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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is dependent on various downstream industries, including public transportation and mining equipment. A downturn experienced by any of these industries or the economy in China or globally could adversely affect our business.

We primarily provide vehicle articulation systems and TMS for new energy sector for various end market applications. Our financial performance and operating results depend on the overall performance of the various downstream industries where our products are utilized. These industries include, but are not limited to, public transportation and mining equipment. Our business is particularly susceptible to the policies and performance trends within the transportation industry. Changes in regulatory frameworks, environmental standards and government incentives in these industries could impact our operational capabilities and financial outcomes. If the end markets cannot maintain robust growth, our business and profitability may be adversely affected.

Given our extensive operations across both China and international markets, we may need to change or adapt our business strategies from time to time in response to the new rules and policies regarding the end markets for our products, but we may not be able to do so in a timely and efficient manner. Any new legislation or adverse changes in requirements relating to the end markets could have an impact on our business, financial condition and results of operations.

Furthermore, our operations are significantly influenced by economic, political and social conditions in China and globally. Economic downturns, whether actual or perceived, in our key markets or our customers' key markets could affect our financial condition and results. Global uncertainties, such as geopolitical tensions, inflation risks and changes in monetary policies, also pose challenges to our business environment.

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

In line with our strategies, we intend to continue to expand our international business in the coming years. The demand for and market acceptance of our products marketed and sold abroad are subject to uncertainty and can be heavily influenced by local conditions and customs tariff policies. The following sets forth some of the risks associated with our overseas business (i) exchange rate fluctuations and foreign exchange regulations, see "— Risks Relating to Conducting Business in the Chinese Mainland — The government's procedural requirements in the Chinese mainland regarding foreign currency conversion may limit our foreign exchange transactions"; (ii) expenses associated with understanding and analyzing overseas markets, monitoring regional and local economic, industry and consumer trends, and developing and maintaining efficient marketing and selling presence in such markets; (iii) developing and maintaining customer relations and providing quality customer services and support; (iv) expenses incurred and challenges in connection with compliance with local commercial and legal requirements, including labor, environment and industry-specific regulations; (v) unanticipated adverse changes in regional and local economic conditions; (vi) political instability and civil unrest, cultural or regional conflicts, labor disputes and wars; (vii) trade barriers, such as local content requirements, tariffs, taxes and other restrictions and expenses; and (viii) unanticipated logistic expense occurred in transportation, such as sudden surge in transportation cost and shortfall in shipping capacity.

Failure to address any of the foregoing risks or complete such procedures with respect to overseas business may adversely affect our business, financial condition, operations and prospects. Especially, our operations are governed by relevant PRC Law and laws and regulations in other jurisdictions where we operate relating to production safety, product quality and environmental protection, among other things. New laws or regulations, changes to laws and regulations, as well as the refinement of interpretations and applications of existing ones, can impose additional compliance costs or require us to change our operations to ensure compliance. The industry in which we operate is still evolving, and laws and regulations may be interpreted and implemented more strictly, or new laws and regulations may be adopted from time to time that require additional approvals, licenses and permits. Failure to obtain, renew or maintain the necessary approvals, licenses and permits required for our operations may render our operations to be substantially disrupted, which could materially and adversely affect our business, financial condition and results of operations.

In addition, we may be subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions, governmental import or export controls and similar laws and regulations in various jurisdictions in which we conduct activities. Our policies and procedures instituted may not be sufficient and if any of our directors, officers, employees, representatives, consultants, agents and business partners engaged in any improper conduct, we may be held responsible. Non-compliance with anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions laws, or governmental import or export controls could subject us to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, reputation, financial condition and results of operations.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the European Union, the United Kingdom, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the European Union, the United Kingdom, the United Nations and Australia have, through executive orders, legislation or other governmental means, implemented measures that impose economic sanctions against certain countries, regions or targeted industry sectors, groups of companies or persons, and/or organizations within such countries and regions.

During the Track Record Period, we made certain historical transactions with Sanctioned Targets, namely: (i) sales of vehicle articulation systems to Sanctioned Target customers, and (ii) using an account at a Sanctioned Target bank to receive sales proceeds from certain Russian customers of our vehicle articulation systems, of which two such customers were Sanctioned Targets. Our transactions with Sanctioned Targets amounting to approximately RMB34.9 million in aggregate, representing approximately 7.0% of our total revenue during the Track Record Period. For details, see "Business — International Sanctions Relevant to Certain Business Activities of the Group."

We cannot predict the interpretation or implementation of government policy at the United States federal, state or local levels or any policy by the European Union, the United Kingdom, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Nor can we assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or business. Our business and reputation could be adversely affected if the government of the United States, the European Union, the United Kingdom, the United Nations, Australia or any other governmental entities were to determine that any of our activities constitute violations of the sanctions they impose.

In addition, since sanctions programmes evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business or result in our business activities being deemed to violate sanctions. We cannot assure you that investors who are subject to the jurisdictions of the United States, the European Union, the United Kingdom, the United Nations, Australia, and/or other jurisdictions will be willing to make investments, or may divest their investment, in us, which may have an adverse impact on the [**REDACTED**] and the future prevailing [**REDACTED**] of our H Shares, despite our commitment not to direct the [**REDACTED**] from the [**REDACTED**] to dealings with sanctioned targets. We have undertaken to the Stock Exchange that we will not use the [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the United States, the European Union, the United Kingdom, the United Nations, or Australia, including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the United States, the European Union, the United Kingdom, the United Nations, or Australia. If we breach these undertakings to the Stock Exchange after the [**REDACTED**], it is possible that the Stock Exchange may [**REDACTED**] our H Shares. In addition, if any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

Our high customer concentration exposes us to risks and may subject us to significant fluctuations or declines in revenue.

