

RISK FACTORS

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have a limited operating history, making it difficult to evaluate our business prospects based on our operating history and historical financial performance, and we may not be successful in expanding our operations or sustain our historical growth rate in the future.

We were established in 2018 and our limited operating history makes it difficult to evaluate our business prospects. In particular, given the innovative nature of our business model, it is difficult to predict our future operating and financial performance, and we cannot assure you that our business model will continue to be viable or achieve commercial success. Our historical financial performance is not indicative of our future performance. You should comprehensively consider our business and prospects in light of the risks and challenges that we face in our industry, including our ability to:

- deliver reliable and high-quality electricity services;
- continually improve our research and development capabilities;
- effectively manage our supply chain;
- improve operating efficiency and achieve economies of scale;
- build a well-recognized and respected brand;
- adapt to changing market conditions, including technological developments and changes in the competitive landscape; and
- effectively manage our growth in the ever-changing regulatory environment.

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

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

If we are unable to manage our growth effectively, we may be unable to take advantage of market opportunities, execute our business strategies, or respond to competitive pressures, which could materially and adversely affect our business, financial condition, and results of operations.

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We are subject to policy changes in the modern electricity service industry in which we operate.

The modern electricity service industry in which we operate is currently at its early development stage, characterized by a rapidly evolving regulatory landscape in China. Some policies favorable to our business have only recently been progressively rolled out in recent years. For example, the electricity spot market policies in China, which are inextricably linked to our electricity trading service, have only seen progressive liberalization and implementation since 2025. In addition, while various provinces in China are accelerating the rollout of VPP-related policies, the specific regulatory requirements and electricity pricing structures vary significantly from province to province. In the short term, this evolving regulatory landscape is subject to uncertainties, which could pose operational challenges to us and complicate our cross-regional expansion efforts. While various supportive policies relating to our industry have been introduced in recent years, such as those relating to electricity consumption, electricity trading, and ancillary services, these policies may be reduced, modified, or revoked at any time. Any such change could adversely affect the growth of the modern electricity service industry and reduce the demand for our services, which could materially and adversely affect our business, financial condition, and results of operations.

Adverse change in asset investors’ interests in DES assets may materially and adversely affect our business, financial condition, and results of operations.

We may be adversely affected by adverse change in asset investors’ interest in DES assets. Higher financing costs for asset investors will raise their hurdle rates and tighten project screening criteria, such as higher yields and more stable cash flows, which may fundamentally weaken their willingness to purchase DES assets and ultimately reduce our business opportunities. In addition, we are subject to the risk of changes in asset allocation preferences and opportunity costs of our asset investors if other asset classes in the market offer more attractive investment opportunities, such as higher return rates. The substitution effect of other asset classes may weaken the overall demand for our DES asset development, constrain our expansion scale, and undermine our bargaining position in project pricing negotiations. As a result, our business, financial condition, and results of operations may be materially and adversely affected.

A narrower peak-valley electricity price spread may adversely affect our business.

A narrower spread between peak and valley electricity prices may adversely affect our business, financial condition, and results of operations. Our peak-valley arbitrage service relies on capturing price differences between peak and valley periods. Various factors beyond our control, such as changes in supply and demand dynamics, electricity market policies, regulatory adjustments to peak-valley pricing, and macroeconomic fluctuations, may reduce the peak-valley price spread. A narrower spread will directly lower our profit margins from peak-valley arbitrage service. If the price spread narrows or disappears, our business, financial condition, and results of operations could be materially and adversely affected.

Our DES asset development may require substantial upfront investment. Without prudent project selection and effective risk management, our business, financial condition, and results of operations may be adversely affected.

Our DES asset development may require substantial upfront capital and resources during the early stages of project development. The successful completion of such projects is subject to several factors beyond our control, including regulatory approval and supply chain stability. Any delay or disruption in these processes may result in cost overruns, project postponements, or cancellations, which could adversely affect our business, financial condition, and results of operations. In addition, the long payback period associated with these capital-intensive projects may affect our liquidity and profitability. We cannot assure you that we will always accurately assess project feasibility, manage project development and operating risks, or respond promptly to market changes, which may adversely affect our business, financial condition, and results of operations.

