

RISK FACTORS

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 making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your [REDACTED].

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We face competition within the broader dairy market and in specific segments such as infant formula and special medical-purpose foods, and slower industry growth may further intensify competitive pressures and adversely impact our business, financial condition, and results of operations.

We face competition within China’s goat and sheep milk powder market, and increased competition coupled with slower market growth could adversely impact our business, financial condition, and results of operations. China’s goat and sheep milk powder market is moderately concentrated, dominated primarily by several established brands with strong market positions. Within this competitive environment, we operate in highly specialized and rapidly evolving segments, including goat/sheep milk infant formula and FSMPs. Our competitors range from large multinational dairy corporations and prominent domestic companies to emerging brands, many of which possess substantial financial resources, strong brand recognition, established distribution networks, and comprehensive research and development capabilities.

Competition in China’s goat and sheep milk powder market has intensified due to factors including declining birth rates, increasing consumer expectations for product safety and nutritional quality, and ongoing industry consolidation driven by stringent regulatory requirements. The infant milk formula market is expected to experience modest growth, driven by continued premiumization and rising consumer demand for specialized nutritional products.

Our goat/sheep milk infant formula products specifically target infants and children with heightened sensitivities to conventional dairy products, competing directly with both domestic brands and premium international brands available through traditional retail and cross-border channels. Additionally, the specialized FSMP segment, which targets medically vulnerable consumers, is currently dominated by established international brands supported by robust clinical research, regulatory expertise, and extensive medical endorsements. Our ability to maintain and expand our market position in these highly sensitive segments depends critically on our continuous demonstration of product efficacy, stringent adherence to clinical and regulatory standards, and our ability to secure trusted medical endorsements.

Moreover, we face indirect but intensifying competition from cross-border channels, such as overseas e-commerce platforms and individual shopping agents, allowing Chinese consumers convenient access to international dairy brands. Increased availability and preference for these foreign-branded products could significantly diminish domestic demand for our products.

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If industry growth further decelerates or experiences a decline due to the aforementioned demographic, regulatory, and competitive challenges, we may encounter increased difficulty in preserving our market share, executing effective premium pricing strategies, or meeting our strategic expansion targets. Any inability to adequately respond to these competitive pressures could necessitate reducing prices, increasing promotional expenditures, or experiencing decreased sales volume and profitability, all of which could materially and adversely impact our financial condition, results of operations, and future growth prospects.

Disruption of our production operations may materially and adversely affect our business, financial condition and results of operations.

Our ability to reliably procure raw materials, efficiently produce, package, distribute, and sell our products is essential to our business. Any damage to or disruption at our dairy farms, production facilities, supply chain, or logistics networks could significantly impair our ability to meet customer demand, fulfill orders, and maintain continuous operations. Potential disruptions include adverse weather conditions, natural disasters, utility interruptions, equipment failures, fires, labor disputes or strikes, livestock diseases, pandemics, or other force majeure events. Given the temperature-sensitive and precision-controlled nature of dairy production, interruptions to electricity, water supply, or other utilities could immediately impact our operational efficiency, product quality, and production capacity.

We currently have nine production facilities located in China, South Korea, and Spain, as well as self-operated dairy farms in China. However, our business remains susceptible to operational interruptions if key facilities or dairy farms experience unexpected closures, quarantines, or logistical bottlenecks. Certain production processes critical to our products rely heavily on specialized equipment and skilled personnel. These processes, including spray drying and microencapsulation, are particularly vulnerable to mechanical breakdowns, human error, or technical failures. Any interruption in these critical processes could severely disrupt our production capabilities.

Moreover, our operational continuity relies on a timely and sufficient supply of essential raw materials, such as sheep milk, whey protein, base powder, oil blends, and packaging materials. We procure these materials from internal production and third-party suppliers. Disruptions in global or domestic supply chains could significantly impact our production schedule, increase costs, and jeopardize timely product delivery. This would harm our ability to fulfill customer orders, maintain market share, and uphold our reputation for consistent product quality. Consequently, our business, financial condition, and results of operations may be materially and adversely impacted.

Product contamination, whether actual or alleged, could materially and adversely affect our brand reputation, sales, customer relationships, financial condition and results of operations.

Our business involves significant risks that our dairy products may become, or may be perceived as, contaminated or defective at various stages, including procurement, transportation, production, packaging, storage, or distribution. Potential sources of contamination include microbial pathogens, chemical residues, allergens, and foreign substances introduced through human error, equipment failure, misconduct by third parties, or other events beyond our control.

We procure raw milk and dairy-based ingredients from our self-operated dairy farms and selected third-party suppliers. We cannot assure you that contamination or quality issues with these raw materials will not occur. Hazardous substances, including emerging contaminants, may also not be detectable using existing testing technologies or inspection protocols, increasing product safety risks. Our product portfolio covers a wide range of categories and consumer groups, including products for children, pregnant women, and elderly individuals. Many of these customers are highly sensitive to safety risks, and even minor contamination or perceived quality issues could trigger severe market reactions.

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In addition to operational risks, public trust in dairy products has been significantly affected by past domestic and overseas contamination incidents. Even though such incidents occurred prior to our current operations and did not involve our products, any renewed adverse publicity, whether related to our peers, unrelated third parties, or the industry at large, may reignite consumer scepticism toward milk-based nutrition products, especially those targeting vulnerable populations such as infants and toddlers. Consequently, any contamination event involving our products, or even unsubstantiated allegations, could require large-scale product recalls, destruction of affected inventory, refunds or compensation to consumers, and significant costs associated with remediation and regulatory compliance. These disruptions could damage our brand, disrupt distribution channels, erode consumer confidence, and materially reduce our market share.

We may also be exposed to product liability claims involving personal injury, illness, or death allegedly caused by our products. These claims may result in significant financial liability, negative publicity, litigation expenses, and diversion of management attention. Under the Food Safety Law of the PRC (《中華人民共和國食品安全法》) and the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), we are subject to strict liability standards and regulatory scrutiny. If we fail to adequately prevent, detect, or respond to contamination incidents or food safety issues, our business, financial condition, and results of operations could be materially and adversely impacted.

Volatility in the prices and quality of raw materials may materially and adversely affect our cost structure, profitability and results of operations.

Raw materials represent a substantial portion of our overall procurement costs and significantly impact our profitability. For the years ended December 31, 2023, 2024, and 2025, the cost of raw materials amounted to RMB543.2 million, RMB583.9 million, and RMB618.1 million, respectively. Given our reliance on external procurement, our cost structure is highly vulnerable to fluctuations in raw material prices.

During the Track Record Period, our goat/sheep milk infant formula products contributed over 50% of our total revenue. We generally procure most of our key raw materials for our goat/sheep milk infant formula products, including sheep whey liquidity, demineralized goat whey powder and raw sheep/goat milk, from overseas suppliers in Spain. For further details, please refer to “Business — Suppliers and Procurement” in this document. As a result, our procurement is subject to volatility arising from changes in international commodity prices, shipping and logistics costs, tariffs, import clearance delays, and other geopolitical and macroeconomic factors. Our exposure to global supply chains also makes us vulnerable to events such as regulatory tightening, sanctions, changes in customs inspection protocols, or shifts in trade policies in or between our sourcing and destination markets.