Our customers primarily include automobile and automotive parts manufacturers operating in the PRC and abroad. A limited number of customers have contributed to a significant portion of our revenue in the past. In each year during the Track Record Period, revenue from our top five customers in each of such year accounted for 74.9%, 75.1% and 80.6% of our total revenue, respectively, and revenue attributable to our largest customer in each of such year accounted for 25.6%, 41.6% and 48.2% of our total revenue, respectively. Although we continually seek to diversify our customer base, we cannot assure you that the proportion of the revenue contribution from these customers to our total revenue will decrease in the future.

There is no assurance that we would be able to maintain good business relationships with our major customers in the future. Our largest customers in each year during the Track Record Period are not obliged to continue their contracts with us at a level similar to those in the past or at all. If any of our major customers reduces or even ceases business collaborations with us in the future due to reasons such as loss of market share, reduced competitiveness, trade restrictions, changes in business strategies or production plans, deterioration in their business relationship with us, operational difficulties and deterioration in financial condition, or if we are unable to renew our contracts with our customers or identify new customers promptly or at all, our revenue may significantly decrease, which may materially and adversely affect our business, results of operations, financial condition and prospects. For further details, see "Business — Our Customers."

We may be exposed to credit risks arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our trade and bills receivables at amortized cost primarily include amounts due from our customers for products in the ordinary course of business. As at December 31, 2023, 2024 and 2025, our trade and bills receivables at amortized cost amounted to RMB26.1 million, RMB10.9 million and RMB18.5 million, respectively. The credit period granted to our customers was generally 30 to 90 days from the date of billing. See "Financial Information — Selected Key Items of Consolidated Statement of Financial Position — Trade and Bills Receivables" in this document.

In 2023 and 2024, our trade and bills receivable turnover days remained relatively stable at 40.6 days and 47.8 days, respectively. In 2025, our trade and bills receivable turnover days decreased to 24.1 days, primarily due to changes in customer order fulfillment and credit terms, as well as fluctuations in trade receivables balances at various points in time. We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

Our production is dependent on the stable, timely and adequate supply of energy at commercially reasonable prices.

We depend on a stable supply of energy, mainly including electricity, water and steam, to maintain production. Our production volume and manufacturing costs are affected by the price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy and local and national regulatory requirements. Furthermore, there can be no assurance that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Adverse changes in power consumption policies, particularly those leading to higher energy prices, could negatively impact our business, financial condition, operational results and prospects. Significant fluctuations in these costs could materially affect our profitability if we are unable to adjust our product prices accordingly, potentially undermining our competitive advantages. Failure to pass increased costs onto our customers may lead to a reduction in our profit margins. If the supply of energy is affected by natural disasters, adverse weather conditions, equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply at commercially reasonable prices or maintain the full energy supply required for production, resulting the reduction or cessation of production capacity. Any such events may have a material adverse effect on our business, financial condition and results of operations.

We face risks related to title defects related to our properties.

As of the Latest Practicable Date, the lease agreement with respect to one of our leased properties primarily used for warehousing with an aggregate GFA of approximately 435 sq.m., representing approximately 1.9% of the total leased GFA of our leased properties primarily used for production, office and warehousing, was not registered with the appropriate government authority in the Chinese mainland. As advised by our PRC Legal Advisor, failure to complete the registration of lease agreement may lead to a fine ranging from RMB1,000 to RMB10,000 imposed by the relevant authority in the Chinese mainland for the lease agreement if we fail to complete the registration of lease agreement within the stipulated period, and as such, the potential maximum penalties in relation to the aforementioned non-compliant incidents is approximately RMB10,000. See "Business — Properties — Non-registration of Lease Agreement."

Any changes to PRC Law requirements for social insurance and housing provident fund contributions for our employees may require us to adapt our practices, resulting in additional costs and subjecting us to late payments and fines imposed by relevant governmental authorities.

Companies operating in the Chinese mainland are required to make social insurance and housing provident funds for their employees. We have in the past failed to make timely and adequate social security insurance and housing provident fund contributions for some of our employees in accordance with the relevant PRC Law. The shortfall of social insurance and housing provident fund contributions amounted to approximately RMB2.3 million, RMB2.4 million and RMB2.7 million, in 2023, 2024 and 2025, respectively. Our PRC Legal Advisor has advised us that, pursuant to the relevant PRC Law, if we fail to pay the full amount social insurance as required, we may be ordered by the relevant authorities in the Chinese mainland to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC Law, if we fail to pay the full amount of housing provident fund contributions as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the courts in the Chinese mainland for compulsory enforcement. On July 31, 2025, the Supreme People's Court promulgated the New Judicial Interpretation, which took effect on September 1, 2025. Article 19(1) of the New Judicial Interpretation stipulates that if an employer and an 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. Further, the relevant employee has the right to terminate the labor contract pursuant to Article 38(3) of the Labor Contract Law. For further details, see "Regulatory Overview — Regulations Relating to Labour and Safety" and "Business — Employees — Social Insurance and Housing Provident Funds."

We are subject to the risks involved in expanding into new markets and the expansion of product lines.

Our future revenue and profit growth partially rely on the continuous expansion into new markets and the launch of new products, in particular, our TMS for new energy sector. This involves establishing sales channels across various countries and regions, introducing product portfolios tailored to local markets, completing product certifications and integrating into supply chain systems. These initiatives typically require significant upfront investments, including channel development, certification registration, technical adjustments and team building. If these investments do not yield substantial sales returns, our business, operational performance and financial condition may be adversely affected. In addition, we are subject to risks in connection with the expansion and development of new businesses or product lines into markets in which our brand may be less recognized.

We cannot guarantee that we will be able to effectively manage these risks, in which case our ability to expand business will be impaired, which in turn could have a material and adverse effect on our business, financial condition and results of operations.