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Our project-based business model for DES asset development may expose us to fluctuations in project scale and cycle, which may adversely affect our business, financial condition, and results of operations.

During the Track Record Period, a significant portion of revenue was derived from project-based engagements for our DES asset and other asset development. Revenue generated from such projects is inherently one-time in nature because each project is subject to separate negotiation, procurement processes, and customer budget cycles. As a result, we may not be able to secure follow-on projects from existing customers or obtain new projects on a timely basis, or at all. In addition, the scale and cycle of our projects can vary significantly depending on customers' internal planning, investment priorities, technical requirements, and implementation scope. The timing, value, and profitability of each project are therefore subject to substantial uncertainty. Larger-scale projects may require longer sales and implementation cycles, while smaller or delayed projects may reduce our ability to achieve economies of scale or maintain a stable revenue base. These characteristics may cause our revenue to fluctuate from period to period and make it difficult for us to accurately forecast our financial performance. If we are unable to consistently secure new projects, if project scale decreases or becomes more volatile, or if project cycle lengthens, our business, financial condition, and results of operations could be materially and adversely affected.

A significant portion of our revenue during the Track Record Period was derived from a limited number of customers, and any decrease in sales to these customers could materially and adversely affect our business, financial condition, and results of operations.

In 2023, 2024, and 2025, a significant portion of our revenue was derived from our five largest customers in each applicable year, all of which related to our DES asset development business, accounting for 79.5%, 68.0%, and 84.3% of our total revenue, respectively. We cannot assure you that we will be able to maintain our business relationships with these customers or continue to generate the same level of revenue from them in the future. If any of our major customers significantly reduces its investment in us, delays, or terminates its business relationship with us, or if we fail to replace the revenue derived from such customer in a timely manner, our business, financial condition, and results of operations could be materially and adversely affected.

Any adverse development of the supply-demand dynamics for modern electricity services may materially and adversely affect the pricing of our services, which in turn could materially and adversely affect our business, financial condition, and results of operations.

Our results of operations have been and are expected to continue to be affected by downstream demands for modern electricity services. The downstream demands are affected by many factors, including policies that promote the development of energy storage and electricity trading, and government subsidies to downstream players in the value chain of the industry.

If future market demands for modern electricity services are materially different from our projection, our business growth may be limited, and our financial condition and results of operations may be materially and adversely affected.

In addition, if our electricity users experience decline in demand for their products or services, then the demand for our services will decrease correspondingly, which may materially and adversely affect our business, financial condition, and results of operations.

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Our industry is characterized by rapid technology iteration. If our research and development efforts fail to achieve the expected results, our business, financial condition, and result of operations could be adversely affected.

Our industry is characterized by rapid technological iteration, which constantly reshapes market demand and customer expectations. We cannot assure you that our ongoing investments will always yield the expected technological breakthroughs or commercial success. Research and development activities are inherently uncertain and subject to various risks, including failure to achieve intended technical results, delays in development timelines, and inability to keep pace with the technological advances in the industry. If we are unable to maintain industry leadership in technology and services, we may lose our competitive edge, which could result in the loss of existing customers and hinder our ability to attract new customers. In addition, our new services may not achieve market acceptance or may be rendered obsolete by competing technologies. In addition, our upgraded or newly developed services may not generate profits within a short period or at all, which could adversely affect our business, financial condition, and results of operations.

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

If we fail to respond appropriately in the aforementioned situations, our expenditures in research and development may not generate corresponding benefits, which may materially and adversely affect our business, financial condition, and results of operations.

The integration of AI in our services may not be successful and may present business, compliance, and reputational challenges that could adversely affect our business, financial condition, and results of operations.