In recent years, global supply disruptions, increased cross-border regulatory scrutiny, and rising commodity prices have collectively driven greater uncertainty in international procurement. For example, the continued volatility in global dairy ingredient markets, including fluctuations in the cost and availability of premium goat/sheep whey-based ingredients, has posed pricing pressure on producers in China’s infant milk formula and special medical-purpose nutrition product markets. Reliance on imported nutritional ingredients remains a defining feature of China’s high-end dairy market, particularly for products positioned around safety, efficacy, and nutritional performance.

We also face risks related to the quality and consistency of externally procured raw materials. Variability in ingredient quality, batch-to-batch consistency, or contamination may affect our ability to meet regulatory, product safety, and formulation requirements. Deficiencies in quality may only become apparent during processing or after receipt, potentially resulting in production delays, product recalls, or regulatory exposure. As we scale our production and expand into new product categories and markets, ensuring stable and reliable sourcing of raw materials will remain critical to our operational integrity and commercial performance.

If any of these incidents or issues occur, it could materially and adversely affect our business, financial condition, and results of operations.

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Disruptions or delays in customs clearance, import procedures, or international logistics for raw materials and semi-finished goods may materially and adversely affect our production and cost structure.

We rely on a range of imported dairy-based raw materials and semi-finished ingredients including goat/sheep whey, imported bulk whole milk powder, and specialty fats for the manufacturing of our infant formula and dairy nutritional products. These core materials are primarily sourced from suppliers in Spain and other European countries.

As of the Latest Practicable Date, most of our imported ingredients are cleared through PRC customs by third-party domestic trading companies engaged by us. These trading companies are responsible for executing a range of import-related procedures, including customs declaration, regulatory document submission, quarantine coordination, and compliance verification with respect to applicable food safety and origin requirements. Any failure or delay in these procedures, whether due to documentation errors, policy tightening, regulatory non-conformance, or inefficient handling, may delay inbound shipments, disrupt our production schedule, and result in elevated warehousing, compliance, or emergency sourcing costs.

In addition to trading company performance, we are exposed to cross-border procurement risks including domestic or international regulatory and tariff changes, freight and supply chain disruptions, geopolitical and trade policy shifts, and sourcing interruptions from diseases, natural disasters or logistical issues. If we are unable to ensure smooth, compliant, and cost-effective importation of critical raw materials, our production planning, inventory control, cost structure, and financial results could be materially and adversely affected.

Increases in feed prices and disturbances to our feed supply could adversely affect our business and results of operations.

Our dairy farming operations depend on stable supplies of certain animal feed, such as silage corn (青貯玉米) and soybean meal. Silage corn is locally sourced and cultivated within China, primarily from locations such as Shandong and Heilongjiang where our farming facilities are situated. Soybean meal is also generally procured from domestic suppliers.

In recent years, the costs of essential feed ingredients have been subject to increased volatility due to a combination of domestic and international market pressures. While geopolitical factors such as tariffs might impact our imported raw materials, the prices of domestic feed crops are also affected by fluctuations in local land rents. Factors beyond our control — including global commodity price movements, adverse weather conditions, regulatory adjustments, or shifts in trade policies — could further intensify pricing pressures and potentially disrupt our supply chain.

Any future interruptions in our feed supply or continued price escalation may impair our ability to secure sufficient quantities of feed at acceptable costs or within reasonable timelines. This could directly disrupt our dairy farming operations, reduce our raw milk output, and increase our production costs significantly.

The quality and supply of goat/sheep whey powder and dairy inputs are subject to various uncertainties that may materially and adversely affect our production capacity, product quality, cost structure, and long-term growth prospects.

Our business relies heavily on the stable availability and consistent quality of dairy-based ingredients used in our infant formula and other products. Both the quality and volume of dairy we produce or procure are influenced by seasonal yield patterns and external environmental conditions. Goat/sheep milk production is inherently cyclical and varies by geography. For example, yield of goat/sheep milk typically declines from July to December. These fluctuations can affect the supply availability, fat and protein content, and microbiological stability of milk, which may in turn impact

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the consistency, safety, and cost of our finished products. Any adverse seasonal or environmental conditions that lead to reduced milk yield or degraded raw material quality could negatively affect our production efficiency and increase our cost of goods sold.

In addition to seasonal supply risks, the continued expansion and productivity of our self-operated dairy farms depend on access to reliable breeding inputs. Our ability to maintain and scale up our raw milk supply is contingent on securing sufficient quantities of genetically superior breeding livestock. And we may need to acquire additional livestock or genetic materials from third-party domestic or overseas sources. If we are unable to source suitable breeding goats/sheep, we may face limitations in expanding herd size, improving dairy goat/sheep production performance, or enhancing overall production efficiency.

Any major outbreak of disease among dairy livestock could materially and adversely affect our raw milk supply and damage consumer confidence in dairy-based products.

Our business relies on the stable and secure supply of raw milk sourced from dairy cows and goats/sheep through both our self-operated dairy farms and external suppliers in China and abroad. A major outbreak of infectious diseases among dairy livestock such as foot-and-mouth disease, bovine tuberculosis or brucellosis, could lead to large-scale culling of animals, mandatory quarantines, logistical bottlenecks, and veterinary clearance delays. These events could cause significant disruptions across the dairy supply chain, reduce raw milk availability, constrain our production capabilities, and affect the consistency and quality of key dairy ingredients used in our products.

Beyond operational impacts, such outbreaks may trigger widespread public concern over the safety of dairy products, particularly among consumers of infant milk formula, specialized medical-purpose nutrition, and other products intended for sensitive populations. Even if our dairy farms or sourcing partners are not directly affected, heightened media scrutiny or unverified claims relating to livestock health may damage overall consumer confidence in dairy consumption. In such cases, we may face reputational harm, inventory surpluses, and declining sales volumes due to reduced market demand. If we are unable to maintain a stable supply of raw milk or effectively manage consumer response during or after a major livestock disease event, our production efficiency, brand image, revenue, and overall financial performance could be materially and adversely affected.

We may not be able to develop and maintain stable relationships with our distributors, and may have limited visibility over their sales and inventory levels, which could materially and adversely affect our business.

A substantial portion of our revenue is generated through sales to third-party distributors, who form the core of our distribution network. As of December 31, 2025, we engaged over 2,000 distributors across various regions. For the years ended December 31, 2023 and 2024 and 2025, our revenue generated from distributors amounted to RMB1,139.2 million, RMB1,238.2 million and RMB1,248.6 million, respectively.

While these distribution arrangements are instrumental to our market reach, we have limited control over the day-to-day operations of our distributors. Their pricing behavior, promotional practices, channel discipline and compliance with our contractual and regulatory requirements directly affect our brand image and market performance. If any distributor engages in misconduct, such as unauthorized online listings, price dumping, cross-region sales, or misuse of our trademarks, this may damage our reputation, disrupt our price system and harm our retail channel integrity.

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In addition, we may not always be able to obtain timely, complete and accurate data from our distributors regarding their inventory levels and downstream sales. We rely on their cooperation to monitor market demand and product sell-through performance. Limited visibility into distributor-level inventory may lead to demand misjudgement, inventory overstocking or stockouts, particularly during promotional periods or in relation to new product launches. These may in turn cause margin pressure or reputational risk if product freshness or availability is affected.

