
RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. The [REDACTED] of our H Shares could decline due to any of these risks, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition, and results of operations. You should seek professional advice from relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is dependent on the performance of downstream industries, and any slowdown may materially and adversely affect our business.

Demand for our products is closely linked to the growth and performance of downstream industries such as industrial, agricultural, manufacturing, energy and chemicals, construction and mining, automation, robotics, new energy, transportation, environmental protection as well as related equipment sectors. With the ongoing implementation of the “Action Plan for Promoting Large-Scale Equipment Upgrades and Replacement of Consumer Goods” (《推動大規模設備更新與消費品以舊換新行動方案》) issued by the State Council of the PRC in March 2024, downstream industrial demand remains robustly supported. For details, please see the section headed “Regulatory Overview” in this document.

The performance of these industries, are subject to factors beyond our control, such as macroeconomic conditions, regulatory developments technological changes and supply chain dynamics. We cannot guarantee that the market conditions during the Track Record Period will continue, and any deterioration in downstream demand may adversely affect our revenue, capacity utilisation and profitability, materially and adversely affect our business, financial performance and position. Any slowdown, disruption or structural change in these industries may reduce customer procurement, order volumes and pricing levels. In particular, sectors such as new energy and robotics are subject to demand volatility, policy changes and potential overcapacity risks, which may lead to fluctuations in demand.

We operate in a competitive industry, and our inability to compete effectively may adversely affect our business.

The domestic industrial motor industry in the PRC is predominantly composed of small- and medium-sized privately owned enterprises. Production capacity is concentrated in the low- to mid-end segments, where products are generally homogenous. As a result, the industry is characterised by intense price-based competition, which has led to sustained cost pressures and relatively low gross profit margins among domestic manufacturers. For each of the Track Record Period, our total revenue amounted to approximately RMB684.8 million, RMB717.0 million and RMB733.6 million, respectively, while our gross profits for the same periods were approximately RMB101.9 million, RMB102.6 million and RMB96.8 million, respectively, reflecting such competitive pressures. We compete with domestic and international manufacturers that may possess greater financial resources, wider marketing and

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distribution networks, technological capabilities, and stronger brand recognition. We cannot assure that our current or potential competitors will not offer products at lower prices or adapt more swiftly to industry trends and market changes. Failure to compete effectively may have a material adverse effect on our business, financial condition and results of operations.

We may face challenges managing our expansion into new products, services and business activities and in maintaining and expanding our customer base.

We have expanded, and intend to continue expanding, our business operations, increasing the scale, diversity and complexity of our activities. In particular, we plan to provide intelligent industrial motor solutions to support global intelligent manufacturing. Such expansion exposes us to various risks and challenges, including failure of new products to achieve market acceptance or meet performance expectations; limited experience in new product segments, technologies or customer bases; difficulties in realising operational synergies; inability to achieve expected investment returns; misjudgement of market conditions; challenges in resource allocation; inadequate logistics or sales network management leading to delays or reduced profitability; failure to enhance risk management, internal controls and information systems in line with growth; tighter regulatory requirements and increased credit, market or operational risks; greater exposure to domestic and overseas regulatory regimes; delays in, or failure to obtain, necessary approvals; inability to secure financing on acceptable terms; failure to protect intellectual property rights; imitation by competitors; and increased difficulty in preventing fraud and safeguarding assets. Our expansion plans are based on assessments that may prove inaccurate. If our products fail to gain acceptance in new markets, or if our expansion is unsuccessful, our business, financial condition and results of operations may be materially and adversely affected.

Our success depends on our ability to retain existing customers, attract new customers and encourage continued use of our offerings. We intend to enter new sectors by engaging with customers in applications such as industrial robots and joint modules to drive revenue growth. However, we may not accurately anticipate demand, identify market trends or achieve expected returns on such investments. Failure to retain key customers or attract new customers in emerging verticals may hinder cost recovery and achievement of sales targets, adversely affecting our performance. There is no assurance that our efforts will result in sales growth, and any failure to engage customers effectively may slow our expansion.

Our ability to attract new customers also depends on our reputation and referrals, which are linked to our ability to provide effective customer maintenance and support. To support our expanding operations and growing customer base, we must deliver scalable and efficient services. We may be unable to recruit or retain sufficient qualified personnel, respond promptly to increased demand, or adapt our services to evolving requirements or competitive offerings. We may also incur increased costs as demand for support grows. Any failure, or perceived failure, to maintain high-quality maintenance and support services could adversely affect our business, reputation, results of operations, financial condition and prospects.

Increases in prices or instability in the supply of the raw materials used in production may adversely affect our business.

The principal raw materials used by us include silicon steel, enamelled copper wire, aluminium, permanent magnetic material and casting frames. Our raw material costs accounted for approximately 82.8%, 83.4% and 84.6% of our total cost of sales for each of the Track Record Period. The prices of our raw materials are influenced by global economic conditions, market supply and demand, and the volatility of such prices. We may not be able to pass any increases in raw material costs on to our customers in a timely manner, which could materially and adversely affect our financial results. Fluctuations in the prices of these materials may materially affect our results of operations. In particular,

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any significant short-term increase in upstream raw material prices that cannot be promptly passed on to downstream sectors could adversely affect motor manufacturers’ profitability. Our financial performance therefore considerably depends on our ability to secure reliable sources of quality raw materials at competitive prices.

Copper has been the main contributor to increases in our average raw material costs, accounting for approximately 33.1%, 36.6% and 37.2% of our total annual raw material procurement expenditure for each of the Track Record Period, respectively. The average price of copper increased from approximately RMB68,118 per tonne in FY2023 to approximately RMB74,883 per tonne in FY2024 and approximately RMB80,881 per tonne in FY2025. This upward trend in prices during the Track Record Period increased our procurement costs and adversely affected our gross profit margin. Our procurement costs for enamelled copper wire were approximately RMB160.7 million, approximately RMB205.4 million and approximately RMB220.6 million for each of the Track Record Period, while our gross profit margins decreased from approximately 14.9% to 14.3% and to 13.2% over the same period.