Moreover, the successful implementation of the growth strategies depends on various factors, including, among other things, market condition and demand, availability of resources, competition and government policies, and some of these factors are beyond our control. As such, we may not be able to expand as planned or the costs incurred under our growth strategies may not follow the original expectation. If we have allocated resources to expand our business based on our business plan but subsequently the demand for our products reduces due to various uncontrollable factors such as market changes, our financial position may be adversely affected.

If we fail to keep up with the evolution of technologies or adapt our technology to emerging industry standards, or if our investments in new technologies turn out unsuccessful or ineffective, our business may be materially and adversely affected.

Technological innovation is key to our success. During the Track Record Period, we made substantial R&D investments, which we believe are crucial factors for our future growth and prospects. For the years ended December 31, 2023, 2024 and 2025, our R&D expenses amounted to RMB6.1 million, RMB6.2 million and RMB10.1 million, respectively, accounting for 4.6%, 4.4% and 4.5% of our total revenue in the respective years.

The evolution of technologies and the emergence of new industry standards pose significant challenges. If we fail to keep up with these changes or adapt our technology accordingly, our competitive position could be compromised. This may necessitate additional investments in technology upgrades and process improvements to align with industry standards. Failure to do so could result in our products becoming obsolete, leading to a potential loss of market share and adversely affecting our business operations.

However, there can be no assurance that our R&D projects will yield the expected outcome or be completed within the anticipated time frame and budget. If we fail to commercialize our R&D efforts, we may incur significant sunk costs. Even if the newly developed products can be launched as we expected, there can be no assurance that they will be accepted by our customers and achieve the anticipated sales target or profit. In addition, a portion of our R&D expenses are allocated to developing general technologies rather than specific products. While this investment is important for long-term innovation and capability building, it may not immediately enhance the competitiveness of our products in the market or produce the expected benefits or returns. Furthermore, there can be no assurance that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. In such cases, we may lose market share. Due to uncertainties in the time frame for developing new products and the duration of market windows for these products, there is a risk that we may have to abandon a product that is no longer commercially viable, even after we have invested significant resources in the development of such product.

In addition, we have expanded our R&D efforts into our strategic emerging business, which encompasses the development of TMS for new energy sector. The development of TMS for new energy sector presents unique technological challenges and risks and requires substantial investment and expertise, and there is no assurance that our efforts will result in commercially viable products. Furthermore, the commercial vehicle thermal management system industry is characterized by rapid technological advancements and evolving industry standards, which may render our current development obsolete or require significant additional investment for us to remain competitive.

We may not be able to increase our production capacity and implement other expansions as planned.

We intend to maintain our competitive advantages by, among others, expanding our production capacity and exploring new business opportunities in the vehicle articulation systems industry, as well as the commercial vehicle thermal management system industry. Such expansion plans and any other future expansion plans would require significant capital investments in new production facilities and in the engagement of additional qualified personnel. To capture these opportunities, we plan to expand our production capacity and team. See "Business — Manufacturing" and "Future Plans and [**REDACTED**] — [**REDACTED**]." We expect that we will incur substantial additional costs, such as depreciation charges, raw material costs, financial costs and labor costs in relation to the above expansion plans. In addition, the success of our existing and future expansion plans depends on a few factors beyond our control, such as progress of the construction conducted by third-party construction companies, government support (including the issuance of a relevant operation license for the expanded production capacity) and customer demand for our expanded production capacity. The integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in the delivery of customer orders. As the success of our business expansion plans depends on various factors, many of which are beyond our control, there can be no assurance that we will be successful in implementing our strategies. Even if our strategies are implemented successfully, there can be no assurance that our strategies will lead to successful achievement of our business objectives.

Moreover, we may seek to expand our business through cooperation, strategic investments, mergers and acquisitions and partnership in the future. The success of these endeavors depends on the availability of, and competition for, suitable targets and opportunities, as well as financial resources, including available cash and financing capacity. Moreover, future cooperations, strategic investments, mergers and acquisitions and partnerships may expose us to potential risks, including the diversion of management attention and resources from our existing business and the inability to generate sufficient income to offset the costs and expenses. These endeavors may also result in increased leverage, sharing of potential legal liabilities in respect of the target businesses, and increased impairment charges related to goodwill and other intangible assets. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any investment, partnership or cooperation, the desired level of control in management decisions of the partnership or our anticipated investment return from such business expansion. If we are unable to implement our expansion plans effectively, our business, financial condition and results of operations may be materially and adversely affected.

In addition, if our management, systems, resources and supporting infrastructure fail to effectively keep up with our planned expansion, we may experience difficulties in managing our growth and operations, and our financial condition and results of operations could be materially and adversely affected.

Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have a material adverse effect on our business, financial condition and results of operations.

Our brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. The value and reputation of our brands depend on factors such as the quality, design, performance, functionality and durability of our products, product innovation and customer experience. We intend to continue making investments in these areas in order to develop, maintain and enhance our brand image. For example, our selling and marketing expenses were RMB6.0 million, RMB10.1 million and RMB21.8 million for the years ended December 31, 2023, 2024 and 2025, respectively, accounting for 4.5%, 7.2% and 9.8% of our total revenue for the respective years. As a result, costs associated with maintaining our brand image can be significant, and we may further incur substantial expenses to establish our brand image in new markets we have decided to or will enter. However, we cannot assure you that our investments in these areas would be successful, and expenses related to maintaining our brand image may have an adverse impact on our results of operations and financial condition if they do not yield the expected results.

Our brands, reputation and product sales could be harmed if, for example, our products fail to meet the expectations of our customers or contain defects or fail. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products. See "— Risks Relating to Our Business and Industry — We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition."