We have integrated and will continue to integrate AI capabilities into our services, which is one of our key growth strategies. We cannot assure you that we will continue to respond to constant changes in AI technologies and succeed in such integration in the future.

AI technologies are still at a preliminary stage of development and will continue to evolve. Flaws or deficiencies in AI technologies could undermine the accuracy and thoroughness of our business analysis and decisions. We cannot assure you that we will be able to detect and remedy such flaws or deficiencies in a timely manner, or at all. If the recommendations, forecasts, or analyses generated by AI technologies are inaccurate or deficient, we may face competitive disadvantages, legal liabilities, and potential damage to our reputation or ethical standing. Any flaws or deficiencies in AI technologies, whether actual or perceived, could materially and adversely affect our business, financial condition, and results of operations.

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

As a result of the highly specialized and technical nature of our business, we must attract, train, and retain a sizable workforce comprising key personnel and other employees with deep industry knowledge and extensive technical expertise. If one or more of our key personnel or highly skilled employees were unable or unwilling to continue their services with us, we might not be able to replace them easily in a timely manner, or at all.

In addition, our industry is characterized by high demand and intense competition for talent, we may have to offer higher salaries and benefits in order to attract and retain highly skilled key personnel or other employees that we will need to achieve our strategic objectives. As we are still a relatively young company, our ability to recruit, train, and integrate new employees into our operations may not meet the growing demands of our business. Any failure to attract, train, or retain key personnel and other highly skilled employees in numbers that are sufficient to satisfy our operating needs would materially and adversely affect our business, financial condition, and the results of operations.

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We incurred loss and total comprehensive loss, net current liabilities, and net operating cash outflows in the past, and we may not be able to achieve or maintain profitability in a short time.

We incurred loss and total comprehensive loss during the Track Record Period. In 2023, 2024, and 2025, our loss and total comprehensive loss was RMB291.2 million, RMB298.7 million, and RMB235.4 million, respectively. We may continue to incur loss and total comprehensive loss in the short term, as we are in the stage of expanding our business and operations rapidly in the modern electricity service market. We may not be able to achieve or subsequently maintain profitability in the near future. If we are unable to generate adequate revenues, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

In addition, we recorded net current liabilities and net operating cash outflows throughout the Track Record Period. We recorded net current liabilities of RMB567.1 million, RMB820.2 million, RMB1.07 billion as of December 31, 2023, 2024, and 2025, respectively. We recorded net operating cash outflows of RMB332.5 million, RMB385.5 million, and RMB181.0 million in 2023, 2024, and 2025, respectively. We cannot assure you that we will be able to generate net operating cash inflows in the future. If we have a net current liabilities position or continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. As a result, our business, financial condition, and results of operations may be adversely affected.

We face competition in our business. If we fail to compete effectively with our competitors, our business, financial condition, and results of operations may be materially and adversely affected.

The modern electricity service industry in China is currently at its early development stage with a diverse array of players looking to enter the market, and we expect that the competition will intensify in the future. Our existing competitors may seek to increase their market shares through various measures, such as continued research and development efforts, expanded business scale, optimized operating processes, and active marketing campaigns. Our competitors may also have greater financial resources than us. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions, and service categories. Competition could also adversely affect the demand for and pricing of our services, which in turn affects our growth and market share. Even if there is sufficient downstream demand for modern electricity services, we cannot assure you that we will always succeed in competing with other market players for orders from downstream customers. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, financial condition, and results of operations.

Our planned expansion into new regional markets may be delayed or challenged.

We intend to actively seek expansion opportunities in China and overseas. Our current strategy is to develop the PRC markets and gradually expand into overseas markets. In the PRC market, we plan to expand from Yangtze River Delta to other regions. Meanwhile, we intend to further expand into overseas markets such as Europe and East Asia. We may encounter difficulties when expanding into new regional markets. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have more robust financial resources, a more established presence, and a better understanding of customer demands and preferences. Our overseas expansion efforts may be affected by factors beyond our control, including macroeconomic conditions, local government policies, competition in the modern electricity service industry, and changes in customer demand. If we fail to effectively manage our business strategies or expansion plans, or the rising costs associated with them, our business, financial condition, and results of operations may be adversely affected.