Our dependence on external suppliers for raw materials may expose us to the risk of delays in fulfilling our production and commercialisation schedules. There is no assurance that we will be able to meet these schedules without experiencing material delays and cost overruns. In addition, defects or quality issues in the raw materials and components sourced from our suppliers could materially affect the mechanical structure and functionality of our products. Although our Directors consider that our Group has not previously encountered any material shortages in the supply of raw material, any future shortage could disrupt our production and adversely impact our business operations and financial performance.

We derive a significant portion of our revenue from China, and our performance may be influenced by changes in the macroeconomic, social and regulatory environment within the market.

For each of the Track Record Period, our domestic revenue in China amounted to approximately RMB448.4 million, approximately RMB465.3 million and approximately RMB451.5 million, representing approximately 65.5%, 64.9% and 61.6% of our total revenue. The domestic market represents the core of our business operations. While we continue to broaden our customer base and enhance geographic diversification, our domestic revenue may be influenced by general economic, social or political developments in the PRC. These may include changes in economic conditions; adjustments in government policies, laws or regulations; labour market developments; and competitive dynamics within the industry. In addition, our domestic operations may from time to time be affected by natural disasters, public health events or other unforeseen circumstances. The occurrence of any of the foregoing may have an impact on our business, financial performance and condition.

We also derive revenue from export sales, which are subject to foreign exchange fluctuations, overseas market conditions, export controls, and geopolitical and trade-related risks.

For each of the Track Record Period, our export revenue amounted to approximately RMB236.4 million, approximately RMB251.7 million and approximately RMB282.1 million, representing approximately 34.5%, 35.1% and 38.4% of our total revenue. Our export transactions are mainly settled in euros and U.S. dollars. Fluctuations in exchange rates between Renminbi and these currencies may affect our pricing competitiveness and profitability.

Our export sales are also subject to overseas market conditions, including changes in economic environments, regulatory requirements, trade policies, tariffs and competitive dynamics in our destination markets. In addition, our export activities may be affected by logistical disruptions, geopolitical developments and other external events, which may impact our ability to deliver products in a timely and cost-effective manner.

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We are required to comply with applicable laws and regulations governing export activities. While our customers are generally responsible for import compliance in their respective jurisdictions, any non-compliance within the supply chain could result in shipment delays, additional costs or commercial disputes.

Our business may also be affected by evolving trade policies and tariff regimes. As at the Latest Practicable Date, we possess all necessary qualifications for conducting our export business, and during the Track Record Period, we were not subject to any penalties or investigations in connection with our export business. Any imposition, expansion or tightening of tariffs, anti-dumping duties or other trade restrictions by jurisdictions to which we export our products, including European countries, could adversely affect our export sales, profitability and overall business operations. Heightened geopolitical tensions or escalation of trade restrictions in our key export markets may also adversely affect financial market conditions and macroeconomic stability in those regions, thereby negatively impacting our business performance, cash flows and long-term prospects.

Sanctions and regulatory compliance risks may materially and adversely affect our business, financial condition and results of operations.

The increasing complexity and volatility of the global geopolitical landscape, including the ongoing Russia-Ukraine conflict and other regional tensions, continue to reshape international political and economic orders. Our export activities, which accounted for approximately 34.5%, 35.1% and 38.4% of our total revenue for each of the Track Record Period, subject us to a complex and evolving framework of economic sanctions and export control laws across multiple jurisdictions, including the United States and the European Union, restricting dealings with certain countries, governments and designated persons. These regimes are subject to frequent change and uncertain interpretation and enforcement, often influenced by political and national security considerations beyond our control. Any actual or alleged non-compliance may expose us to investigations, penalties and significant costs, materially and adversely affecting our business and results of operations.

With respect to our customer locations, shipment destinations, end users and end uses, payment routing and U.S. nexus, as advised by our International Sanctions Legal Adviser, no activity that would constitute a direct violation of U.S. primary sanctions laws and regulations was identified during the Track Record Period. In relation to transactions with one of our business partners, given that such counterparty is an OFAC-listed Specially Designated National (“SDN”) and that certain payments were denominated in U.S. dollars and processed through U.S. financial institutions, such transactions may implicate U.S. primary sanctions restrictions applicable to U.S. persons and U.S. financial institutions, and could give rise to direct U.S. sanctions exposure if we were found to have caused a U.S. person to process a prohibited transaction or otherwise to have evaded U.S. sanctions. Should such transactions implicate U.S. primary sanctions, we may face civil monetary penalties, administrative enforcement actions, and reputational harm.

In light of our Russia-related dealings during the Track Record Period, our International Sanctions Legal Adviser have advised that potential exposure to U.S. secondary sanctions cannot be ruled out. Secondary sanctions risks may arise in particular in respect of (i) transactions involving the aforementioned OFAC listed SDN and (ii) Russia-related transactions involving receipt of funds through another OFAC-listed branch. Whether such transactions would result in sanctions being imposed on us or other relevant persons is subject to the discretion of OFAC and other competent authorities and is highly dependent on the specific facts and circumstances.

As advised by our International Sanctions Legal Adviser, none of our entities has been designated as a SDN or otherwise blocked by OFAC. Furthermore, none of our entities is located, incorporated, organised or resident in a country or region subject to comprehensive U.S. territorial sanctions.

