production volumes, and negatively impact our revenue and profitability. While we have not experienced any material electricity shortages during the Track Record Period, we cannot assure you that we will not experience such shortages in the future, or that any such shortages would not have a material adverse effect on our business, financial condition, and results of operations.

***We may not be able to adequately protect our intellectual property rights, and we may be exposed to intellectual property infringement or misappropriation claims.***

We regard our trademarks, copyrights, patents, domain names, know-how, proprietary technologies, and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality, invention assignment, and non-compete agreements with our employees and others, to protect our proprietary rights. We may become an attractive target to counterfeiting and intellectual property theft activity. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented, or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

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It is often difficult to register, maintain and enforce intellectual property rights. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment, and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We can provide no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

Various other issues may arise with respect to our intellectual property portfolio. We may not have sufficient intellectual property rights in all countries and regions where unauthorized third-party copying or use of our proprietary technology may occur and the scope of our intellectual property might be more limited in certain countries and regions. Our existing and future patents may not be sufficient to protect our products, technologies, or designs, and may not prevent others from developing competing products, technologies, or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

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

During the Track Record Period, certain of our customers settled their payments with us through third-party payors. In 2023 and 2024 and for the nine months ended September 30, 2025, the amount of third-party payments accounted for 0.6%, 0.6%, and 0.4% of our total revenue, respectively.

We might be subject to various risks relating to such payment arrangements, such as possible claims from such payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors, and potential money laundering risks as we, in certain occasions, may have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend substantial financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payments for the products that we sold. As a result, our business, financial condition, and results of operations may be adversely affected. For further details, please see section headed “Business — Third-Party Payment Arrangements” in this document.

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***We had net operating cash outflow and net current liabilities in the past, which may continue in the future.***

We had net operating cash outflow and net current liabilities in the past. In 2024, we had net operating cash outflow of RMB41.5 million. As of December 31, 2023 and 2024, we had net current liabilities of RMB66.3 million and RMB30.3 million, respectively. Although we had net operating cash inflow for the nine months ended September 30, 2025 and net current assets as of September 30, 2025, we cannot assure you that we will not experience net operating cash outflow or net current liabilities in the future, which may expose us to liquidity risk. Our future liquidity and ability to settle trade and other payables will largely depend on our ability to generate adequate cash inflows from our operating activities, which is affected by various factors some of which are beyond our control, such as changes in international trade landscape or competitive dynamics in the industry. If we cannot effectively maintain or achieve growth in our sales, or if we otherwise experience a shortage in cash flow generated from operations, our liquidity position may be materially and adversely affected, which in turn may materially and adversely affect our business, financial condition, and results of operations.

***We may incur additional costs to address any environmental, social, and corporate governance risks, which may materially and adversely affect our financial performance.***

To identify, manage, and mitigate environmental, social, and corporate governance (“ESG”) risks, we may incur additional costs and expenses which could impact our financial performance. For instance, we acknowledge the potential environmental impact associated with sourcing our products. The manufacturing process of our contract manufacturers consumes a substantial amount of energy and exerts pressure on environmental protection efforts. As a result, to address this impact, we may need to prioritize sustainable practices throughout our supply chain, which may involve implementing energy-efficient measures and collaborating with our suppliers to explore the use of eco-friendly materials. This commitment may entail incurring substantial additional costs and potentially impact our profitability. See “Business — Environmental, Social, and Corporate Governance”.

In addition, the increasing ESG-related regulatory requirements, including various ESG disclosure mandates in the jurisdictions where we operate, may lead to rising compliance costs and cost of sales may rise. Failure to adapt to new regulations or meet evolving industry expectations and standards could result in consumers choosing products from other companies, which may materially and adversely affect our business, financial conditions, and results of operations.

***The change or discontinuation of any preferential tax treatments, export tax rebates refund, or government subsidies could adversely affect our business, financial conditions, and results of operations.***

The PRC EIT Law imposes a tax rate of 25% on business enterprises. Our Company and certain of our subsidiaries are entitled to preferential tax treatment. For example, we were approved as high-tech enterprises and were subject to a preferential corporate income tax rate of 15% during the Track Record Period. We also enjoy various other preferential tax incentives, including additional deduction for research and development expenses, tax reductions for hiring retired soldiers and certain other key groups, investment tax credits for eligible environmental protection equipment, and small-scale enterprise income tax reductions applicable to certain subsidiaries in prior years. Our Vietnam subsidiary is entitled to certain preferential corporate income tax treatments granted by the local government.