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

Our success and continued growth depend on our ability to develop innovative electricity services that meet the evolving needs of our customers. Developing these services requires skilled research and development personnel and the ability to anticipate industry trends and customer demands. We cannot assure you that we will successfully identify or develop new services on a timely basis or at all. In addition, we cannot assure you that our new technologies will be accepted by customers or integrated into their energy procurement and operating plans.

The modern electricity service industry is influenced by changes in power market regulations, industry standards, energy efficiency and safety requirements, and customer procurement preferences. These factors can change rapidly and may be difficult to predict. Our ability to respond depends on accurate market analysis, timely customer feedback, strong research and development capabilities, and cost-effective service delivery. If we fail to anticipate or respond to these changes, or misjudge customer demand, our growth and financial performance could be adversely affected, potentially leading to reduced business volumes or the loss of key customers.

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

The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including the availability of resources in the raw materials market, market demand, potential speculation, market disruptions, natural disasters, and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices at all times.

During the Track Record Period, raw materials for our business primarily included lithium carbonate and PV modules. Historically, we experienced significant price fluctuations in PV modules. We recorded gross loss from the then PV asset development in 2023, primarily due to locked-in high construction costs versus rapidly declining raw material prices at the time of the sale of PV assets. We cannot assure you that we will not experience significant fluctuations in the prices of raw materials in the future.

In addition, we currently purchase certain key raw materials and components from third parties. If our current suppliers are unable to satisfy our future requirements of quantity and quality of raw materials on a timely basis, we may have to seek alternative sources for necessary materials and components. If we fail to do so, it could cause significant delays in our delivery, leading to potential liabilities, reputational damage, and materially and adversely affect our business, financial condition, and results of operation.

We have historically relied on significant borrowings to fund our operations, and any additional indebtedness, increased borrowing costs, or uncertainty in sources of our future financing may adversely affect our business operations and financial performance.

During the Track Record Period, we heavily relied on certain borrowings to finance our business operations. As of December 31, 2023, 2024, and 2025, our interest-bearing bank and other borrowings were RMB86.7 million, RMB336.4 million, and RMB436.6 million, respectively. High indebtedness could limit our operating and strategic flexibility. Additionally, any restrictive covenants in future indebtedness may limit our capacity to raise additional debt or equity financing, potentially leading to defaults that could accelerate repayment obligations, jeopardizing our financial stability. We expect to fund the financial commitments and other capital and operating expenses from cash generated from our operating activities, banking facilities, and the [REDACTED] from the [REDACTED]. However, we cannot assure you that we will be able to generate sufficient cash from our operations or obtain the necessary financing or that such financing will be at interest rates and on other terms that are commercially reasonable to us. To the extent we cannot obtain financing for our expansion at reasonable costs or at all in the future, our business may be adversely affected.

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Our business, financial condition, and results of operations could be adversely affected if we are unable to adequately manage our inventories.

Our inventories consisted of work in progress, which represents DES and other assets under construction, and finished goods, which represents constructed DES and other assets that have not yet been sold. As of December 31, 2023, 2024, and 2025, we had inventories of RMB112.0 million, RMB426.1 million, and RMB342.7 million, respectively. We assess impairment to inventories at each period during the Track Record Period and may make provision to write down our inventories to the net realizable value if their net realizable value is lower than the costs. As of December 31, 2023, 2024, and 2025, the inventory provision was RMB4.2 million, RMB17.6 million, and RMB23.5 million, respectively. However, we cannot assure you that we will not experience material write-offs in the future, which would directly and adversely affect our profitability and financial condition. Furthermore, during the Track Record Period, we have experienced fluctuations in our inventory turnover days. Our inventory turnover days were 225, 822, and 300 in 2023, 2024, and 2025, respectively. The fluctuation and extension of inventory turnover could materially and adversely affect our cash flow and liquidity position.