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OFAC and other regulatory or judicial authorities have broad discretion in determining whether to investigate particular transactions or relationships or to pursue enforcement or other actions. If the relevant authorities were to determine that we had engaged in sanctionable conduct, we could be subject to enforcement action, designation, asset blocking or other restrictive measures, loss of access to U.S. dollar clearing or certain banking channels, disruption to our commercial and financing arrangements, and reputational damage, any of which could materially and adversely affect our business, financial condition and prospects. However, our International Sanctions Legal Advisers has advised that, in light of the nature of the SDN Sales and SDN Payments and the fact that SDN Sales and SDN Payments were of relatively small amount, it is less likely that we would be viewed as providing material assistance to the said counterparties and hence the possibility that SDN Sales and SDN Payments will result in the exercise of discretionary authority under secondary U.S. sanctions is relatively low.

As advised by our International Sanctions Legal Adviser, none of our entities has been designated as a SDN or otherwise blocked by OFAC. Furthermore, none of our entities is located, incorporated, organised or resident in a country or region subject to comprehensive U.S. territorial sanctions. Failure to comply with applicable anti-bribery or anti-money laundering laws and regulations could also expose us to civil or criminal penalties, including fines, sanctions, restrictions on our operations or debarment from certain markets, as well as reputational damage. Our international operations and dealings with customers and suppliers across multiple jurisdictions may increase our exposure to such regulatory risks, including under the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act and other applicable laws. We may also be subject to public criticism or activist pressure in relation to our dealings in certain markets. Any such developments could have a material adverse effect on our business, financial condition and results of operations.

We have invested, and intend to continue investing, significantly in R&D. Our R&D efforts may not yield the expected results, which may adversely affect our profitability and our operating cash flow and may not yield the anticipated results.

Our R&D capabilities are critical to our long-term success and competitiveness. The design and manufacturing of industrial motors are inherently complex processes that demand extensive multidisciplinary expertise. The development of new industrial motors typically involves knowledge across electronics, electromagnetism, materials science, automation, computer software, and electrical control systems. This requires engineers, designers, and technical specialists to possess both advanced theoretical knowledge and substantial practical experience. In addition, the manufacturing process relies on large-scale, specialised, and sophisticated production equipment, which imposes high technical requirements and further increases reliance on skilled personnel. We consider the domestic talent pool in these fields remains limited, which may constrain the pace of product development and technological innovation.

The industrial motor market is characterised by rapid technological change and continual advancements. Our ability to introduce new products that meet evolving market demands depends largely on the strength of our R&D capabilities. As at 31 December 2025, we had approximately 200 personnel handling R&D duties, representing about approximately 21.6% of our total workforce, focusing on the research, development, design and maintenance of permanent magnet synchronous motors and three-phase asynchronous motors. For details, please refer to the section headed “Business — Research and Development” in this document.

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Our R&D expenses amounted to approximately RMB28.5 million, approximately RMB29.4 million and approximately RMB30.0 million for each of the Track Record Period, respectively, representing approximately 4.2%, 4.1% and 4.1% of our revenue for the corresponding periods. We intend to continue investing substantially in R&D to maintain technological relevance. Nevertheless, even if we keep pace with technological change and successfully launch new models, our existing products may become obsolete sooner than anticipated, which could reduce our returns on investment. Given the inherent uncertainty of R&D activities, there is no assurance that our efforts will consistently result in technological breakthroughs or commercially viable products. As such, despite significant R&D expenditure, we may not achieve commensurate returns, which could adversely affect our market position. Delays, failures, or setbacks in our R&D programmes could also materially and adversely impact our business, reputation, results of operations, and future prospects.

We may not be able to increase our production capacity or implement our expansion plans as intended.

We intend to maintain our competitive advantages by, among other things, expanding our production capacity and exploring new business opportunities both domestically and internationally. Such expansion plans, as well as any future expansion initiatives, will require significant capital investment in new production facilities and the recruitment of additional qualified personnel. To capture these opportunities, we have contemplated expansion plans of our existing production facilities and the establishment of new production facilities globally. For details, please refer to the section headed “Future Plans and [REDACTED]” in this document.

We expect to incur substantial additional costs in connection with the above expansion plans, including depreciation charges, raw material costs, financing costs and labour costs. In addition, the success of our existing and future expansion plans depends on factors beyond our control, including the progress of construction carried out by third-party contractors, applicable local laws and regulations, government support (including the granting of relevant operating licences for the expanded production capacity), and customer demand for such expanded capacity.

Our business requires significant capital expenditure for maintenance, upgrades and the expansion of production capacity, and there can be no assurance that we will have sufficient cash to successfully implement our capital expenditure plans.

Our operations depend on the ongoing maintenance, upgrading and expansion of our production capacity in order to meet evolving customer demands and market trends. As a provider of industrial motors, we incur substantial capital expenditure to maintain the quality, efficiency and competitiveness of our products. For each of the Track Record Period, our capital expenditures amounted to approximately RMB21.1 million, approximately RMB14.2 million and approximately RMB21.0 million. There can be no assurance that we will be able to generate sufficient cash from operations, or otherwise, to fund our planned capital expenditures. Any delay in, or failure to secure, the necessary funding, as well as any unforeseen increases in costs or delays in the implementation of our capital expenditure plans, could adversely affect our operations and financial performance. In addition, developments in the industries in which we operate may require us to make additional, unanticipated investments in order to remain competitive. If we fail to allocate sufficient resources to address such technological developments, or if such investments do not deliver the anticipated benefits, our market position and profitability may be materially and adversely affected.

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We are exposed to fluctuations in foreign currency exchange rates, which could adversely affect our business operations, results of operations, and financial condition.