In addition, negative publicity concerning our Company, including our Shareholders, affiliates, Directors, officers, employees, business partners and other third parties, as well as the broader industry, can have detrimental effects. Such publicity, regardless of its accuracy, can tarnish our reputation, result in loss of customer trust, decreased sales and challenges in maintaining or establishing business relationships with our customers. It can also result in heightened scrutiny from regulators and stakeholders, potentially leading to increased compliance costs or legal challenges, subsequently impacting our business operations, financial condition, results and future prospects.

If we fail to maintain an effective quality management system, particularly during production expansion, our business, reputation, financial condition and results of operations may be adversely affected.

Our product quality is critical to our success. Although we have established a stringent quality management system, it may not always identify latent product defects, which could lead to failures during installation or use, resulting in safety hazards or operational issues for our customers. The effectiveness of our quality management system depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programs and our ability to ensure that our employees adhere to our quality management policies and guidelines. In the event that the use of our products results in an unsafe condition or injury as a result of, among other factors, our component failures, manufacturing flaws, design defects, inadequate disclosure of product-related risks or information, it could result in product liability or warranty claims; we could be named as a defendant in such claims, and any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subjected to claims as a result of such accidents and bring claims against us to hold us accountable. In addition, in the event that our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition.

We are required to comply with specific guidelines based on product safety, and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which our customers sell their products. Our safety standards for the inspection of our products are also based on relevant national and industry standards. There can be no assurance that our quality management system will continue to be effective and in compliance with relevant laws, regulations and standards. Any significant failure in, or deterioration of the efficacy of, our quality management system could result in us losing accreditations and requisite certifications or qualifications, which could in turn have a material adverse effect on our reputation, business and results of operations.

The scale up in our production to meet increasing demand can put pressure on our quality assurance processes. For example, it may stretch existing resources, including personnel and equipment, beyond their optimal capacity, leading to potential oversights or errors. Bottlenecks may occur as quality assurance processes struggle to handle higher volumes without delays or rushed evaluations. Increased production can also cause accelerated wear and tear on equipment, affecting product quality. Scaling up may involve process changes or new technologies, introducing unforeseen quality issues. Additionally, sourcing additional materials or components to meet higher demand can result in variability in quality, impacting the final product. These challenges collectively increase the risk of defects or non-compliance with standards.

We are susceptible to supply shortages, longer lead time and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, adversely affect our profitability and delay deliveries of our products to customers.

Our production operations depend on obtaining adequate supplies of quality raw materials on a timely basis. The raw materials used in our production of vehicle articulation systems mainly include ductile iron, rubber, aluminum and rolled steel. For the years ended December 31, 2023, 2024 and 2025, costs of direct materials accounted for a substantial amount of our cost of sales, amounting to RMB62.3 million, RMB57.9 million and RMB72.6 million, accounting for 70.9%, 64.6% and 71.4% of our total cost of sales for the respective years.

The purchase price of our raw materials is influenced by changes in bulk commodity prices as well as market supply and demand. Our ability to pass on the increases in raw material costs to our customers may be limited. The pricing of our products is, to a certain extent, based on the costs of our raw materials; if we become subject to any significant increase in the cost of raw materials that was not anticipated when negotiating the prices with our customers, our profitability may be adversely affected. Failure to secure such terms may have a material adverse effect on our business, financial condition and results of operations.

Furthermore, any of our measures to address potential interruptions of supplies may not be sufficient. In the event that our suppliers fail to cater to our growing demands, we may be unable to meet market demand for our products, which may have an adverse impact on our reputation and profitability. Additionally, factors that are beyond our control, including natural disasters, public health hazard, civil unrest, wars, strikes or trade sanctions or restrictions, may impact the supply and market price of raw materials.

Our business requires a significant amount of capital expenditure for maintenance, upgrades and expansion of production capacity, and there can be no assurance that we will be able to have enough resources to successfully implement our capital expenditure plans.

Our operations depend on the continuous maintenance, upgrades and expansion of production capacity to meet evolving customer demands and market trends. As a manufacturer of vehicle articulation systems, as well as a new market entrant to TMS for new energy sector, we require significant capital expenditure to ensure the quality, efficiency and competitiveness of our products.

During the Track Record Period, we primarily used cash from operating activities in the maintenance and upgrades of production facilities. For the years ended December 31, 2023, 2024 and 2025, our capital expenditures were RMB1.3 million, RMB1.5 million and RMB14.9 million for the respective years. There can be no assurance that we will be able to generate sufficient cash from operations, or at all, or secure the necessary bank borrowings, if needed, to fund our planned capital expenditures. Any delays or failures in securing necessary funding and any unforeseen increases in costs or delays in the implementation of our capital expenditure plans could adversely affect our operations and financial results. Moreover, the development in industries where we operate may require us to make additional, unforeseen investments to remain competitive. If we fail to allocate sufficient resources toward adapting to these technological changes or if our investments do not yield the expected benefits, our market position and profitability may be adversely impacted.

Our business depends substantially on the expertise and dedication of our management team and highly skilled personnel. We may face challenges in recruiting and retaining such individuals, which could impede our technological advancement and business growth.

We have been, and will continue to be, substantially dependent on the continuing services and performance of our key management team and highly skilled personnel. We must continue to attract, retain and motivate a sufficient number of qualified management and operating personnel to maintain consistency in our product quality and meet our planned expansion requirements. However, we cannot assure you that we will continue to successfully retain our management team and skilled personnel. If we lose the services of any key member of them, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

If our senior management team fails to work together successfully, or if one or more of our senior managers are unable to effectively implement our business strategy, we may be unable to grow our business as we expect. Competition for experienced management and operating personnel in the transportation equipment system market is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our key management and operating personnel or attract and retain high-quality senior executives or key personnel in the future.

The shortage of skilled professionals could lead to delays in product development, hinder our ability to respond to market demands, and affect our capacity to manage our operations effectively. Additionally, the loss of key personnel or the inability to attract new talent could result in a loss of institutional knowledge and expertise, adversely affecting our business operations and future prospects. Failure to address these challenges may negatively impact our business performance, financial condition and our ability to achieve strategic objectives in the rapidly evolving technology sector.