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

We record trade and bills receivables in the ordinary course of business. As of December 31, 2023, 2024, and 2025, our trade and bills receivables were RMB151.8 million, RMB105.9 million, and RMB285.2 million, respectively. In 2023, 2024, and 2025, our trade and bills receivable turnover days were 279 days, 377 days, and 137 days, respectively. We cannot assure you that we will be able to maintain our trade and bills receivable turnover days at a reasonable level. If the creditworthiness, business operations, or financial condition of our customers deteriorate, or if a significant number of our customers fail to settle their trade and bills receivables on time for any reason, we may experience delays in the collection of receivables, which could materially and adversely affect our business, financial condition, and results of operations. In addition, the delay in payment by our customers within their respective credit periods may also result in an impairment loss provision. We cannot assure you that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. In the event that settlements from customers are not made in a timely manner, or at all, our business, financial condition, and results of operations may be materially and adversely affected.

Our long cash conversion cycle could adversely affect our liquidity.

We had long cash conversion cycle during the Track Record Period. Cash conversion cycle is calculated by adding inventory turnover days and trade and bills receivable turnover days, then subcontracting trade and bills payable turnover days. As of December 31, 2023, 2024, and 2025, our cash conversion cycle was 273, 945, and 324 days, respectively. Long cash conversion cycle means that we need a long period of time to turn our initial cash investment in inventories back into cash. If we fail to maintain our cash conversion cycle at a reasonable level, our liquidity could be adversely affected.

Our business is subject to a variety of laws and regulations regarding cybersecurity, data security, and personal information protection and our services depend on highly technical hardware and software. If these systems contain errors, bugs, or vulnerabilities, or if we are unsuccessful in addressing or mitigating technical limitations and cyber security risk in our systems, or if we fail to comply with relevant laws and regulations, our business could be adversely affected.

Our services depend on software and hardware systems that are highly technical and complex and will require modification and upgrades over their service life. In addition, certain of our services depend on the ability of such software and hardware to store, retrieve, process, and manage immense amounts of data. If we fail to prevent or effectively resolve errors, bugs, vulnerabilities, or defects in our software and hardware, we may experience damage to our brand and reputation, loss of customers, reduced revenue, or liability for damages, any of which could adversely affect our business, financial condition, and results of operations.

We collect, store, and process data relating to business operations and cooperative parties (including customers) during our operations. Any loss, unauthorized access, or disclosure of confidential data could expose us to significant reputational damage, financial risks, legal disputes, and operating disruptions. It

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should be noted that, like all enterprises, our existing management system for cybersecurity, data security, and personal information protection are not foolproof. Security vulnerabilities may arise due to multiple factors such as hacking attacks, operating errors, employee violations, system failures, and password management loopholes.

Our business is subject to multiple data protection laws, regulations, policies, and other obligations across relevant jurisdictions. We may be subject to investigations and inspections by government authorities for compliance with cybersecurity and data security laws and regulations. Additionally, laws, regulations, and standards concerning cybersecurity, data security, and personal information protection are constantly evolving, and they may vary across different jurisdictions. We cannot assure you that our cybersecurity, data security, and personal information protection measures will be deemed adequate under applicable laws and regulations now or in the future, nor can we guarantee that our practices will always fully comply with all applicable rules and regulatory requirements. Compliance with emerging and changing international requirements may incur significant costs for us or require us to change our business practices. Should we fail to comply with applicable laws and regulations at any time or fail to address any cybersecurity, data security, or personal information protection issues, such actual or alleged failures could damage our reputation, impair our ability to conduct digital operations, and expose us to significant legal, financial risks, and operational disruptions.

We rely on third-party suppliers and business partners to provide services to our customers.