As we expand our business footprint into other jurisdictions, including Europe, Africa and other regions, alongside our customers, we are increasingly exposed to the effects of foreign currency exchange rates. Our revenues dominated in currencies other than Renminbi for each of the financial periods in the Track Record Period were approximately RMB213.7 million, RMB235.7 million and RMB267.6 million, respectively, representing approximately 31.2%, 32.9% and 36.5% of our total revenues for the corresponding periods. The value of the Renminbi against the euro, U.S. dollar and other currencies has and may continue to experience significant fluctuations due to various factors, including changes in political and economic conditions and the foreign exchange policies of the PRC government. We recorded net foreign exchange gains of approximately RMB7.8 million and RMB9.3 million in FY2023 and FY2025, and net foreign exchange losses of approximately RMB2.0 million in FY2024 as a result of such fluctuations. For details, please refer to Note 8 to the Accountants’ Report set out in Appendix I to this document.

While we generate revenue in multiple currencies and do not rely on any single currency, fluctuations in exchange rates among the currencies in which we operate may nevertheless result in volatility in our financial and operating results. In particular, our expenses may increase and our revenues and operating metrics may decrease when translated into our reporting currency. A portion of our revenue and operating metrics is denominated in local currencies that have historically exhibited significant volatility. As movements in these currencies are not necessarily correlated, our results of operations for any given period may be adversely affected by such exchange rate volatility. We may from time to time enter into derivative transactions to manage our exposure to foreign exchange risk and incur costs in connection with such arrangements. These derivative instruments are intended to be used for hedging purposes and not for speculation; however, they may only mitigate, and not eliminate, our exposure to exchange rate movements. For example, if we enter into hedging arrangements to guard against a depreciation of a particular currency and that currency instead appreciates, we may incur losses, which could materially and adversely affect our financial condition and results of operations.

Our products are intricate in nature and undetected defects, errors or bugs of our products could adversely affect our business, financial condition and results of operations.

Our products are intricate in nature and may contain latent errors, defects or bugs that are difficult to detect, particularly upon initial introduction or following upgrades or enhancements. Certain issues may only emerge after commercial deployment by customers. In such cases, we may incur additional costs to recall, repair, replace or redesign affected products. Any failure to maintain effective quality control systems may result in defective products reaching customers, increasing the risk of recalls, warranty claims and customer dissatisfaction. In addition, we may be subject to warranty and indemnity obligations under our customer contracts, exposing us to claims for losses arising from product defects. Defending such claims may be time-consuming and costly and could divert management resources, adversely affecting our business, financial condition and results of operations.

Our products may fail to meet customers’ performance expectations or may contain defects. If defects are identified in our products, or if any end-products incorporating them malfunction, our reputation and operating results could be adversely affected through lost sales, recall-related costs, legal proceedings, or diversion of management attention.

Our products may not meet customers’ performance expectations, and we cannot guarantee that they will be free from defects or operate without interruption throughout their service life. Customers may have specific expectations regarding key performance characteristics of our three-phase asynchronous motors, including power output, torque, energy efficiency, vibration levels, noise emissions and thermal performance. If these performance indicators fall short of expectations, this may

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result in customer dissatisfaction, particularly where such shortcomings affect operational uptime, reliability or overall efficiency. The performance, stability and durability of our products may also be influenced by factors beyond our control, including the manner of operation, operator skill, maintenance practices, duration and intensity of use, and environmental conditions such as temperature, humidity or other harsh operating environments. If our products experience higher-than-expected failure rates or performance degradation as a result of these or other factors, our customers may become dissatisfied, which could adversely affect demand of our products.

The design and manufacturing processes for our products are inherently complex and may give rise to latent defects or errors that only become apparent over time. The quality and consistency of raw materials and components sourced from our suppliers may also affect the structural integrity, performance and reliability of our products. Despite our internal testing and quality control procedures prior to delivery, our ability to fully assess long-term product performance and durability remains inherently limited. There can be no assurance that we will be able to detect or remedy defects in a timely manner, or at all. In addition, at stages where manual intervention is required, there is a risk of human error, negligence or non-compliance with established procedures by our employees. Such errors may result in our products failing to perform as intended, and we cannot assure that such risks can be entirely eliminated.

In addition, our products are typically incorporated into end-products used across downstream sectors, many of which are subject to stringent safety, quality and regulatory standards. Any defect, malfunction or breakdown in our products, or in end-products incorporating them, may result in property damage, personal injury or, in severe cases, loss of life. If such incidents are caused by, or alleged to be caused by, defects in our products, we may be subject to product liability claims, regulatory investigations, product recalls or other legal proceedings. Any such events could result in reputational damage, adverse publicity, loss of customers, reduced sales, delays in delivery, and the incurrence of significant costs, including warranty expenses, recall costs and legal fees. In addition, management time and resources may be diverted to address such issues, which could disrupt our operations. Where insurance coverage is unavailable or insufficient, we may also be exposed to substantial financial liabilities, including civil, administrative and/or criminal sanctions. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

Our business depends significantly on the expertise, experience and continued service of our management team and highly skilled personnel worldwide. We may encounter difficulties in attracting and retaining such individuals, which could adversely affect our technological development and business growth.

We have been, and expect to remain, substantially dependent on the continued services of our management team and highly skilled personnel. The retention of talent in a global business environment presents a number of challenges, including cultural differences that may influence employee engagement and satisfaction, as well as intense competition for qualified professionals. In addition, differing legal and regulatory requirements across jurisdictions complicate employment arrangements, including contracts and employee benefits. We seek to promote effective communication and integration across our global teams through tailored retention strategies that balance consistency at the group level with appropriate local adaptation. However, we cannot assure you that we will be successful in retaining our management team and skilled personnel. If we lose the services of any key individual, we may be unable to identify suitable replacements in a timely manner, on acceptable terms, or at all, and our business, financial condition, results of operations and prospects may be materially and adversely affected.