Our distributors may also carry competing brands in the absent of contractual restrictions. Their failure to prioritize or actively promote our products, or any deterioration of commercial relationships, may result in a loss of revenue or market share. If we are unable to effectively manage, monitor and support our distributor network, our brand value, operational stability and financial performance may be materially and adversely affected.

We face risks of channel stuffing and cannibalization within our distribution network, which could materially and adversely affect our brand positioning, pricing system, and financial performance.

Our distribution model exposes us to structural risks relating to channel stuffing and cannibalization.

Channel stuffing refers to distributors purchasing and holding excessive amounts of inventory, often during promotional periods or new product launches, that exceed realistic sell-through capacity. Such practices distort demand forecasts, inflate short-term sales figures, and may force distributors to liquidate stock at discounted prices or through unauthorized channels. This can disrupt our pricing discipline, create inconsistent market signals, and strain relationships with distributors who are unable to manage excess inventory. In the longer term, channel stuffing can erode consumer confidence if products approach expiration or are sold through uncontrolled channels, which may in turn damage our brand reputation and reduce profitability.

Cannibalization occurs when distributors compete against one another by selling into unauthorized regions, undercutting prices, or overlapping in customer coverage. Distributors may engage in cross-regional sales or price competition, particularly in lower-tier cities and online-to-offline channels. Such practices undermine our ability to maintain a consistent brand image and orderly sales structure, weaken the loyalty of compliant distributors, and dilute the effectiveness of our marketing investments. Over time, intensified cannibalization within the distribution network may reduce our control over pricing, compromise our premium positioning, and negatively affect both revenue and margins.

If we are unable to effectively monitor and manage these risks of channel stuffing and cannibalization within our distribution network, our sales performance, brand value, and financial results could be materially and adversely affected.

We may fail to respond to changes in consumer preferences and trends in a timely or effective manner.

Our business depends in part on our ability to anticipate and adapt to evolving consumer preferences, nutritional awareness, and market trends. Changes in dietary habits, health priorities, or perceptions of ingredient safety and efficacy may influence demand for specific product categories and formulations. In addition, our goat/sheep formula products remain relatively less mature than cow milk-based formulas in terms of overall consumer penetration. Awareness of product attributes, such as digestibility, allergen profile, and nutritional value, is still developing, particularly among first-time parents and older adults. Limited consumer education or slow adoption of such products may reduce their commercial success.

If we are unable to effectively track emerging consumption patterns, educate the market, or innovate in line with evolving preferences, we may face reduced brand relevance, slower product uptake, and weaker performance in our core product offerings. These developments could materially and adversely affect our sales, profitability, and long-term market position.

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Our success depends on market recognition of our brand. Any negative publicity concerning our brand or reputation, regardless of whether it is without merit or immaterial, could adversely affect our business and financial performance.

In the highly competitive and consumer-driven dairy markets in China, our brand plays a central role in influencing purchasing decisions, particularly among sensitive consumer groups such as parents of infants and individuals with special nutritional needs. Our continued growth depends on our ability to maintain and strengthen brand image across both online and offline channels. However, brand value is highly vulnerable to public perception. Any perceived decline in product quality, service standards, or consumer experience may erode brand equity and diminish customer loyalty. In particular, negative publicity, whether substantiated or not, can quickly spread through traditional media, social media platforms, e-commerce reviews, and influencer commentary. Consumer complaints, rumors, or allegations related to our products, marketing practices, or business conduct may damage our brand even if they are later proven to be unfounded.

We cannot assure you that our brand will remain unaffected by future media attention or public discourse. Any negative publicity, whether linked to us or to broader market sentiment, could reduce consumer confidence, weaken our competitive position, and materially and adversely affect our revenue, profitability, and long-term growth prospects.

We may not be able to successfully execute our growth strategy, expand into new markets, or achieve market acceptance for our new products.

To support our business expansion, we plan to broaden our product offerings, deepen market penetration in key regions such as Shandong, Henan, Hebei and Jiangsu, expand into first- and second-tier cities in China, and explore international markets including Korea and Spain through our overseas production facilities.

However, our ability to successfully implement these strategies depends on a number of factors. We may face challenges in building brand recognition in new markets, establishing local distribution networks, and managing higher operating and marketing costs. New products may require consumer education and may not be readily accepted, particularly in markets where consumer preferences differ or where competitors are more established.

Failure to meet storage and transportation requirements for our dairy products may result in quality risks, operational disruption, and reputational harm.

We rely on third-party logistics service providers for the transportation and delivery of our dairy products. For raw milk, we employ dedicated milk transport vehicles and storage tanks that must meet specific licensing, hygiene, and temperature control standards. Any failure by logistics providers to maintain required transport conditions such as inadequate insulation, non-compliant vehicle specifications, or improper cleaning, could result in bacterial contamination, quality degradation, or spoilage. Similarly, delays or mishandling during loading, unloading, or in-transit storage may lead to physical damage, leakage, or premature expiration, increasing the risk of product returns, regulatory non-compliance, or recalls.

Although warehouse storage insurance is generally contractually required to be borne by our domestic logistics partners, the contracts generally do not stipulate that the domestic logistics partners shall buy transportation insurance and thus we remain liable for shipping risks. According to F&S, the practice of not requiring domestic logistics service providers to obtain transportation insurance is consistent with the industry norm. In such cases, logistics performance failures, particularly those affecting temperature-sensitive or time-sensitive dairy products, may disrupt our supply chain, reduce customer satisfaction, and damage our brand reputation.

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If our logistics providers fail to comply with regulatory standards or contractual obligations relating to hygiene, temperature control, or delivery timelines, we may incur additional costs, lose revenue opportunities, or face reputational and regulatory consequences. Such risks could materially and adversely affect our business operations, financial condition, and results of operations.

Our existing and future investments in production facilities, equipment, and technologies may involve execution, financial, and operational risks that could adversely affect our business growth, efficiency, and profitability.

To support our long-term development and enhance our production capabilities, we have implemented certain upgrades and strategic adjustments to our production network. In the future, we may pursue further production-related initiatives, which may include the construction of new facilities, expansion or renovation of existing plants, installation of new equipment, introduction of advanced manufacturing technologies, and upstream integration through investment or cooperation.

We cannot assure you that all such initiatives, whether currently underway or contemplated in the future, will be completed on time, within budget, or achieve their intended results. The success of these initiatives relies on various uncontrollable factors, including delays or difficulties in securing regulatory approvals, material and equipment shortages, cost increases or delays, project adjustments due to market and regulatory changes, operational disruptions during construction, and challenges in recruiting and retaining qualified personnel.

Moreover, any mismatch between our expanded production capacity and future market demand, whether due to shifts in consumer preferences, intensified competition, or macroeconomic conditions, may result in underutilization of new assets or lower-than-expected returns on investment. If we are unable to execute our production upgrades or expansions effectively, or if such investments fail to deliver the expected operational or financial benefits, our business performance, growth trajectory, and profitability could be materially and adversely affected.

The fair value of our biological assets may fluctuate significantly from period to period, causing our results of operations to be highly volatile.