We work with a broad range of suppliers and business partners, such as energy storage equipment providers and EPC service providers. These third parties are also subject to their own risks relating to business interruption, systems and employee failures, and cybersecurity and data protection, and their own legal, regulatory, and market risks.

Our third-party suppliers and business partners may not fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed upon or applicable laws. In addition, we do not have control over their business operations, governance and compliance systems, and practices and procedures, which may increase our financial, legal, operational, and reputational risk. If we are unable to effectively manage our relationships with third-party suppliers and business partners, or if our third-party suppliers and business partners fail to satisfactorily fulfill their commitments and responsibilities, our business, financial condition, and results of operations could be adversely affected. Upon expiry of existing contracts with third parties, we may not be able to renew these contracts at terms commercially favorable to us, if at all, or find appropriate substitutes in a timely manner, in which case our business, financial condition, and results of operations may be adversely affected.

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

We rely on a combination of patents, copyrights, trademarks, and confidentiality agreements to protect our intellectual property. As of December 31, 2025, we held 130 granted patents, 77 trademarks, 68 software copyrights, seven domain names, and two layout designs of integrated circuits in China. In addition, as of the same date, we had two granted trademarks and 12 granted patents in other countries and regions. We cannot guarantee that we will be able to obtain new intellectual property rights in a timely or cost-effective manner, as the application process can be expensive and time-consuming.

Despite our efforts, unauthorized parties may still obtain and use proprietary information. In such cases, we may need to initiate legal proceedings to protect our intellectual property, which could be costly and divert management attention. Additionally, we may face risks in foreign jurisdictions, including uncertain legal outcomes and enforcement challenges.

We also are subject to the risk of third-party intellectual property infringement claims. If we are found to infringe upon their rights, we may be required to cease certain services, pay damages, redesign our services, or rebrand. Intellectual property disputes can be complex, costly, and time-consuming, potentially affecting our business, financial condition, and operations.

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

During the Track Record Period, certain of our customers settled their payments with us through third-party payors. In 2023, 2024, and 2025, the aggregate amount settled with all Relevant Customers under the Third-Party Payment Arrangements was nil, RMB28.2 million, and RMB39.4 million, respectively, representing nil, 22.6%, and 7.6% of the total revenue in the respective years.

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

Some of the lease agreements of our leased properties have not been registered with PRC government authorities as required by PRC law, which may expose us to potential fines.

As of the Latest Practicable Date, we had not registered four of our lease agreements in China. The authorities may require us to complete the lease registrations within a specified time frame and may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements for any delay in complying with such requirement, and we may be subject to a maximum penalty of RMB40,000 for the failure to register the property lease agreements. We cannot assure you that the relevant authorities will not impose penalties for failure to register these lease agreements. Any such penalties could have a material adverse effect on our business, financial position, and results of operations. See “Business — Properties” for further details.

Our risk management and internal control system may not fully protect us against various risks inherent in our business.

Our risk management and internal control systems may not be adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and handle any potential risks or internal control deficiencies, our business, financial condition, and results of operations may be materially and adversely affected.

Further, the successful implementation of our risk management and internal control systems depends on our management, employees, and subcontractors. We cannot assure you that our management, employees, and subcontractors will strictly observe and adhere to relevant measures and policies and carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effects on our business, financial condition, and results of operations.

We may incur additional costs to address any environmental, social, and governance risks, which may materially and adversely affect our business, financial condition, and results of operation.

Identifying, managing, and mitigating environmental, social, and governance risks may incur additional costs, potentially impacting our financial performance. We monitor environmental and climate-related risks to assess their short-, medium-, and long-term impact on our business and strategy. We are also committed to fostering a positive corporate culture, which may result in additional costs. In addition, increasing ESG-related regulatory requirements, including disclosure mandates in the jurisdictions where we operate, could raise compliance and operating expenses. Failure to adapt to new regulations or meet evolving industry standards may lead to customers choosing competitors, which could materially affect our business, financial condition, and results of operation.