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A shortage of skilled professionals may result in delays in product development, limit our ability to respond effectively to market demands, and impair our capacity to manage and integrate our international operations. Furthermore, the loss of key personnel, or any failure to attract new talent, may lead to a loss of institutional knowledge and expertise, which could adversely affect our operations and future prospects. Failure to address these challenges may have a negative impact on our business performance, financial condition and ability to achieve our strategic objectives in a rapidly evolving technological landscape.

As our business continues to expand globally, demand for skilled research and development personnel and experienced international management has increased significantly. Our ability to innovate and maintain a competitive position depends heavily on our success in attracting and retaining highly qualified professionals in our areas of operation. However, competition for such talent is intense, and there is a risk that we may be unable to recruit or retain the personnel necessary to support our growth and international expansion strategies.

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

Our success depends on the quality of our products. Our quality management system may not detect latent defects, which could result in failures during installation or use and create safety hazards or operational issues for customers. Its effectiveness depends on factors including system design, machinery, the quality and training of personnel, and consistent adherence to internal policies and procedures.

If end-products incorporating our products give rise to unsafe conditions or personal injury, we may face product liability or warranty claims arising from, among other things, component failures, manufacturing defects, design deficiencies or inadequate disclosure of product-related risks. We may be named as a defendant, and our insurance coverage may be insufficient or may not cover all circumstances. Customers may also face claims and seek indemnity or contribution from us. Any failure of our products or solutions to perform as expected, including failures resulting in product recalls, could damage our reputation and impair our ability to market and sell to existing and prospective customers, materially and adversely affecting our business, financial condition and results of operations.

We are required to comply with applicable laws, regulations, guidelines and standards relating to product safety and the use of restricted and hazardous materials in jurisdictions where our customers sell their products, and our inspection standards are based on relevant national and industry standards. There can be no assurance that our quality management system will remain effective or compliant at all times. Any material failure or deterioration in its effectiveness could result in the loss of accreditations, certifications or other required qualifications, which may materially and adversely affect our reputation, business and results of operations.

Our operations depend on the stable, timely and sufficient supply of utilities at commercially reasonable prices.

We rely on a consistent supply of utilities, principally electricity, water and steam, to sustain our manufacturing processes. Our production capacity and cost structure are directly affected by the availability and pricing of such utilities. Utility prices are subject to a range of factors beyond our control, including inflationary pressures, capacity constraints of suppliers, macroeconomic conditions, fluctuations in underlying commodity prices, competing demand from other industries and applicable regulatory requirements at both local and national levels. There can be no assurance that material disruptions or shortages in utility supply will not occur, or that we will be able to pass on any increases in utility costs to our customers in a timely manner or at all. In particular, changes in energy

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consumption policies or regulatory measures that result in higher utility tariffs could adversely affect our cost base. Significant increases or volatility in utility costs, without a corresponding adjustment in our product pricing, may compress our profit margins and weaken our competitive position.

In addition, utility supply may be disrupted by factors such as natural disasters, adverse weather conditions, equipment failures or interruptions in transportation or distribution networks. In such circumstances, we may be unable to secure alternative sources of supply on commercially acceptable terms, or at all, or maintain the level of utility supply required for normal operations. Any prolonged disruption or insufficiency in utility supply could lead to reduced production output or temporary suspension of operations. Any of the foregoing factors could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may face challenges in constructing, managing and operating new production facilities required to meet increased production demand.

In order to support our business growth, we will need to expand our production capacity. During the Track Record Period, the utilisation rates of our production machinery and equipment were generally in the range of approximately 80% to 90%. Our ability to design, construct, equip and manage additional manufacturing facilities and production lines (or to expand existing facilities), is subject to significant risks and uncertainties, including but not limited to: (i) delays and cost overruns due to factors like regulatory approvals, permitting, and equipment delivery or installation issues; (ii) potential underperformance, higher costs, or longer timelines in designing and commissioning equipment; (iii) reliance on third parties who may fail to meet contractual obligations; and (iv) operational difficulties. If we are unable to expand our manufacturing capacity in a timely and cost-effective manner, our ability to meet customer demand and further grow our business may be adversely affected, which could in turn have a material adverse effect on our results of operations and financial condition.

Our profitability could be adversely impacted if we are unable to sustain high utilisation rate of our production machinery and equipment for our key products.

Our profitability depends on maintaining a high utilisation rate of our production machinery and equipment. During the Track Record Period, the utilisation rates of our core products ranged from 80% to 90%, and we plan to continue enhancing our production capacity. There is a risk that market demand for our products may not increase or be maintained as expected, resulting in suboptimal utilisation of our existing and new machinery. Lower capacity utilisation would reduce our ability to spread fixed costs, leading to a decrease in gross profit margin and adversely affecting our profitability and operating results.

We are exposed to credit risks arising from our business arrangements with customers. Our financial condition and results of operations may be materially and adversely affected by any significant delay in payment of default by our customers.

Our profitability and cash flow depend on the timely settlement of payments by our customers for the products we supply. The majority of our customers settle payments by bank drafts or telegraphic transfers, and we generally grant credit terms of not more than 60 days to customers in the PRC and not more than 180 days to overseas customers. Our trade receivables turnover days were approximately 101 days, 94 days and 109 days for each of the Track Record Period. As at the same dates, our trade receivables were approximately RMB190.8 million, RMB227.3 million and RMB263.6 million, representing approximately 24.2%, 27.7% and 27.1% of total assets, respectively.

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The level of our trade receivables and contract assets is affected by factors such as fluctuations in operating revenue and customers’ payment patterns. The combined balances of trade receivables and contract assets were approximately RMB177.7 million, RMB211.5 million and RMB247.5 million for each of the Track Record Period. We cannot guarantee that all trade receivables will be settled within the agreed credit periods. If any customer experiences financial difficulties or other adverse circumstances, we may be unable to recover the outstanding amounts in full and may need to make provisions for doubtful debts, which could materially and adversely affect our financial position, cash flow and results of operations.