Our biological assets include (i) dairy cows (milkable cows, heifers and calves), and (ii) dairy goats and sheep (lambs, young goats and sheep, breeding goats and sheep, and milkable goats and sheep). Biological assets are measured at fair value less costs to sell, with changes recognized in profit or loss. The feeding costs and other related costs including staff costs, depreciation and amortization charge, utility costs and consumables incurred for raising of heifers and calves as well as lambs, young goats and sheep are capitalized, until such time as the heifers and calves, lambs, young goats and sheep begin to produce milk.

At each reporting date, an independent professional valuer determines fair value using market-based prices or, where market data are not available, the present value of expected net cash flows discounted at a market-determined rate. These measurements involve significant assumptions and unobservable inputs, and small changes in these inputs can materially affect the reported gains or losses. Please refer to “Financial Information — Discussion of Certain Selected Items from the Consolidated Statements of Financial Position — Biological Assets — Valuation methodology” for more details.

Our results have been and may continue to be volatile as a result. For the years ended December 31, 2023 and 2024, and 2025, we recorded changes in fair value less costs to sell of biological assets of RMB(33.5) million, RMB(62.5) million, and RMB(28.6) million, respectively. We cannot assure you that future periods will not record fair value losses or greater volatility due to changes in market conditions or valuation assumptions, which could adversely affect our profit and financial performance. See Notes 2.3 and 18 as set out in Appendix I to this document.

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The fair value of our biological assets may be influenced by several factors, including the assumptions and parameters used in their valuation, as well as changes in the dairy cow, goat, and sheep farming industries. Given the volatility in raw milk prices and herd structure changes, among other factors, these values can fluctuate significantly across reporting periods. Such fluctuations may result in material impacts on our financial position and operating results. Additionally, variations in the disposal price of biological assets can directly affect our profit for the year and result in either gains or losses from changes in their fair value, contributing to greater volatility in our profits. Throughout the Track Record Period, we experienced such fluctuations in both our dairy cow and dairy goat and sheep.

We are subject to inventory-related risks, particularly in relation to inventory turnover, demand forecasting, product shelf life and distribution visibility.

Our inventory primarily consists of raw materials, work in progress, finished goods, packaging materials, and consumables. For the years ended December 31, 2023, 2024 and 2025, our inventory turnover days were 296 days, 307 days and 304 days, respectively. The relatively long inventory turnover period increases the likelihood of overstocking, which can result in product expiry, obsolescence, or write-downs. Additionally, our reliance on third-party distributors to report inventory levels may result in misalignment between actual consumer demand and our internal forecasts, leading to heightened inventory pressure or slow-moving stock.

The potential for inventory write-downs or obsolescence is particularly relevant during promotional cycles, new product launches, or when demand fluctuations are not adequately anticipated. If inventory turnover continues to be slow or if we fail to manage raw material stock effectively, we may be exposed to increased margin pressure, write-downs, and negative impacts on our financial condition and operational performance.

We have a history of net current liabilities during the Track Record Period, and there might not be assurance that we could maintain sufficient liquidity in the future.

We recorded net current liabilities of RMB55.1 million as of December 31, 2023. Net current liabilities may expose us to certain liquidity risks and may constrain our operational flexibility, as well as adversely affect our ability to expand our business. Our future liquidity will primarily depend on our ability to generate adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating and financial performance, the performance of the industry in which we operate and prevailing economic and capital market conditions, among other factors, many of which are beyond our control. We may face net current liabilities position in the future, which may limit our working capital for the purpose of operations or capital for our expansion plans and materially and adversely affect our business, results of operations, financial performance and prospects.

We might be subject to credit risk associated with our trade and bills receivables.

Our trade and bills receivables were RMB59.5 million, RMB56.3 million and RMB57.2 million as of December 31, 2023, 2024 and 2025, respectively. Our trade and bills receivable turnover days remained relatively stable at 12 days in 2023, 12 days in 2024 and 11 days in 2025. For further details, please refer to the section headed “Financial Information – Discussion of Certain Selected Items from the Consolidated Statements of Financial Position – Trade and Bills Receivables” in this document below. There is no assurance that all such amounts due to us will be settled in a timely manner. Accordingly, we face credit risk associated with the trade and bills receivables. We have made provisions for impairment based on expected credit loss rates; however, if our customers delay or default on their payments, we may need to recognize additional impairment losses, write off the relevant receivables and/or incur legal costs in order to enforce our rights. Our business, financial condition and results of operations may be materially and adversely affected if a significant portion of our trade and bills receivables are not settled on time, or at all.

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We face risks of impairment and disposal losses related to our property, plant, and equipment.

We are exposed to the risk of impairment losses related to our property, plant, and equipment, particularly in the context of changes in market conditions, operational requirements, and asset utilization. For the year ended December 31, 2023, we recorded impairment losses on property, plant, and equipment of RMB9.1 million. For the years ended December 31, 2023 and 2024, and 2025, we recorded losses on disposal/write off of items of property, plant and equipment of RMB0.3 million, RMB1.1 million, and RMB2.3 million, respectively.

Our impairment review process involves significant management judgment, particularly in determining the recoverable amount of assets. We assess PPE for impairment whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. When these events occur, we compare the carrying value of the asset with its recoverable amount, which is based on the higher of fair value less costs of disposal or value in use. If the recoverable amount is lower than the carrying value, we recognize an impairment loss.

The application of the impairment test requires assumptions about future market conditions, asset usage, and cash flow projections, all of which are inherently uncertain. If our estimates or judgments regarding recoverable amounts are inaccurate, we may not recognize sufficient impairments, or may need to record additional impairments in future periods. Any significant impairment losses related to PPE could materially and adversely affect our financial position and results of operations, particularly if further impairments are required for underperforming assets or changes in industry conditions.

We may not continue to benefit from favorable government policies.

We have received government subsidies and preferential policies primarily from local governments in Northeast China in support of our animal husbandry operations. These include subsidies under the “grain-for-feed” initiative and agricultural machinery purchase programs, as well as other dairy-related policy-based financial support in response to market volatility. During the Track Record Period, we recorded government subsidies in the amounts of approximately RMB36.6 million, RMB16.4 million, and RMB22.9 million for the years ended December 31, 2023, 2024, and 2025, respectively.

Our continued eligibility for these subsidies and favorable policies depends on the discretion of government authorities and may be influenced by changes in policy direction, fiscal priorities or regulatory interpretations. If the relevant government authorities modify or terminate such programs, or if we are no longer deemed eligible, we may not be able to continue to benefit from such financial support, which could adversely affect our financial condition and results of operations.

We face risks associated with the sale of products manufactured in Korea through cross-border e-commerce platforms in the PRC.