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However, many of these preferential treatments are subject to periodic review, annual qualification, or changes in government policy. For example, the high-tech enterprise qualification will be subject to renewal, and we cannot assure you that we will continue to satisfy the renewal requirements or remain eligible for such preferential tax rate in the future. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with mainland China tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to mainland China tax laws and regulations and tax penalties or fines could affect our business, financial condition, and results of operations.

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

In addition, we received export tax refunds and government grants in recent years, the availability and level of which may vary from period to period. These refund rates and subsidy policies are subject to change, reduction, or cancellation by the relevant authorities from time to time. We cannot assure you that we will continue to receive export tax refunds or government grants at the same level, or at all, in the future. Any decrease, delay, or discontinuation of such tax refunds or government incentives could increase our costs, reduce our profitability, and adversely affect our financial condition and results of operations.

***We may have limited insurance coverage and may be subject to liabilities resulting from potential operational risks and losses that may not be covered by our insurance policies.***

We maintain insurance coverage in respect of areas where we consider our business to be exposed to significant risks, including employer’s liability insurance, property insurance for our key facilities and assets, and export credit insurance for our business operations. While we believe these policies provide coverage for the principal risks associated with our operations, we cannot assure you that our insurance coverage will be adequate to cover all potential losses. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages, and liabilities. We cannot guarantee that our insurance coverage is sufficient to cover potential losses. Any risk that is not adequately covered by insurance may have an adverse effect on our business, financial condition, and results of operations.

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## RISK FACTORS

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*Our sales and results of operations are subject to seasonal fluctuations.*

We experience seasonal fluctuations in our business. Our sales are influenced by seasonal patterns, with order volume increasing in the lead-up to the fourth quarter and festive seasons, such as Christmas. In the first quarter, the sales tend to be relatively slow due to numerous holidays. Our business is usually busy in the second quarter but generally less so in the third quarter. We expect these seasonal patterns to continue in the future. As a result, comparisons of our operating results between different quarters within a fiscal year, or across fiscal years, may not necessarily be meaningful and may not accurately indicate our future performance.

*Our business growth, financial condition, and prospects may be affected by any future occurrence of force majeure events, such as changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, social disruption, acts of war, and other outbreaks.*

Our business growth could be adversely affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, social disruption, and other outbreaks. Outbreaks of infectious diseases, natural disasters, or other disruptive events could interrupt our production, disrupt our supply chain and logistics, or reduce customer demand. Events such as floods, earthquakes, typhoons, or fire may damage our facilities or delay manufacturing and delivery schedules. Social disruptions, acts of war, terrorism, or other force majeure events may further impact our operations. Any such events could materially and adversely affect our business, financial condition, and results of operations.

### **RISKS RELATING TO DOING BUSINESS IN JURISDICTIONS WHERE WE OPERATE**

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

As we mainly conduct our business operations in China and Vietnam, our business, financial condition, results of operations and prospects could be affected by local economic, social, and legal policies. In addition, with the social development, the relevant laws, rules and regulations may be amended from time to time, and their interpretation and implementation will be determined accordingly. Any of the foregoing, including non-compliance with any existing or new laws, rules, and regulations, would materially and adversely affect our business, financial condition, results of operations.

*Changes in existing laws and regulations or additional or stricter laws and regulations on environmental protection in China and Vietnam may cause us to incur additional capital expenditures.*

Our operations in China and Vietnam are subject to a wide range of environmental laws and regulations governing, among other things, the discharge of pollutants into the environment. These laws and regulations have become increasingly stringent in recent years and may continue to tighten. We may be required to obtain additional licenses or approvals to conduct certain activities, and non-compliance may result in significant costs, fines, remediation obligations, injunctions, or, in some cases, criminal liabilities. Certain environmental statutes impose strict liability, under which parties may be held responsible for environmental damage regardless of fault.

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## RISK FACTORS

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Compliance with, or violations of, existing or future environmental laws and regulations may require substantial capital or operating expenditures and increase our compliance costs and potential liabilities. Any changes in the interpretation or enforcement of such laws could further heighten these risks. As a result, our business, financial condition and results of operations may be adversely affected.

***We are subject to health and safety laws and regulations in China and Vietnam, and any failure to comply could adversely affect our operations.***

We are required to comply with applicable production safety and occupational health standards under laws and regulations. Our production plants and facilities are subject to periodic inspections by the relevant authorities, and we are required to maintain safe working conditions and provide employees with appropriate safety training, protective equipment and, where applicable, regular health examinations. Failure to meet these requirements may result in warnings, orders to rectify non-compliance within a prescribed period, fines, or, in more serious cases, suspension or cessation of production. Any such events could materially and adversely affect our business, financial condition, and results of operations.