We recorded net current liabilities in FY2024 and relatively high net debt-to-equity ratios^(Note) during the Track Record Period.

Our net debt-to-equity ratio increased from approximately 1.20 in FY2023 to approximately 1.09 in FY2024, before declining to approximately 1.00 in FY2025. While we remained profitable throughout FY2023 to FY2025, with total equity increasing year-on-year, borrowings also rose to support our business expansion. Following a dividend payment in 2024, equity growth did not keep pace with the increase in borrowings, resulting in a higher net debt-to-equity ratio. In FY2025, improved profitability and higher foreign currency deposit balances at year end, driven by exchange rate movements, contributed to a reduction in the net debt-to-equity ratio.

As at 31 December 2024, we had recorded net current liabilities of approximately RMB31.1 million, primarily due to the increase in borrowings to support business expansion, coupled with the dividend payment in 2024 which constrained equity growth. Through active working capital management, we seek to optimise our debt position and debt servicing indicators to support our operations. However, as we continue to expand and increase production capacity, our funding needs are expected to grow, which may result in higher levels of borrowings. If we fail to effectively manage our debt maturity profile or if a concentration of debt maturities arises, we may experience significant cash flow pressure, increasing our short-term debt servicing risks.

In addition, if we are unable to maintain adequate working capital or obtain sufficient financing, we may not have sufficient cash flows to fund our operations, capital expenditure and expansion plans. Any inability to secure additional external financing on a timely basis, on acceptable terms or at all may require us to scale back or abandon our development and expansion plans, which could materially and adversely affect our business, financial condition and results of operations.

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

The historical financial information in this document does not predict future performance or results, and does not represent or forecast our results of operations for any future period. Our growth depends partly on market outlooks, the assessment of which are not assured to be accurate, and there can be no assurance that we will be able to grow our business as planned, and may be affected by factors beyond our control, including economic conditions, competition, regulations, and market demand.

Managing growth will require significant capital and resources while maintaining profitability amid rising costs. This includes expanding and managing our workforce, supplier and customer relationships, and continuing investment in production and R&D. These efforts involve risks and demand substantial management attention and financial resources, potentially straining our systems. Failure to maintain operational efficiency could materially and adversely affect our business and financial condition.

Note: For illustrative purposes only, net debt to equity ratio is calculated based on the sum of our interest-bearing borrowings, minus our cash and bank balances divided by total equity at the end of the year.

RISK FACTORS

Our performance is subject to risks arising from economic and industry volatility.

The industrial motor industry is closely correlated with macroeconomic conditions. In recent years, adjustments to national economic policies and a general slowdown in economic growth have reduced the growth rate of downstream customers moderating the overall development of the industry. If the domestic economy fails to maintain robust growth in the future, our operations may be adversely affected.

Internationally, economic recovery in developed markets such as the United States and the European Union has remained slow, while growth in emerging markets, including the BRICS nations, has been subdued. This has resulted in weak external demand, which continues to weigh on exports of domestic motor products. Global economies remain susceptible to sharp downturns triggered by deteriorations in credit markets, financial crises, or other factors such as extreme market volatility, reduced liquidity and credit availability, investment rating downgrades, and declining asset valuations. Adverse economic conditions may materially affect our ability to raise capital, if required, on a timely basis and on acceptable terms or at all.

Our manufacturing processes are susceptible to disruption, which may increase our production costs. We may experience operational interruptions arising from manufacturing difficulties or unforeseen incidents.

Our manufacturing processes are complex and require equipment that is periodically modified and upgraded to enhance production yields and product performance, as well as to reduce unit manufacturing costs. From time to time, production difficulties may arise, which could result in delays in delivery or reduced output. Any such issues may constrain our production capacity and adversely affect our results of operations.

In addition, our manufacturing processes involve inherent risks, including industrial accidents, which could result in significant property damage or personal injury. Any such incident, irrespective of where it occurs, could lead to substantial interruptions to production and delays, or give rise to claims for significant damages arising from personal injury or property damage. This, in turn, could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to inventory management risks. Failure to maintain optimal inventory levels may increase our inventory holding costs or adversely affect our results of operations.

Our inventories primarily comprise (i) raw materials; (ii) work in progress; (iii) finished goods; (iv) outsourced processing materials; and (v) goods in transit. For each of the Track Record Period, our inventories amounted to approximately RMB140.1 million, RMB151.1 million and RMB181.8 million, representing approximately 25.7%, 26.2% and 25.2% of our current assets for the period respectively. Our inventory turnover days were approximately 98, 86 and 95 respectively.

We may not be able to effectively manage our inventory levels or promptly identify any excessive accumulation or shortage in our operations, and we may misjudge market demand. Excess inventory beyond customer demand may result in increased storage costs, heightened risk of obsolescence, inventory write-downs or write-offs, and potential sales at discounted prices, which could adversely affect our brand image and gross profit margin. In addition, we cannot assure that all of our inventory can be sold within a reasonable period of time or at expected prices, which may lead to a decline in inventory value and adversely affect our results of operations and financial condition. Conversely, if we underestimate demand for our products and solutions, or if our suppliers fail to deliver in a timely manner, we may experience inventory shortages, delayed deliveries and lost sales opportunities, which could harm our reputation, customer relationships and revenue. Any failure to maintain optimal inventory levels may therefore increase our inventory holding costs and adversely affect our business, financial condition and results of operations.

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Although legal title of our goods may pass to our motor resellers upon delivery, we retain significant risks associated with ownership. Such sales to motor resellers are on conducted on a buyout basis. Upon receiving their orders, we manufacture and sell the products to the motor resellers, who then sell them to end customers. Should there be any changes to these arrangements, this may result in delays in revenue recognition, and our profitability and results of operations could be adversely affected. In addition, our inventory may be subject to damage or deterioration due to factors beyond our control, including catastrophic events such as fire or explosion. Such losses may not be compensated in a timely or adequate manner, which could adversely affect our business performance and financial position.