We sell certain products manufactured by our subsidiary in Korea to customers in the PRC through cross-border e-commerce platforms, including Weiyi Zhenxuan. Sales through the Weiyi Zhenxuan platform constitute the most significant portion of the revenue derived from this sales model, accounting for 71.2%, 67.8%, and 73.9% of our total online direct sales revenue for the years ended December 31, 2023, 2024 and 2025, representing revenue of RMB126.3 million, RMB177.1 million, and RMB247.2 million for the same year, respectively. These sales are conducted under the bonded import model and is subject to a complex regulatory framework requiring compliance with various procedures, including enterprise registration with customs, establishment of an electronic customs ledger, provision of tax guarantees, bonded warehousing, and the successful matching of order, payment, and logistics data for each individual transaction. In addition, our FSMP products are currently in a rapid expansion phase, and therefore we may strategically allocate significant marketing resources to such category. However, the cost ratio charged by Weiyi Zhenxuan are generally higher compared to other e-commerce platforms during the Track Record Period, which may significantly affect our profitability and financial condition.

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Furthermore, the imported products must be listed on the “Cross-border E-commerce Retail Imported Products List” to be eligible for import under this model, and are subject to value limits per transaction and per consumer annually.

We cannot assure you that this sales model will remain free from regulatory challenges or changes in the future. The regulatory landscape for cross-border e-commerce in the PRC is evolving and could be subject to new interpretations or significant changes. For instance, any future regulatory changes that expand the scope of liable entities to include overseas manufacturers, or that impose additional product registration or licensing requirements for imported goods sold online, could materially increase our compliance costs, disrupt our supply chain, or necessitate a fundamental restructuring of our sales model for the PRC market. Furthermore, our heavy reliance on third-party platforms, particularly the Weiyi Zhenxuan platform, for the majority of this revenue stream exposes us to potential operational disruptions, changes in platform policies such as service fee rates, or service interruptions that may be beyond our control. Any such adverse regulatory or operational developments could 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 or defend against third-party claims, which could harm our brand, disrupt our operations and adversely affect our business.

We rely on a portfolio of patents, proprietary technologies, confidential know-how, trademarks and brand assets in connection with our products. As of December 31, 2025, we had been granted 63 patents. These patents primarily relate to processing technologies, equipment and product features. We also rely on internal confidentiality protections for certain proprietary solutions, such as desalinization and de-goat-smell processing, and collaborate with academic and clinical institutions. However, due to formula disclosure requirements and common market knowledge, our technical designs may still be subject to imitation and we cannot guarantee that our intellectual property will not be misappropriated, disclosed or infringed.

In addition, we may face intellectual property infringement or misappropriation claims from third parties, particularly given the high level of competition and technological convergence in the dairy industry. Many of our products are developed based on market-available formulations or commonly used ingredients, increasing the risk of overlapping rights and potential disputes. Even if such claims are unmeritorious, they may involve us in costly and time-consuming litigation, subject us to injunctions or force us to obtain licenses or modify our products. If we are unable to protect our own rights or defend against third-party claims, our business, reputation and results of operations may be materially and adversely affected.

We may not be able to retain or secure key members of our senior management or other qualified personnel.

Our continuing success depends on the leadership and expertise of key members of our senior management and other qualified personnel with experience in dairy product development, production, sales, quality control and corporate management. Loss of any key personnel could have a temporary adverse impact on our operations, especially if suitable replacements cannot be identified and recruited in a timely manner. We operate in a highly competitive talent market, and the availability of industry-specific professionals remains limited. We may face challenges in retaining or attracting qualified talent, especially as we are based in a second-tier city, which may be less attractive than major metropolitan areas in China. There can be no assurance that our efforts will be sufficient to retain our key personnel or attract new talent to support our future growth. Any failure to retain or secure key members of our team could materially and adversely affect our business, financial condition and results of operations.

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

We are subject to the risk of fraud, bribery, or other misconduct committed by our employees, distributors or other third parties, which could result in financial loss, reputational damage or even regulatory sanctions. Specifically, we face the risk that customers who purchase our products through e-commerce platform, Weiyi Zhenxuan, may engage in illegal resale activities. Internal control policies and compliance measures may not be sufficient to detect or prevent all forms of misconduct in a timely manner, or at all. Such misconduct may include misappropriation of assets, illegal resale of our products by customer, intentional circumvention of internal controls, misuse of confidential information, collusion with third parties or other violations of applicable laws and regulations. Any failure to detect or prevent such misconduct could subject us to fines or other penalties, lead to disruptions in our operations, and adversely affect our reputation, financial condition and results of operations.

Stringent regulation imposes recurring compliance costs, and any actual or perceived non-compliance could trigger enforcement, operational disruption and reputational damage that adversely affect our results.

We operate across tightly regulated product categories, including infant milk formula and FSMPs, with requirements spanning formula registration, manufacturing practices and traceability, product standards, labeling and advertising review, distributor oversight and retail inspection, and customs and import controls. These obligations entail ongoing compliance costs, such as specialized personnel, third-party testing and certification, periodic audits and inspections, documentation and record-keeping, equipment calibration and upgrades, digital traceability systems, training, and periodic re-labeling or reformulation when standards or interpretations change. As regulators refine rules or conduct enforcement campaigns, our compliance burden may rise abruptly, increasing operating expenses, pressuring margins, and diverting management attention.

During the Track Record Period, in the field of product labelling and work safety, we were subject to certain minimal administrative penalties. Allegations or findings of noncompliance may also result in fines, confiscation of products, rectification orders, license suspension or revocation, civil claims, or, in extreme cases, criminal exposure. These outcomes, individually or in the aggregate, may damage brand trust, weaken channel relationships, delay product launches or registrations, necessitate inventory write-downs or rework, and negatively impact our sales, profitability and growth prospects. Any compliance incidents, or heightened public concern over product safety and marketing integrity, could amplify reputational risk and have a material adverse effect on our business, financial condition and results of operations.

We may be subject to penalties or other regulatory actions if we fail to fully comply with applicable PRC labor laws, including with respect to social insurance and housing provident fund contributions.

During the Track Record Period, certain subsidiaries failed to fully comply with statutory requirements regarding social insurance and housing provident fund contributions. This non-compliance primarily involved the failure to make adequate contributions based on the statutory benchmark, and in some cases, a few employees were not enrolled in the programs as required under the PRC labor laws. At the same time, we engaged third-party human resources agencies to make social security and housing fund contributions for certain employees in their respective places of residence. As of the Latest Practicable Date, we had not received any administrative penalty or rectification notice from the relevant PRC authorities in connection with such matters. According to our PRC Legal Advisers, based on the current regulatory environment and our compliance records, in absence of complaints or reports filed by our employees, the likelihood of us being subject to material administrative penalties is considered remote. However, we cannot assure you that the relevant authorities will not adopt a stricter stance, conduct retrospective inspections, or impose retroactive contributions, surcharges or administrative penalties in the future. Any such actions may increase our compliance costs, create labor disputes or reputational risks, and adversely

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affect our financial condition, business operations and prospects. For further details, please refer to “Regulatory Overview – Employment, Social Insurance, and Housing Provident Fund” and “Business – Employees” in this document.

In addition, during the Track Record Period, certain subsidiaries used to employ more dispatched workers than permitted under the Interim Provisions on Labor Dispatch. It has been rectified, and as of the Latest Practicable Date, no penalties or rectification notices have been received regarding labor dispatch practices. Despite this, we remain at risk of future scrutiny or penalties should there be any changes in regulatory enforcement or inspection.

We face risks relating to property ownership, lease registration, and land use compliance.