As our business continues to grow, the demand for skilled R&D and international management personnel has significantly increased. Our ability to innovate and maintain a competitive advantage relies heavily on attracting and retaining highly qualified professionals in fields where we operate to continuously innovate and iterate our existing products and expand into our strategic emerging business. However, the competition for such talent is intense, and there is a risk that we may not be able to recruit or retain the necessary personnel to support our growth and international expansion strategies.

We are exposed to inventory management risks.

Our inventories primarily consist of raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, our inventories were RMB27.0 million, RMB22.4 million and RMB42.9 million, respectively. Our inventory turnover days for the years ended December 31, 2023, 2024 and 2025 was 140.2 days, 100.7 days and 116.9 days, respectively.

If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. We cannot guarantee that our inventory levels will be able to swiftly meet the demands of our customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in a diminished customer base and a decrease in revenue, any of which could harm our business, financial condition and results of operations.

We have implemented an inventory management system that requires close internal coordination to ensure that our inventory levels are sufficient to satisfy demand and do not cause any disruptions in production while minimizing carrying costs. For details of our inventory and inventory management policies, see "Business — Our Suppliers — Inventory Management." In the event of any damage or deterioration caused by factors beyond our control, including catastrophic events such as outbreak of fire or explosion, we may suffer from losses and such losses may not be compensated in a timely and adequate manner. Our business performance and financial position may thereby be adversely affected.

If we are unable to maintain high utilization rate of our production facilities, our profitability may be adversely affected, particularly when there is industry overcapacity.

High utilization of production facilities is crucial for spreading fixed costs over a larger quantity of products. Consequently, our ability to maintain or improve gross profit depends significantly on sustaining high utilization rates. The utilization rate of our production base for the production of vehicle articulation systems was 32.8%, 35.6% and 75.2%, respectively, for the years ended December 31, 2023, 2024 and 2025. However, various adverse factors, such as excess capacity, equipment malfunction, interruptions in utility availability and quality control deficiencies, could negatively affect our facility utilization.

In the industries where we operate, there is a risk of overcapacity if demand for vehicle articulation systems does not grow as expected. This could exacerbate the challenges of maintaining high utilization rates. Furthermore, the increase in global production capacity, driven by anticipated demand for urban buses, BRT and ART and other articulated vehicles, may be higher than actual market demand. If the industries do not grow as expected, or if our production capacity significantly exceeds this growth trajectory, we may face periods of industry-wide oversupply and the consequent price drop. Further, it can be challenging to adjust production levels swiftly due to capacity expansion projects that were previously planned.

If customer demand declines significantly, parts of our production facilities may become idle. This situation could lead to obsolescence of our facilities over time. Any downturns resulting from production overcapacity or other market demand factors could materially and adversely affect our business, financial condition and results of operations.

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

The EIT Law imposes an EIT rate of 25% on business enterprises. During the Track Record Period, we had obtained High and New Technology Enterprises certification, and we enjoyed a preferential corporate income tax rate of 15% with a validity period of three years. See "Financial Information — Description of Key Components of our Results of Operations — Income Tax Expenses." To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, value-added and other taxes. Non-compliance with tax laws and regulations in the Chinese mainland may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations and tax penalties or fines in the Chinese mainland could affect our businesses, financial condition and results of operations.

We may not be able to continue to enjoy similar preferential tax treatment in the future as they are non-recurring in nature. We may not be able to maintain our status as a High and New Technology Enterprise in the future. The discontinuation of any of our government grants or current tax treatments could adversely impact our net income and materially increase our tax obligations. We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. The tax treatments of our transaction arrangements may be subject to interpretation by the respective tax authorities, and there can be no assurance as to the outcome of these examinations. If our weighted average effective tax rate was to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

Work stoppages, increases in labor costs and other labor-related matters may adversely affect our business operations.

Although we have not experienced any material work stoppages, strikes or other major labor problems for the years ended December 31, 2023, 2024 and 2025. There can be no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may have an adverse effect on our business, financial condition and results of operations.

In addition, labor costs have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

Our manufacturing process are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to manufacturing difficulties or potential accidents.

Our manufacturing processes are complex, requiring equipment that is periodically modified and upgraded to improve manufacturing yields and product performance, as well as reduce unit manufacturing costs. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter manufacturing issues in achieving acceptable output or timely product delivery due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new manufacturing technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations.

Furthermore, our manufacturing processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. Any such incident, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damages due to personal injuries or property damage, thereby adversely impacting our business, financial condition and operational results.

We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and solutions, and such efforts to defend and protect our intellectual property may be costly.

The success of our products and our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the jurisdictions where we operate. We rely on a combination of patent, trademark, trade secret and laws related to intellectual property in China and other countries to establish and protect our proprietary rights, and yet all of which may provide only limited protection.

We cannot assure you that patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patent issued to us will not be challenged, invalidated or circumvented. Our currently issued patents and any patents that may be issued or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot assure you that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective.

We may face claims of infringement on know-how and intellectual property rights by third parties which, if resolved unfavorably, could result in the loss of rights and the obligation to pay damages.

Our continued success depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to our products and other technologies involve complex scientific, legal and factual questions and analyses and may therefore be highly uncertain.

There can be no assurance that we will not be subject to such claims in the future. Moreover, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, products or processes.

The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to liability to third parties, require us to seek licenses from third parties, pay ongoing royalties or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution, as well as diversion of our management's attention. The occurrence of any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

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

We are exposed to the risk of fraud or other misconduct committed by our employees, agents, customers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Our internal control system and procedures to monitor our operations and overall compliance may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and other misconduct, and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud and other misconduct may occur, which may have an adverse effect on our business, reputation, financial performance and results of operations.