The industrial motor industry is inherently exposed to significant risks, and we may experience accidents or disruptions in our manufacturing process, which could harm our reputation, expose us to liability claims, and result in substantial costs.

The industrial motor industry in which we operate is inherently exposed to a high level of risk. It involves various risks and hazards, including industrial accidents, labour disputes, fires, explosions, equipment failures, delays in the supply of materials, and the loss of key inputs such as electricity and water, as well as changes in the regulatory environment and coastal hazards and other natural phenomena, such as storm surges, floods and landslides. Such events could result in significant damage to or the destruction of properties or production facilities, human exposure to pollutants, personal injury or loss of life, environmental and natural resource damage, manufacturing delays, monetary losses, and potential legal liabilities. If any of these inherent risks materialise, our operations may be disrupted, and our business and results of operations could be materially and adversely affected.

We may be subject to inventory obsolescence risk.

Our inventories amounted to approximately RMB140.1 million, RMB151.1 million and RMB181.8 million for each of the Track Record Period, respectively. The corresponding inventory turnover days were approximately 98 days, 86 days and 95 days. As our business expands, higher inventory levels and longer turnover periods may increase our exposure to inventory obsolescence and other related risks. We may not always be able to maintain optimal inventory levels, and any overestimation of demand could result in excess or obsolete stock. Furthermore, our inventories may be subject to damage, loss or deterioration due to inadequate storage of mishandling. Any failure to effectively manage and safeguard our inventories could materially and adversely affect our business, financial position and operating results.

We engage motor resellers during our Track Record Period and are subject to certain risks associated with their inventory management and operations.

Our motor resellers maintain their own inventories of our products and sell to their end customers. While we assess their inventory levels by reviewing their sales records through our management systems, we may not be able to accurately track their actual inventory positions or identify excessive stock build-up. If our motor resellers are unable to sell their inventories within a reasonable period, they may reduce or delay future orders until their stock levels align with market demand. Any significant inventory accumulation by these customers could therefore lead to lower future orders and adversely affect our sales, business performance, financial condition and prospects.

We engage motor resellers to expand our market reach to downstream sectors, particularly where customer demand is fragmented. For each of the Track Record Period, revenue derived from these customers accounted for approximately 2.9%, 2.9% and 2.5% of our total revenue for the respective periods. We have limited control over the operations and conduct of our motor resellers, and there can be no assurance as to their performance. These customers may make business decisions that are not aligned with our interests or are inconsistent with our management policies. Any misconduct on their part, including corruption, bribery or other illegal acts, may be perceived as detrimental to our brand and could expose us to reputational risks.

RISK FACTORS

We are exposed to operational risks and hazards beyond our control, which could lead to business interruptions, personal injuries, or damage to property or the environment. Any disruption or machinery failure at our production facilities could adversely affect our inventory levels and production schedule.

We are exposed to a range of operational risks and hazards beyond our control that may lead to business interruptions, personal injury, or damage to property and the environment. These include industrial accidents (such as vehicle collisions, explosions, fires or mechanical failures), unexpected maintenance issues, and occupational hazards. Such incidents may disrupt our operations and harm our personnel or assets. If we fail to implement prompt and effective response measures, our operations may be interrupted or suspended, resulting in higher labour costs, reputational damage, and financial loss. Mismanagement, inadequate handling procedures, or breaches of safety protocols could also lead serious accidents. Failure to maintain robust safety standards may materially and adversely affect our operations and financial condition.

Our success and reputation depend on our ability to deliver quality products on time and in required quantities, which relies on the stable and reliable performance of our production facilities, particularly key machinery and equipment. Any operational disruption or equipment breakdown may delay production and affect our ability to meet customer demand, potentially impacting customer satisfaction. Operational disruptions or equipment failures may arise from unforeseen events, such as natural disasters, mechanical breakdowns, labour disputes, or regulatory developments. Instability or shortages in power supply could also halt production and delay order fulfilment. Finding alternative facilities or equipment promptly and cost-effectively may not always be possible. Extended production delays or suspensions could impair delivery schedules and product quality, adversely affecting customer relationships and our reputation. Any prolonged disruption could have a material adverse effect on our business and financial performance.

Investment in our business could disrupt our ongoing business and present risks not originally contemplated, and we may be unable to realise the anticipated benefits, synergies, cost savings or efficiencies from acquisitions.

We may invest in our business, and incur significant administrative and integrated costs, including unanticipated expenses such as asset impairment charges, legal and regulatory costs, and expenses associated with streamlining overlapping operations. Such investments may require substantial resources and involves risks beyond our control. There is no assurance that we will realise the anticipated synergies, cost savings or efficiencies, or that such investments will deliver expected benefits.

Such investments may expose us to potential risks, including: (i) integration of new operations, systems and personnel; (ii) cultural and operational alignment challenges; (iii) compliance with local laws, regulations and business practices; (iv) failure to achieve expected synergies, revenues or profitability; (v) inadequate control or supervision of newly acquired operations; (vi) loss of or damage to relationships with customers, suppliers and other stakeholders; and (vii) unforeseen or undisclosed liabilities. There is no assurance that we will be able to identify or complete investments on commercially reasonable terms, or at all. Competition for attractive opportunities may intensify, and regulatory approvals relating to antitrust, foreign investment or other requirements could delay or prevent completion. Failure to successfully identify, execute or integrate investments may adversely affect our business, financial condition and results of operations.

RISK FACTORS

Unfavourable results of legal and regulatory proceedings could materially adversely affect our business, financial condition and performance.