Certain of our self-owned properties, including facilities in Heilongjiang Province (Bei’an, Tieli, and Fuyu), have been constructed without obtaining the required construction works planning permits. These properties are primarily used for storage, administrative offices, and auxiliary production functions. For Bei’an’s facilities, the construction were commenced prior to obtaining the relevant permit. For Tieli and Fuyu’s facilities, it is mainly attributable to the previous owners’ practices prior to our acquisition of these facilities. While these issues have not led to any demolition orders or penalties as of the Latest Practicable Date, the absence of valid construction permits exposes us to the risk of administrative actions, including the requirement to demolish the non-compliant structures or fines. Any legal action or operational disruption could impact our business operations.

In addition, some of our leased properties, located in Qingdao and Bei’an, are subject to lease agreements that have not been registered with the relevant housing authorities as required under the Urban Real Estate Management Law. These properties are primarily used for warehousing and are classified as industrial properties. As the relevant authorities in Qingdao and Bei’an have not put up in place formal registration procedures for non-commercial properties, we have not been able to complete the corresponding lease registrations.

Lastly, the lessor of one of our leased properties at the Tieli Facility, a parcel of industrial land covering 2,346.84 square meters, may not have obtained valid authorization and appropriate approval from the rural collective economic organization to sublease the land. This raises concerns about the legality of the land lease under the Land Administration Law, as the absence of approval could lead to challenges regarding the land’s use. However, we may consider to negotiate the lease with the collective economic organization directly if the lease is challenged. While this land is used for non-core activities like biomass fuel storage, we have already identified alternative land within the Tieli Facility to relocate these operations. For further details, please refer to “Business – Properties” in this document.

Recent increases in U.S. tariffs and heightened global trade tensions may adversely affect our international expansion and business performance.

In line with our strategy to expand into international markets and diversify our revenue base, we are increasingly exposed to evolving global trade policies, particularly those between China and the United States. Currently, our products are primarily marketed in China. However, as we seek to enter overseas markets, we may become subject to heightened risks stemming from international trade frictions. Since early 2025, the U.S. government has proposed and implemented additional rounds of tariffs on goods imported from China, raising the general duty level to 10%, and temporarily suspending a further 24% increment for a 90-day period beginning May 14, 2025. The Chinese government responded with reciprocal measures, reducing retaliatory tariffs from 125% to 10% for the same duration. There is substantial uncertainty as to whether these tariffs will be resumed, expanded, or further escalated, particularly in the context of continued geopolitical and economic tensions.

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While we currently do not export at scale, our long-term business strategy includes expanding our presence in overseas markets through direct sales channels, distribution partnerships, and international licensing initiatives. Rising tariffs, new trade restrictions or retaliatory measures targeting Chinese consumer products may increase our cross-border transaction costs, reduce our pricing competitiveness, complicate our logistics arrangements and customs compliance, or reduce market acceptance for Chinese-origin dairy products.

Moreover, sustained trade conflicts may dampen consumer sentiment or discretionary spending in certain jurisdictions. These developments could also discourage foreign distributors or licensing partners from engaging with Chinese producers, or lead to a reassessment of our international expansion plans. If adverse import conditions, higher tariffs or broader trade restrictions are re-imposed or extended, our efforts to penetrate new markets, establish brand recognition abroad, or secure global partnerships may be materially and adversely affected. If global trade policies become increasingly restrictive or if our targeted export destinations impose adverse import conditions or retaliatory measures, our international growth strategy, revenue diversification efforts, and overall financial performance may be materially and adversely affected.

We may be involved in claims, disputes or legal proceedings from time to time, which may divert management attention and expose us to liability.

We may from time to time become involved in claims, disputes or legal proceedings in the ordinary course of business. These may include, among others, contractual disputes, employment-related matters, product liability claims or intellectual property-related proceedings. Any such proceedings, whether with or without merit, may result in substantial costs, divert our management’s attention from our operations and negatively affect our reputation. If any such claims were to result in an adverse judgment against us, we could be required to pay substantial damages or cease certain business activities, which could materially and adversely affect our business, financial condition and results of operations.

We have limited insurance coverage which may not be sufficient to cover all of our potential losses.

We have limited insurance coverage and may be exposed to uninsured or underinsured losses. As of the Latest Practicable Date, we maintained insurance policies for certain subsidiaries covering fixed assets, vehicles and group personal accidents. However, we do not currently carry product liability insurance or business interruption insurance. According to F&S, the practice of not carrying product liability insurance or business interruption insurance is consistent with industry norm. As a result, we may be required to bear losses arising from product defects, equipment failures, natural disasters or operational disruptions that are not covered, or are insufficiently covered, under our existing insurance arrangements. Moreover, even for insured events, there is no assurance that we will be able to recover the full amount of losses in a timely manner, if at all.

We are subject to various risks relating to the third-party payment arrangements.

During the Track Record Period, certain customers settled payments with us through accounts belonging to certain third parties designated by such customers. As of the Latest Practicable Date, we had ceased all such payment arrangements. For further details, please refer to the section headed “Business – Our Customers – Third-Party Payment Arrangements” in this document. We faced various risks related to such arrangements, including: (i) third-party payers who are not contractually obligated debtors may seek to reclaim funds from us; (ii) potential risks arising from our limited understanding of the source of funds by third-party payers; and (iii) claims that may be made by the liquidators of third-party payers. If any claims are made by the relevant parties, or if any legal proceedings are initiated or brought against us regarding any third-party payments, we may need to allocate additional financial and management resources to address these claims or legal proceedings, which could adversely affect our business and financial performance.

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Any failure or disruption of our information technology systems, or leakage of data, could adversely affect our business, financial condition and results of operations.

We rely on a range of information technology systems to support our key business operations, including production, logistics, warehousing, sales, inventory management and internal approvals. Any material system failure, malfunction, interruption, cyberattack or unauthorized access could result in data loss, delays in order fulfillment, financial reporting errors or reputational harm, which may materially and adversely affect our business, financial condition and results of operations.

Any security and privacy breaches may damage our customer relations, our reputation and expose us to liability.

We collect certain personal data from end consumers during their participation in product authentication and loyalty programs. We have adopted data protection measures such as cloud-based encryption, restricted access, and internal management protocols. To our knowledge, we have not experienced any material data security incident during the Track Record Period and up to the Latest Practicable Date.

However, we cannot guarantee that our systems or those of our third-party service providers will be immune to future breaches, unauthorized access, or misuse of personal information. We are subject to PRC laws and regulations relating to cybersecurity and data privacy, including but not limited to the PRC Cybersecurity Law (《中華人民共和國網路安全法》), the PRC Data Security Law (《中華人民共和國數據安全法》) and the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》). We may be required to undertake additional compliance measures and cost in light of evolving enforcement practices and new regulatory developments in the data governance space.

Grants of share-based awards under our employee incentive scheme may increase share-based payment and negatively impact future profitability.

We historically implemented employee incentive scheme for the benefit of our employees as remuneration for their services provided to us to incentivize and reward the eligible persons who have contributed to the success of us. These grants may increase our compensation expenses impacting our profitability. For the years ended December 31, 2023 and 2024, and 2025, we recorded share-based payment of RMB33.5 million, RMB14.7 million, and RMB6.9 million, respectively. If we continue to issue share-based awards or other incentive plans to our employees and management, future expenses related to this plan may further increase, potentially reducing our profitability. Additionally, fluctuations in the fair value of our shares may lead to variability in recognized expenses, further impacting our financial results. There is no guarantee that the benefits derived from share-based awards will offset these expenses, which could negatively affect our operating results and financial condition.