***Any failure to comply with the PRC regulations regarding contribution of social insurance premium or housing provident fund may subject us to fines and other legal or administrative penalties.***

Pursuant to relevant PRC laws and regulations, employers are obligated to duly contribute to the social insurance and housing provident fund for their employees. During the Track Record Period, we did not make social insurance and housing provident fund contributions for some of our employees in full. As advised by our PRC Legal Advisor, pursuant to applicable PRC laws and regulations, if an employer fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. Additionally, pursuant to applicable PRC laws and regulations, if the employer fails to register and establish an account for housing provident fund contributions, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall result in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a court in China for compulsory enforcement.

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## RISK FACTORS

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Furthermore, pursuant to the Interpretation II of the Supreme People’s Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) promulgated on July 31, 2025 and effective as of September 1, 2025, if the employer and its employee agree or the employee undertakes that social insurance contributions need not be paid, the People’s Court shall deem such agreement or undertaking invalid. Furthermore, where the employer fails to pay social insurance contributions in accordance with the applicable laws, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to the Labor Contract Law of the PRC, the People’s Court shall support such claims. See “Regulatory Overview — Regulations on Employment and Social Welfare — Social Insurance”. As of the Latest Practicable Date, we had not received any notice from the relevant government authorities or any claim or request from these employees in this regard. However, we cannot assure you that we will not receive any complaint or demand for social insurance or housing provident fund contribution from our employees, or that the relevant PRC authorities will not require us to make additional social insurance and housing provident fund contributions. If such circumstances occur, our business, financial condition, and results of operations may be adversely affected.

***Any labor shortages, increased labor costs, or other factors affecting our labor force may materially and adversely affect our business, financial condition, results of operations, and our business prospects.***

Our production operations rely on a stable supply of skilled labor. Labor shortages arising from intensified competition for workers, demographic shifts, regional mobility constraints, or disruptions during peak production seasons could limit our ability to maintain adequate staffing levels. Any such shortages may result in higher labor costs, reduced production efficiency, delays in fulfilling customer orders, or increased reliance on temporary labor, all of which may adversely affect our operations.

Additionally, we have been subject to regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance, and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), or the Labor Contract Law, effective on January 1, 2008, its amendment effective on July 1, 2013, and its implementing rules effective on September 18, 2008, employers are subject to the requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees’ probation, and unilaterally terminating labor contracts. If we decide to terminate some of our employees or otherwise change our employment or labor practices, we may incur certain costs to deal with such termination or changes in compliance with the Labor Contract Law and its amendments, which may adversely affect our business and results of operations. As of the Latest Practicable Date, our employment practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose fines on us. As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice may always be in compliance with labor-related laws and regulations in a timely manner. If we are deemed to have violated relevant labor laws and regulations, we may be subject to labor disputes or government investigations, and we may be required to provide additional compensation to our employees and our business, financial condition, and results of operations could be materially and adversely affected.

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## RISK FACTORS

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*We may be subject to the approval, filing, or other requirements of the CSRC or other PRC government authorities with respect to the [REDACTED] and [REDACTED].*

On February 17, 2023, with the approval of the State Council, the CSRC promulgated the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines (the “**Overseas Offering and Listing Trial Measures**”), which came into effect on March 31, 2023. According to the Overseas Offering and Listing Trial Measures, PRC domestic companies that seek to offer and list securities overseas, directly or indirectly, should fulfill the filing procedure and report relevant information to the CSRC. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. See “Regulatory Overview — Regulations on Securities and Overseas Listings — Overseas Listings”.

Pursuant to the foregoing, we are required to comply with the filing procedures of the CSRC. It is uncertain whether we can, or how long it will take us to, complete filings procedures in connection with the [REDACTED] and [REDACTED]. The Overseas Offering and Listing Trial Measures, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

*Regulatory control over capital inflow or outflow, currency conversion, and fluctuations in exchange rates may affect the value of your [REDACTED], result in [REDACTED] losses, and limit our ability to utilize our cash effectively.*

We receive a significant portion of payments from our overseas operations in U.S. dollars and may need to convert such funds into other currencies for purposes including the payment of dividends, if any, to our shareholders and the funding of our operations outside of China. The convertibility of U.S. dollars into other currencies and, in certain cases, the remittance of foreign currencies out of China and Vietnam are subject to regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to meet dividend payments or other obligations denominated in foreign currencies.