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

We maintain insurance coverage in respect of areas where we consider our business to be exposed to significant risks, including physical loss, destruction, or damage. We cannot assure you that our insurance coverage will be adequate to cover all potential losses. Accordingly, there may be circumstances

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in which we will not be covered or compensated, in part or at all, for specific losses, damages, and liabilities. We cannot assure you that our insurance coverage is sufficient to cover potential losses. Any risk that is not adequately covered by insurance may have an adverse effect on our business, financial condition, and results of operations.

We may be subject to litigation proceedings and regulatory actions, and may not always be successful in defending ourselves against such proceedings or actions.

Our business operations entail litigation and regulatory risks, including the risk of lawsuits and other legal or regulatory actions relating to service liability, delivery, sales and customer services, leases, and labor disputes. We may be subject to claims and lawsuits in the ordinary course of our business. We may also be subject to inquiries, inspections, investigations, and proceedings by regulatory and other governmental agencies. Actions brought against us may result in settlements, injunctions, fines, penalties, or other results adverse to us that could harm our business, financial condition, results of operations, and reputation. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant to us. In such event, our business, financial condition, results of operations, cash flow, and reputation may be adversely affected.

Our business growth, financial condition, and results of operations are subject to force majeure events and unforeseen, hostile, or catastrophic events.

If any force majeure event or event beyond our control occurs, our customers may terminate contracts, and we may only be compensated under limited circumstances. If our insurance coverage is inadequate, we may incur losses that could materially affect our business, financial condition, and results of operations. Our operations are also vulnerable to interruption from unforeseen events such as acts of war, terrorist attacks, natural disasters, and extreme weather conditions, including health pandemics, floods, and storms. These events may disrupt global markets, consumer confidence, and our business operations. We cannot assure you that such events will not occur or significantly damage our business. If we fail to effectively manage these risks, our financial performance and prospects may be adversely impacted.

RISKS RELATING TO DOING BUSINESS IN JURISDICTIONS WHERE WE OPERATE

Any loss of or failure to obtain or renew the certificates, licenses, approvals, and permits may materially and adversely affect our business, financial condition, and results of operations.

We are subject to extensive PRC laws and regulations at both national and local levels, requiring us to obtain and maintain certain certificates, licenses, approvals, and permits to operate. These are granted and renewed based on our compliance with the relevant criteria set by government authorities. Our certificates, licenses, approvals, and permits may have limited validity and are subject to periodic review and renewal. Additionally, regulatory standards may change, exposing us to the risk of non-compliance. Failure to comply could result in fines, penalties, or the suspension or revocation of our operating certifications, which may materially disrupt our business and operations. As laws and regulations evolve, we remain subject to future amendments and compliance requirements that could impact our ability to operate.

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

We operate in China and our business, financial condition, results of operations, and prospects may be affected by economic, social, and legal policies in China. We cannot assure you that our business operations will be able to benefit from such measures. In addition, laws, rules, and regulations may also be amended from time to time, and the application, interpretation, and enforcement of such evolving laws, rules, and regulations may affect our business operations. Regulatory authorities may also introduce more stringent rules, strengthen supervision and enforcement, or impose additional licensing, filing, reporting,

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or other compliance requirements in relation to our industry or the end markets in which our customers operate. Any such developments may increase our compliance costs, restrict our operations, delay project implementation, and adversely affect our business operations. Any of the foregoing may materially and adversely affect our business, financial condition, and results of operations.

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

We are required to comply with PRC laws and regulations regarding social insurance and housing provident fund contributions for our employees. During the Track Record Period, we did not make full contributions for some employees and engaged third-party human resource service providers to make contributions for some employees.

Under PRC laws, failure to comply may result in fines, penalties, or orders to make overdue contributions with additional penalties. If we fail to meet these obligations, we could face significant fines and potential enforcement actions. Additionally, any failure to pay or register contributions may lead to legal disputes with employees, which could affect our business and financial condition.