We are exposed to the risk of fraud or other misconduct committed by our suppliers. Failure by any of our suppliers to fulfill the commitment to integrity may lead to ethical issues and subject us to potentially severe reputational risk and loss of profit and decline in the trust of customers and partners.

We are dependent upon third parties for services in connection with our businesses.

We rely on third-party service providers for services in connection with our business, such as logistics services and labor dispatch. However, the services delivered by third-party providers may not always be timely or meet satisfactory quality standards. If the third-party service providers fail to perform satisfactorily, substantially reduce the amount and scope of services provided to us, or substantially increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions, which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the provision of services without relevant qualifications, or fail to comply with our requirements or those of our customers or applicable laws and regulations, our reputation in the industry may be adversely affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

We currently have and target to have customers that are large corporations with substantial negotiating power, stringent product standards and potentially competitive internal solutions. If we fail to engage effectively with these customers, our prospects and results of operations will be adversely affected.

Many of our customers and potential customers are large, multinational corporations with substantial negotiating power relative to us and, in some instances, may have internal solutions that are competitive to our products. These large, multinational corporations also have significant development resources, which may allow them to acquire or develop independently, or in partnership with others, competitive technologies. Meeting the technical requirements of any of these companies will require a substantial investment of our time and resources. Any delays, changes in customer product roadmaps, technical challenges, or shifts in market conditions could adversely affect the timing or realization of expected revenue associated with our products. Furthermore, if our products are not selected by these large corporations or if these corporations develop or acquire competitive in-house solutions, our business and prospects will be adversely affected.

Our historical results may not be indicative of our future performance and our results of operations, and we may not be able to manage future growth effectively.

The historical financial information included in this document is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods.

Our future growth is, to a certain extent, based upon our forward-looking assessment of market prospects. We cannot guarantee that our assessment will always turn out to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include changes in the general economic conditions and the competitive landscape of the industries where we operate, as well as the relevant regulations and policies and the supply and demand for our products.

Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our current and planned production expansion projects as well as R&D activities. All these endeavors entail risks and demand considerable management efforts, skills and significant additional expenditures, which could strain our capacity to enhance our operational, auditing, human resources, financial and management controls. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our business operations are subject to seasonality.

We experience seasonal fluctuations in our operations. Sales of our products are generally low in January and February, particularly around the Spring Festival holidays when manufacturing activities of our downstream industry slowdown, leading to a decrease in purchases of our products. During the Track Record Period, our customers were mainly commercial vehicle manufacturers, many of which were suppliers of transportation equipment for transportation projects across the world. Subject to the procurement cycle of these customers, our product deliveries are typically concentrated in the third and fourth quarters of the year. As such, sales of our products are relatively higher in the second half of the year. Accordingly, various aspects of our operations, including sales, production capacity and utilization, working capital and operating cash flow, are exposed to the risks associated with these seasonal fluctuations, and our quarterly or half year results may not reflect our full year results.

The increasing awareness of environmental, social and governance issues may lead to the adoption of more stringent laws and regulations and increase our compliance costs.

With the rising awareness of ESG issues, including with respect to waste generated in the manufacturing process, greenhouse gas emissions and environmental protection, any revisions to laws and regulations may affect our business operations. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. See "Business — Environmental, Social Responsibility and Governance." We cannot assure you that these risk management measures can effectively mitigate the relevant risks. Revisions to existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, which may adversely affect our business, results of operations and financial performance.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches. A breach in our cybersecurity, or failure to protect confidential information, may result in legal and financial exposures and reputational damages.

We rely on information technology networks and systems for electronic communications among our personnel, suppliers, customers and other business partners and for synchronization with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. Our business involves storage and transmission of data about our business, suppliers, customers and other business partners. Our information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations. If we do not effectively resolve the issues in a timely manner, our business, results of operations and financial condition may be materially and adversely affected, and we could experience delays in reporting our financial results.

We may be subject to risks associated with our products and may lack sufficient insurance coverage for such claims. We may not be able to obtain adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

The products that we produce have the possibility to cause damage. Accordingly, we face the inherent risk of exposure to claims when the malfunction of our products results in property damage, personal injury or death. Our products may experience defects, which could subject us to lawsuits, product recalls or redesign efforts, all of which would be time-consuming and costly. Product liability claims against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our products and business and inhibit or prevent commercialization of our future products, which would materially and adversely affect our brands, business, prospects and results of operations. As of the Latest Practicable Date, we obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in the industry, however, our insurance coverage might not be sufficient to cover all potential product liability claims.

In addition, our business is subject to a variety of operational risks, including production disruptions due to operational errors, power outages, equipment failures and suspension due to other risks; operational restrictions imposed by environmental or other regulatory requirements; social, political and labor unrest; environmental or industrial accidents; and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. Furthermore, as we continue to expand our operations in overseas markets, we may be exposed to risks related to geopolitical tensions, policy changes and intellectual property and technology protection. These aforementioned risks may result in, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. We may not have adequate or any insurance to cover these operational risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Our future strategic acquisitions or investments, if any, may not be successful, and we may not realize anticipated strategic benefits and financial returns from such transactions.

We may engage from time to time in acquisitions and other strategic investments in order to expand our production capacity, diversify our product portfolio, gain access to new markets and stable sources of raw materials or acquire new technologies. However, there can be no assurance that our efforts, or any future acquisitions or investments, will be successful or that we will achieve the anticipated strategic benefits and financial returns from such transactions.