Under currently effective PRC foreign exchange regulations, payment of current account items can be made in foreign currencies without prior approval while prior registration and other procedures with competent government authorities are required where Renminbi is to be converted into foreign currency and remitted out of the Chinese Mainland to pay capital expenses. In the territory of Vietnam, all transactions, payments, displays of prices, advertisements, quotations, pricing, and price writing in contracts and agreements and other similar forms (including conversion or adjustment of prices of goods or services, value of contracts or agreements) must not be conducted in any foreign currency except for limited cases provided by the law. See “Regulatory Overview — Regulations on Foreign Exchange” and “Regulatory Overview — Laws and Regulations in Vietnam — Regulations in Relation to Foreign Exchange Control”. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Any existing and future requirements on foreign exchange may limit our ability to fund any future business activities that are conducted in foreign currencies.

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## RISK FACTORS

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

Under applicable PRC tax laws, regulations, and statutory documents, non-resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-resident individuals are generally subject to individual income tax under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) with respect to the aforesaid gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. Where, under the circumstance of withholding at source or designated withholding, non-resident taxpayers determine through self-assessment that they are eligible for and need to claim treaty benefits, they shall fill out an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits and submit it to their withholding agents. If a non-resident taxpayer fails to submit an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits to the withholding agent or the information entered is incomplete, the withholding agent shall withhold taxes in accordance with the provisions of domestic tax laws.

Non-PRC resident enterprises that do not have establishments or place of business in the PRC, or that have establishments or place of business in the PRC but their income is not related to such establishments or place of business, are subject to the PRC enterprise income tax at the rate of 10% on dividends received from the PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents. Taxes may be reduced or eliminated under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares. Entitlement to treaty benefits for non-resident taxpayers shall be handled by means of “self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference”. Non-resident taxpayers and withholding agents need to cooperate with PRC tax authorities in the follow-up administration and investigation of non-resident taxpayers’ entitlement to treaty benefits.

Notwithstanding the above, PRC tax authorities determine whether and how individual income tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected in accordance with applicable laws and regulations in China. Non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC tax on the dividends received from us and gains realized through sales or transfers by other means of the H Shares.

## RISK FACTORS

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

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

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

### *The service of legal process or the enforcement of judgments rendered by courts outside the Chinese Mainland in respect of us and our Directors and management shall comply with the statutory procedures and requirements in the Chinese Mainland.*

We are a company established under the PRC laws and majority of our assets are located in the Chinese Mainland. In addition, most of our directors and senior management reside in the Chinese Mainland. [REDACTED] outside the Chinese Mainland must note that the service of legal process or the enforcement of judgments rendered by courts outside the Chinese Mainland in respect of us or our management would be subject to the legal procedures and requirements of the Chinese Mainland. Recognition and enforcement of a judgment issued by courts of other jurisdictions must comply with relevant laws, regulations and judicial practices of the Chinese Mainland. Currently, the Chinese Mainland has entered into treaties on reciprocal recognition and enforcement of judgments with certain jurisdictions, and the Chinese Mainland courts may recognize and enforce foreign judgments in accordance with applicable legal provisions on a case-by-case basis.

## RISK FACTORS

On July 14, 2006, the Supreme People’s Court and the Hong Kong Government signed the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2008 Arrangement**”). Under the 2008 Arrangement, where any designated court of the Chinese Mainland or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of the Chinese Mainland or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People’s Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which came into effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the Chinese Mainland. The 2019 Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the 2019 Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the Chinese Mainland even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the Chinese Mainland, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the 2019 Arrangement.

### **RISKS RELATING TO THE [REDACTED]**

*There has been no prior [REDACTED] market for our H Shares, and an active [REDACTED] market for our H Shares may not develop or be sustained.*

Prior to the completion of the [REDACTED], there has been no [REDACTED] market for our H Shares. There can be no guarantee that an active [REDACTED] market for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our H Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] price of our H Share may drop below the [REDACTED] at any time after completion of the [REDACTED].

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## RISK FACTORS

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

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

*Our controlling shareholders has significant influence over our Company, and their interests may not be aligned with the interest of our other shareholders.*

Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay, or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the H Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

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

The [REDACTED] price of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of our H Shares or other securities relating to our H Shares in the [REDACTED] market by our Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue Shares pursuant to any existing or future share option incentive schemes, which would further dilute our shareholders’ interests in our Company. New Shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by H Shares. Market sales of shares by such Shareholders and the availability of these shares for future sales may adversely affect the [REDACTED] price of our H Shares.

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## RISK FACTORS

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

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

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

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

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

## RISK FACTORS

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information, and other matters. The words “aim”, “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “might”, “plan”, “seek”, “will”, “would”, “should”, and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity, and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Therefore, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and [REDACTED] should not place undue reliance.