We cannot assure you that we will not face future claims or demands for additional contributions, which could adversely affect our operations.

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

The PRC Enterprise Income Tax Law imposes a standard tax rate of 25% on business enterprises. Certain subsidiaries of ours qualify for a reduced tax rate of 20%. However, we cannot assure you that our subsidiaries will continue to benefit from these tax incentives in the future. Any changes to tax laws or the revocation of incentives could result in an increase in our tax liabilities.

Additionally, changes to PRC tax laws, including income tax, withholding tax, and value-added tax, could affect our operations. Non-compliance with these laws may lead to penalties, fines, or other sanctions. We are subject to regular tax examinations, and any adverse outcomes from such reviews could materially affect our financial condition, operating results, and cash flows.

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

Under PRC tax laws, non-resident individuals and enterprises are subject to taxes on dividends received from us or gains realized from the sale of our H Shares. Non-resident individuals are generally taxed at a rate of 20% on these gains, unless exempted or reduced under a tax treaty. We are required to withhold the relevant tax on dividend payments.

Domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally withhold individual income tax at a rate of 10% on dividend distributions. Non-PRC resident taxpayers claiming treaty benefits must submit an information reporting form for non-PRC resident taxpayers claiming treaty benefits to the withholding agent. Non-PRC resident enterprises without a business establishment in China, or whose income is unrelated to such an establishment, are subject to a 10% tax rate on dividends and gains from the sale of equity interests in PRC companies. This tax may be reduced or eliminated under applicable tax treaties.

We intend to withhold 10% tax on dividends paid to non-PRC resident enterprise holders of our H Shares, and non-PRC resident enterprise holders must ensure they meet the requirements for claiming treaty benefits. PRC tax authorities will determine the collection and application of individual income tax for non-PRC resident holders of our H Shares. Non-PRC resident holders should be aware that they may be obligated to pay PRC tax on dividends and gains from the sale or transfer of H Shares.

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You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our directors and management.

We are a company incorporated under the PRC laws, and all of our assets and subsidiaries are currently located in China. Substantially all of our Directors and senior management reside within China. The assets of these Directors and senior management may be located within China. As a result, it may be difficult or impossible for you to effect service of process upon us or these individuals, or to bring an action against us or against these individuals in the event that you believe your rights have been infringed under the applicable securities laws or otherwise.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [REDACTED] of our H Shares, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

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

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

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

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

While dividends may be paid out of distributable profits under our Articles of Association, no dividends were distributed during the Track Record Period. Distributable profits refer to our net profits for a given period, plus any accumulated distributable profits or less accumulated losses from prior periods, after deductions for statutory reserves and other approved reserves. As a result, even if our financial statements prepared under IFRS Accounting Standards show profitability, we may not have sufficient profits to distribute dividends to our shareholders.

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Future dividend decisions will depend on various factors, including our results of operations, cash flows, financial condition, capital adequacy ratio, capital expenditure requirements, and other considerations by our Board. We cannot assure you that these factors will not change in the future, which could affect our ability to declare dividends.

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

Future sales of our H Shares by our shareholders, or the issuance of new shares or securities, could adversely impact the [REDACTED] of our H Shares and our ability to raise equity capital at favorable terms. The perception of such sales or issuances may also affect market sentiment.

If we issue additional securities in the future, existing shareholders may experience dilution of their holdings. Furthermore, shares issued under existing or future share option schemes could further dilute shareholders' interests. New shares or equity-linked securities may also carry rights that take priority over H Shares.

Investors who subscribe for H Shares in the [REDACTED] may have agreements to dispose of some or all of their shares after the [REDACTED] for various reasons, including legal, regulatory, business, or market considerations. Such disposal, especially if significant, could adversely affect the [REDACTED] of our H Shares and cause volatility in [REDACTED] volume.

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

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

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

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

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

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