There are various risks associated with our acquisitions and investments, which include the following:

- challenges related to integration of acquired company's or investee's operations into our business;
- substantial delays or reduction in anticipated synergies;
- events beyond our control, including changes in regulations, technology and economic conditions, which could adversely affect our ability to realize benefits and returns from such transaction;
- potential increase in indebtedness that could constrain our operations;

- exposure to unknown or contingent liabilities that could require significant expenditures and capital injections;

- failure to train, motivate, integrate and retain employees of acquired company or investee;

- diversion of management time and attention from our existing operations to address the transactions and related challenges or those associated with integration processes; and

- unanticipated write-offs or charges and impairment of goodwill.

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

We may be involved in legal proceedings and commercial or contractual disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition.

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our business operations. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

Our business may be materially and adversely affected by force majeure events, natural disasters or other issues beyond our control.

Natural and man-made disasters and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. An occurrence or recurrence of any of such events could result in disruptions to our operations, which could adversely affect our business, financial condition, results of operations and prospects.

Our business operations could be disrupted if any of our employees is suspected of contracting any epidemic disease, since it could require our offices or facilities to be closed for disinfection or other remedial measures, which would adversely delay or disrupt our production schedule, and we may experience raw material shortages or price surges if the operations of any of our suppliers are disrupted by pandemics.

RISKS RELATING TO CONDUCTING BUSINESS IN THE CHINESE MAINLAND

Changes in the economic, political and social conditions, as well as government policies in the Chinese mainland could have a material adverse effect on our business and prospects.

We expect that most of our operations will continue to be conducted in China. Accordingly, our results of operations, financial condition and prospects are influenced by economic, political and legal developments in China. Economic conditions in China are sensitive to global economic conditions, as well as to changes in domestic economic and political policies, laws and regulations governing various aspects of economic activities, and overall social development. If the economic, political and social conditions, as well as government policies in China change, our business in China may also be materially and adversely affected.

Any actual or alleged failure to comply with the various applicable laws and regulations related to personal information protection, data security and cybersecurity could affect our offshore [REDACTED] and lead to liabilities, penalties or other regulatory actions, which could have a material and adverse effect on our business, financial condition and results of operations.

The PRC regulatory and enforcement regime with regard to data security and data protection is evolving. See "Regulatory Overview — Regulations Relating to Data Security." Our business generally does not involve the collection or processing of personal information or data that may affect national security. As of the Latest Practicable Date, we had not been designated by the relevant PRC authorities as a CIIO, have not been involved in any cybersecurity-related investigation initiated by the CAC or any other PRC authority, and have not received any cybersecurity-related warning or sanction from the PRC government, or any notice from relevant authorities specifying us to file for the cybersecurity review. According to the verbal consultation conducted on January 6, 2026 with the China Cybersecurity Review, Certification and Market Regulation Big Data Center, or CCRC, the Company was advised that the Company is not required to file an application for cybersecurity review under Article 7 of the Cybersecurity Review Measures with respect to its [**REDACTED**] in Hong Kong. However, as the definitions for terms such as internet platform operator and national security are broad, and the government will retain discretion as to the interpretation and enforcement of the Cybersecurity Review Measures and any implementation rules, we may be subject to related rules. We cannot preclude the possibility that the Cybersecurity Review Measures will subject us to the cybersecurity review by the CAC in relation to our operations or require us to adjust our business practices, in which case our business, financial condition and prospects and the [**REDACTED**] of our H Shares may be materially and negatively affected.

In the event that we are subject to the cybersecurity review by the CAC in relation to our operations, we may experience disruptions of our business. Such review could also result in negative publicity with respect to our company and diversion of our managerial and financial resources. Furthermore, if we were found to be in violation of applicable PRC Law during such review, we may be subject to administrative penalties, including fines and service suspension, which could have a material and adverse impact on our business, results of operations and financial condition and the value of our H Shares. We also cannot rule out the possibility that certain of our customers may be deemed CIIOs, in which case our products or services, if deemed related to national security, will be submitted for cybersecurity review before we can enter into agreements with such customers. If the reviewing authority considers that the use of our products and services by certain of our customers who are CIIOs involves risks of disruption, is vulnerable to external attacks, or may negatively affect, compromise, or weaken the protection of national security, we may not be able to provide or distribute our products or services to such customers, which could have a material adverse effect on our results of operations and business prospects. As of the Latest Practicable Date, we were in compliance with the currently effective and applicable PRC Law on personal information protection, cybersecurity and data security in all material respects and those laws do not have a material adverse impact on our business or offshore [**REDACTED**] plan. However, we cannot preclude the possibility that new laws, regulations or rules promulgated in the future will impose additional compliance requirements on us, will subject us to the cybersecurity or national security review in relation to our operations, or will require us to change our business practices or incur additional operating expenses, which may have material and negative impacts on our business, financial condition and prospects and the value of our H Shares.

The government's procedural requirements in the Chinese mainland regarding foreign currency conversion may limit our foreign exchange transactions.

The RMB generally cannot be freely converted into any foreign currencies. We receive most of our revenue in RMB. A portion of our revenue must be converted into other currencies in order to meet our foreign currency obligations such as payment of dividends to holders of our H Shares. Under the current foreign exchange regulations in the PRC, following completion of the [**REDACTED**], we will be permitted to undertake foreign exchange transactions under the current account subject to certain procedures, including the payment of dividends in foreign currencies, without prior approval from the SAFE. However, there is no assurance that the foreign exchange policies regarding payment of dividends in foreign currencies will continue. Foreign exchange transactions under the capital account, including principal payments in respect of foreign currency-denominated obligations, continue to be subject to limitations and require prior approval of the SAFE. The PRC government authorities may further implement rules and regulations in the future, which could restrict the use of foreign currency under current account and capital account in certain circumstances These restrictions could affect our ability to obtain foreign currency through debt financing, or to obtain foreign exchange needed for our capital expenditures, and could materially adversely affect our business, financial condition and results of operations.