We may be subject to force majeure events such as natural disasters, acts of war or terrorism that beyond our control.

Our operations may be disrupted by events beyond our control, including natural disasters (such as earthquakes, floods or typhoons), pandemics, acts of war, terrorism, or social unrest. These events may damage facilities, interrupt supply chains and logistics, affect workforce availability, or temporarily halt production and retail operations. We also rely on third-party platforms and digital infrastructure for online sales, which may be affected by power outages, cyber incidents or regional instability. In addition, geopolitical developments may impact our international partnerships.

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RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Our overseas manufacturing operations subject us to regulatory, cost, operational and political risks.

We have manufacturing facilities in South Korea and Spain, which exposes us to regulatory regimes and standards that differ from those in our home market. Ensuring full compliance with local laws (including manufacturing, labor, and environmental regulations) is complex; any failure to comply or changes in these regulations could result in fines, operational suspensions, or other sanctions. Additionally, the costs of operating in foreign countries can be higher and more volatile – for example, labor and utilities expenses overseas may increase unexpectedly, and foreign exchange fluctuations can further impact our production costs.

Managing production across distant locations also presents operational challenges. Differences in language, culture and business practices can lead to communication gaps or inefficiencies, and supervising quality control and production processes from afar may be more difficult. Moreover, our overseas facilities are subject to the political and economic conditions of their host countries. Events such as political instability, civil unrest or changes in government policies in South Korea or Spain could disrupt our operations or supply lines. International diplomatic or trade tensions might also affect the ease with which we transfer materials or finished products across borders. There is no assurance that our foreign manufacturing operations will not face significant disruptions or cost escalations due to these factors, any of which could materially and adversely affect our production, business, financial condition and results of operations.

Our sales in overseas markets are subject to regulatory changes, differences in consumer preferences, foreign exchange volatility and trade barriers.

We sell our products in multiple overseas markets. Each of these jurisdictions has distinct regulatory requirements and government policies regarding food products, and these could change at any time. Foreign authorities might introduce new laws or standards on product ingredients, safety, labeling, transfer pricing or importation that increase our compliance burden or even prohibit the sale of certain products. In particular, the imposition of trade barriers such as import tariffs, quotas or customs restrictions can raise our costs or limit our market access. Any unfavorable changes in these regulatory or policy environments could hinder our ability to sell or distribute our products abroad.

Moreover, consumer preferences and tastes vary across different regions. Products and marketing strategies that are successful in our home market may not appeal to consumers in other countries due to cultural differences or local taste profiles. If we fail to adapt our product offerings or branding to suit local preferences, or if our brand is not well-received in a new market, our sales could fall short of expectations. Additionally, our international revenues are earned in foreign currencies, exposing us to exchange rate fluctuations. If the currencies of our overseas markets depreciate significantly against our home currency, the translated value of those sales will decline, and our profit margins could be adversely affected. Any significant difficulty or setback in our international markets could materially and adversely affect our business, financial condition and results of operations.

We may be subject to additional regulatory requirements under new laws and regulations on overseas [REDACTED] and [REDACTED] issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by PRC-based companies. These opinions proposed to take effective measures, such as promoting the establishment of regulatory

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systems to address the risks and incidents faced by PRC-based overseas-listed companies. For further details, please refer to the section headed “Regulatory Overview – Securities Law and Overseas [REDACTED] and [REDACTED] of Shares” in this document.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China jointly promulgated the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the “**Archives Rules**”), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, must strictly comply with the requirements on confidentiality and archives management, establish sound internal systems, and take necessary measures to implement relevant management responsibilities.

As we are a PRC-based company seeking a [REDACTED] in Hong Kong, we are subject to the supervision regime under the aforementioned regulatory framework. The interpretation and implementation of these rules continue to evolve, and we cannot assure you that we will not be required to make further information disclosures, adjust internal policies or incur additional compliance costs. Failure to comply with the above requirements may materially and adversely affect our business, results of operations or financial condition.

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

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions enhanced administration and supervision on overseas listing by the PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by The PRC based overseas-listed companies.

On February 17, 2023, the CSRC released the Trial Administrative Measures for 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》) (the “**Trial Measures**”), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies’ securities by adopting a filing based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to list securities in overseas markets, are required to apply for the filing procedure with the CSRC within three working days after submitting the listing documents to the overseas supervisory authorities and report relevant information.

Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner or at all. In addition, we may be subject to adjustments by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this [REDACTED], and these regulatory authorities may impose fines and penalties on us, affect our operating activities in the PRC, affect our ability to pay dividends, delay or affect the repatriation of the proceeds from the [REDACTED] into the PRC or take other actions to affect our financing activities, which could have a material adverse effect on our business, financial conditions and results of operations.

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Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (HKSAR) (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income issued by the State Administration of Taxation effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the People’s Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or an applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, the interpretation and application of applicable PRC tax laws and rules by the PRC’s tax authorities are still evolving, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual [REDACTED] of our H Shares and on gains realized on the [REDACTED] or other [REDACTED] of our H Shares. The PRC’s tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your [REDACTED] in our H Shares may be materially affected.

It may be difficult to effect service of process, enforce foreign judgments or bring original actions against us, our Directors, Supervisors and senior management.

We are a company incorporated under the laws of the PRC, and a substantial majority of our assets are located in the PRC. In addition, most of our Directors, Supervisors and senior management reside within the PRC. As a result, the service of process, investigation, collection of

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evidence, ratification, and enforcement procedure inside the PRC should follow the rules set forth in the Civil Procedure Law of the People’s Republic of China as well as other applicable laws, regulations and interpretations 《(中華人民共和國民事訴訟法)》. On July 3, 2008, the Supreme People’s Court of China issued 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 Pursuant to Choice of Court Agreements between 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》) (the “2008 Arrangement”), which took effect in August 1, 2008. Pursuant to such arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2008 Arrangement.

On January 25, 2024, the Supreme People’s Court of China issued 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 “2024 Arrangement”), which took effect on January 29, 2024. The 2024 Arrangement will supersede the 2008 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2008 Arrangement will remain applicable to a “choice of court agreement in writing” entered into before the 2024 Arrangement taking effect. However, there remain uncertainties as to the outcome of any applications to recognize and enforce such judgments and arbitral awards in China.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the [REDACTED] of your H Shares.

Regulations on currency exchange in the PRC may limit our ability to utilize revenues generated in Renminbi to fund business activities outside the PRC, or to pay dividends in foreign currencies. Under current PRC foreign exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, the conversion of Renminbi into foreign currencies and remittance of the foreign currencies outside the PRC for capital account items, such as direct investments, loans, and investments in securities, requires prior approval from or registration with SAFE or its local branches. There is no assurance that SAFE or other relevant PRC governmental authorities will not impose any restriction on the remittance of dividends or other payments by us to our shareholders. In addition, there is no assurance that new regulations or policies will not be promulgated in the future that would further restrict or eliminate our ability to pay dividends or make other payments in foreign currencies. Any limitation on the ability to pay dividends or make other kinds of payments to shareholders could materially and adversely affect the value of your [REDACTED].