PRC regulations of loans to and direct investment in the PRC entities by offshore holding companies may delay or prevent us from making loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in the PRC. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, in the PRC, capital contributions to our PRC subsidiaries are subject to the registration with the SAMR or its local counterpart, reporting of foreign investment information with the MOFCOM and registration with a local bank authorized by the State Administration of Foreign Exchange, or SAFE. For details, see "Regulatory Overview — Regulations Relating to Foreign Exchange."

We may not be able to obtain these government approvals or complete such registrations in a timely manner, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration or filing, our ability to use the [**REDACTED**] from our securities [**REDACTED**] to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

You may have limited resources in effecting service of legal process, enforcing foreign judgments or bringing original actions in the Chinese mainland against us or our Directors or senior management members based on Hong Kong or other foreign laws.

We are a company incorporated under PRC Law, and the majority of our Directors, Supervisors and executive officers reside in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors, Supervisors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. On July 3, 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final 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 China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region 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 by The Supreme People's Court of The People's Republic of China (《最高人民法院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 became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of the 2008 Arrangement which is made before the effective date of the 2019 Arrangement.

In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in the Chinese mainland or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of court between China and the country where the judgment was made.

RISKS RELATING TO THE [REDACTED]

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

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

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

The [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong SAR and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong SAR may affect the volatility of the [**REDACTED**] of, and [**REDACTED**] for our H Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong SAR. Some of these companies have experienced significant volatility, including significant price declines after their offerings. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the [**REDACTED**] performance of our H Shares. These broad market and industry factors may significantly affect the [**REDACTED**] of our H Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future.

Future sales of a substantial number of our H Shares, especially by our Directors, executive officers, [**REDACTED**] Investors and substantial shareholders, or the perception or anticipation of such sales, could negatively impact the [**REDACTED**] of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our Controlling Shareholders are subject to certain lock-up periods. While we are currently not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. We have applied to the CSRC for the [**REDACTED**] of Unlisted Shares into H Shares. If the [**REDACTED**] is filed by the CSRC, the Unlisted Shares will be

[**REDACTED**] into H Shares upon the [**REDACTED**], which will be [**REDACTED**] on the Stock Exchange. If our separate application is filed with the CSRC, our remaining Unlisted Shares may also be [**REDACTED**] into H Shares in the future, and such converted shares may be [**REDACTED**] on an overseas stock exchange, provided that prior to the [**REDACTED**] of such [**REDACTED**] shares, any requisite internal approval by our Shareholders in a general meeting is duly obtained and the filing notice from relevant PRC regulatory authorities shall be obtained. However, the PRC Company Law provides that in relation to the public offering of a company, the shares of that company which are issued prior to the public offering shall not be transferred within one year from the date of listing. Therefore, upon obtaining the requisite approval and filing notice, the Unlisted Shares may be [**REDACTED**], after the [**REDACTED**], in the form of H Shares on the Stock Exchange one year after the [**REDACTED**], which at that time could further increase the number of our H Shares available in the market and may negatively impact the [**REDACTED**] of our H Shares.

Should the [REDACTED] be higher than the net tangible book value per Share, subject to [REDACTED], you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of the [**REDACTED**] may be higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. As a result, you and other purchasers of the [**REDACTED**] in the [**REDACTED**] may experience an immediate dilution in [**REDACTED**] net tangible asset value. In order to expand our business, we may consider [**REDACTED**] additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per share of their Shares if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares pursuant to share incentive schemes, which would further dilute Shareholders' interests in our Company.

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

Our Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of Directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the Controlling Shareholders will be together entitled to control the exercise of approximately [**REDACTED**] of the voting rights and thus remain as Controlling Shareholders of our Company. The interests of our Controlling Shareholders might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders and our other Shareholders may also materially and adversely affect aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects.

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

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable PRC Law, the payment of dividends may be subject to certain limitations. Moreover, the calculation of our profit under the PRC GAAP may differ in certain respects from the calculation under the IFRS Accounting Standards. As a result, even if we report a profit for the year under IFRS Accounting Standards, we may not have distributable profits as determined by PRC GAAP. Additionally, the declaration, payment and amount of any future dividends are subject to the discretion of our Directors after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at a Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC Law. See "Financial Information — Dividends" for further details. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would affect the remittance of RMB into or out of China.

Holders of H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

Non-PRC resident individuals and Non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable tax laws, rules and regulations in the Chinese mainland.

Pursuant to the PRC Individual Income Tax Law (中華人民共和國個人所得稅法), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from the PRC and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (關於個人所得稅若干政策問題的通知(財稅字[1994]020號)) effective from May 13, 1994, overseas individuals are, as an interim measure, exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. According to the Notice of the State Council on Approving and Relaying the Several Opinions of the NDRC and Other Departments on Deepening Reform of the Income Distribution System (國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知) issued by the State Council on February 3, 2013, overseas individuals are no longer exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises, which is, however, not specified in the subsequent PRC Individual Income Tax Law and relevant tax regulations. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) and other applicable PRC tax rules and regulations, Non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

There remains substantial uncertainty as to the interpretation and implementation of the EIT Law and other applicable tax rules and regulations by the tax authorities in the Chinese mainland, including whether and how non-PRC resident H shareholders are subject to enterprise income tax rate on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your [**REDACTED**] in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

We cannot assure you of the accuracy or comparability of information, forecasts and statistics contained in this document.

This document, particularly the section headed "Industry Overview", contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from third-party reports, either commissioned by us or publicly accessible, and other publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Sole Sponsor involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma 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. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance.

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

The [**REDACTED**] is being made solely on the basis of the information and representations contained in this document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this document should not be relied upon in making an [**REDACTED**] decision with respect to the securities being [**REDACTED**].

Prior to the publication of this document, there has been coverage in the media regarding us and the [**REDACTED**], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. Investors should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media's coverage of our Company and the [**REDACTED**] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets and the demands of advertisers.