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for the Shares and the liquidity and [REDACTED] of our Shares may be volatile.

Prior to the [REDACTED], there has been no [REDACTED] for our H Shares. The initial [REDACTED] for the H Shares was the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] for our H Shares following the [REDACTED]. We cannot assure you that an active [REDACTED] for our H Shares will develop or be sustained after the [REDACTED] or that the [REDACTED] of our H Shares will not decline below the [REDACTED]. The [REDACTED] for our H Shares may be highly volatile and subject to wide fluctuations in response to a number of factors, some of which are beyond our control.

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The [REDACTED] of the Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] of our H Shares may be volatile and could fluctuate significantly due to factors beyond our control. Such factors include, but are not limited to, variations in our revenue, earnings and cash flow, changes in our operating results, changes in analysts’ estimates, perceptions of our industry and regulatory developments in the PRC and elsewhere. The securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the [REDACTED] of our H Shares.

Additionally, under PRC law, all existing Shareholders are restricted from [REDACTED] of any of their Shares within the first 12 months following the [REDACTED]. This lock-up period may affect the liquidity and [REDACTED] of our H Shares shortly after the [REDACTED]. These factors, independent of our actual business performance, could contribute to substantial price volatility and potential losses for [REDACTED] in our H Shares.

[REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution and may experience further [REDACTED] if we [REDACTED] additional Shares in the future.

The [REDACTED] of our H Shares in the [REDACTED] may be higher than the net tangible book value per H Share immediately prior to the [REDACTED]. As a result, [REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution in net tangible book value. In addition, we may need to raise additional funds in the future and may [REDACTED] additional Shares or securities convertible into Shares. [REDACTED] of our H Shares may experience further dilution in the net tangible book value per Share if we [REDACTED] additional Shares or securities in the future.

Future [REDACTED] or perceived [REDACTED] of substantial amounts of our H Shares could adversely affect the [REDACTED] and dilute shareholder holdings.

The [REDACTED] of our H Shares and our ability to raise capital at favorable terms could be negatively impacted by the future [REDACTED] of substantial amounts of our H Shares in the public market, especially if sold by our Directors, executive officers, or largest Shareholders, or if we [REDACTED] new shares or share-linked securities. The perception of such sales or issuances could also exert downward pressure on our share price. Additionally, if we [REDACTED] additional securities in the future, our existing Shareholders may experience dilution in their holdings.

We may [REDACTED] new Shares under any current or future share incentive schemes, further diluting Shareholder interests. These newly [REDACTED] Shares or share-linked securities could carry rights and privileges that take precedence over those of our H Shares. The Shares held by our existing Shareholders are subject to lock-up periods starting from the date our Shares commence trading on the Hong Kong Stock Exchange. We cannot guarantee that they will not sell their Shares at that time or in the future. Such sales, or the potential for these shares to enter the market, could negatively affect the prevailing [REDACTED] of our H Shares.

Additionally, [REDACTED] who [REDACTED] to our H Shares in the [REDACTED] may not be subject to any [REDACTED] restrictions on their H Shares, and they may have existing arrangements or agreements to [REDACTED] part or all of their H Shares immediately after the [REDACTED] for various legal, regulatory, business, or market reasons. These sales, especially if occurring in a short period after the [REDACTED], could exert downward pressure on the [REDACTED] and create substantial volatility in the [REDACTED] of our H Shares.

The interests of our Controlling Shareholders may conflict with the best interests of our other shareholders.

Immediately upon completion of the [REDACTED], without taking into account any Shares [REDACTED] under the [REDACTED], our Controlling Shareholders will hold an aggregate of approximately 60.09% of our total issued share capital, giving them substantial control

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over our business and corporate decisions. This concentrated ownership allows our Controlling Shareholders to exercise significant influence over matters requiring Shareholder approval, including the election of directors, mergers, business combinations, asset acquisitions or disposals, [REDACTED] of additional Shares or other equity securities, dividend payments, and overall corporate strategy.

This level of control may lead our Controlling Shareholder to make decisions that serve their interests but are not necessarily aligned with those of our minority Shareholders. Additionally, this concentration of ownership may deter, delay, or prevent a change in control of our Company, which could otherwise provide Shareholders an opportunity to sell their shares at a premium. Such actions could negatively affect the [REDACTED] of our H Shares and limit the influence of other Shareholders on the Company’s governance and future direction.

Our historical dividends may not be indicative of our future dividend policy, and there is no assurance of future dividend payments.

Our Board has discretion as to whether to distribute dividends. The amount of dividends we have paid in the past is not indicative of our future dividend policy or dividend amounts. The declaration and payment of dividends will be at the discretion of our Board and will depend on various factors, including our business prospects, financial performance, cash flow, capital requirements and the terms of our financing arrangements. There can be no assurance that we will declare and pay dividends in the future in any amount.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For further details on our plans to use [REDACTED] from the [REDACTED], please refer to the section headed “Future Plans and [REDACTED]” in this document. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED].

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

Certain facts, forecasts, and other statistics included in this document are derived from various publicly available government and official sources. While our Directors believe these sources to be appropriate and have taken reasonable care in obtaining and reproducing the information, we cannot guarantee the accuracy, quality, or reliability of the underlying source materials. This data has not been independently verified by us or any other parties involved in the [REDACTED] and no representation is given as to their accuracy.

Additionally, we cannot assure our [REDACTED] that this information has been compiled on a basis or with the same level of accuracy as similar data presented elsewhere. Therefore, prospective [REDACTED] are advised to carefully consider the weight and importance they place on such facts and statistics when evaluating this document.

Our forward-looking statements are subject to uncertainties, and future results could differ materially from those expressed or implied.

This document contains forward-looking statements about our business based on management’s current beliefs, assumptions, and information available at the time. Forward-looking statements are identified by terms such as “aim,” “anticipate,” “believe,” “could,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “will,” and similar expressions. These statements reflect management’s views on future events, operations, liquidity, and capital resources; however, they are inherently subject to risks, uncertainties, and assumptions.

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If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results could differ significantly from those suggested by these forward-looking statements. Factors beyond our control and future business decisions could impact outcomes, many of which are discussed in the “Risk Factors” section of this document.

In light of these uncertainties, forward-looking statements should not be considered assurances of specific plans or objectives, and prospective [REDACTED] are cautioned not to place undue reliance on them. All forward-looking statements in this document are qualified by these cautionary statements. Subject to ongoing disclosure obligations under the Listing Rules or Hong Kong Stock Exchange requirements, we do not intend to publicly update or revise forward-looking statements due to new information, future events, or other factors.

Prospective [REDACTED] should rely solely on this document and not on media reports when making [REDACTED] decisions.

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this document but prior to the completion of the [REDACTED]. 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. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. Our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the Joint [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED] 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, our Company, the Joint Sponsors, the [REDACTED], the Joint [REDACTED], the [REDACTED], the Joint [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisers or any other persons or parties involved in the [REDACTED] disclaim responsibility for it, and you should not rely on such information.