We are, or may in future become, subject to various litigation and compliance risks. Unfavourable outcomes could have a material adverse effect on our financial position and results of operations in any reporting period. For details, please refer to the section headed “Financial Information — Contingent Liabilities” in this document.

Legal and regulatory proceedings are inherently uncertain. Insurance coverage for certain matters, including class actions, may not be available or cost-effective. Such proceedings, whether with or without merit, can be time-consuming, divert management attention, disrupt operations, and cause adverse publicity or reputational harm.

We recognise loss contingencies and make provisions in accordance with applicable accounting standards when liabilities are considered probable and reasonably estimable. Changes in circumstances, developments in proceedings or foreign exchange volatility may affect our estimates and could adversely impact our financial results or cash flows. Actual outcomes may differ materially from our provisions.

Our insurance coverage may not be sufficient to cover all losses or potential claims, which could adversely affect our business, financial condition and results of operations.

During the Track Record Period, we purchased and maintained enterprise property, vehicle, unemployment insurance, work-related injury insurance and commercial medical insurance. For details, please refer to “Business — Insurance” in this document. However, there is no assurance that our existing insurance policies are adequate to cover all potential risks or losses.

Certain risks, including those relating to customer concentration, our ability to secure new contracts, retain and attract personnel, availability and performance of subcontractors, cost management, credit risk and liquidity risk, are generally uninsured as they are uninsurable or not cost-effective to insure. Insurance coverage for losses arising from acts of war or terrorism is also generally unavailable or cost prohibitive. Consequently, we may have to bear uninsured losses, damages, liabilities, litigation costs or business disruptions, which could materially and adversely affect our business, financial condition and results of operations.

Failure to comply with our obligations under our bank and other borrowings may materially and adversely affect our business, results of operations and financial condition.

We have utilised, and may continue to utilise, bank and other borrowings to finance our working capital requirements. During the Track Record Period, such borrowings amounted to approximately RMB294.4 million, RMB309.8 million and RMB390.1 million for the respective financial periods. We may also, from time to time, seek additional debt financing to refinance our existing borrowings or to support our business expansion.

In connection with our bank and other borrowings, we may grant security interests over our assets. For details, please refer to Note 34 to the Accountants’ Report set out in Appendix I to this document. We may also grant additional security interests in the future. Any failure to comply with our obligations under such borrowings may result in the enforcement of security over the mortgaged assets, disruption to our business operations, and damage to our reputation and relationships with customers, any of which could materially and adversely affect our business, results of operations and financial condition.

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Our bank and other borrowings are also subject to certain restrictive covenants, which are customary in loan arrangements with financial institutions in the PRC and may limit or otherwise adversely affect our operations. Such covenants may restrict our ability to sell, transfer, lease, remortgage, dispose of, or otherwise deal with the assets pledged as collateral for the relevant borrowings.

We are exposed to risks associated with fair value change in financial assets measured at fair value through profit or loss and valuation uncertainties arising from the use of observable inputs.

We had financial assets at fair value through other comprehensive income (“FVTOCI”) of approximately RMB13.6 million, RMB33.7 million and RMB34.2 million for each of the Track Record Period. Fluctuations in the fair value of our financial assets at FVTOCI may continue to affect our results of operations in the future. We cannot assure you that favourable market conditions or regulatory developments will result in fair value gains on such financial assets, or that we will not incur fair value losses in the future. Any such losses may adversely affect our results of operations, financial condition and prospects. For details, please refer to Note 24 to the Accountants’ Report set out in Appendix I to this document.

In addition, we may invest in wealth management products, which are subject to various risks beyond our control, including risks relating to the macroeconomic environment, general market conditions, and the risk management practices and creditworthiness of the issuing banks. We cannot assure you that such investments will generate fair value gains or that we will not incur fair value losses in the future. Any such losses may adversely affect our results of operations, financial condition and prospects. There can also be no assurance that our internal financial management policies and guidelines will be effective at all times. If we fail to properly manage the risks associated with our investments in wealth management products, we may incur losses, which could adversely affect our financial condition.

We are required to comply with the Minimum Allowable Values of Energy Efficiency and Values of Efficiency Grades for Motors (電動機能效限定值及能效等級) (GB 18613-2020). Failure of doing so may adversely affect our business operations.

Industrial motors are classified into energy efficiency classes ranging from IE1 to IE5, in accordance with standards established by the International Electrotechnical Commission (IEC). For details, please refer to the section headed “Industry Overview — Overview of the global industrial motor industry — Energy efficiency analysis of industrial motors” in this document.

In the PRC, the national standard entitled Minimum Allowable Values of Energy Efficiency and Values of Efficiency Grades for Motors (電動機能效限定值及能效等級) (GB 18613-2020) came into effect on 1 June 2021. This standard sets out the applicable energy efficiency grades, minimum energy performance requirements and testing methods for, among others, three-phase asynchronous motors. It applies to general-purpose motors and explosion-proof motors, and also extends to certain smaller motors, including capacitor-start and capacitor-run motors, as well as motors used in air-conditioning fan applications and brushless DC motors within specified power ranges.

Under this standard, if the relevant specific motors do not meet at least the IE3 energy efficiency class, their manufacture and sale within the country will be prohibited. Non-compliance may result in administrative actions or penalties imposed by the relevant PRC authorities. In addition, if energy efficiency requirements become more stringent in the future, we may be required to incur additional costs in R&D, product redesign, testing, and certification, which could adversely affect our results of operations.

As advised by our PRC Legal Advisers, during the Track Record Period, neither we nor our PRC subsidiaries included in our consolidated financial statements were subject to any administrative penalties for non-compliance with laws and regulations relating to product quality and technical

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supervision. However, there can be no assurance that we will be able to maintain full compliance in the future. Any non-compliance, or any tightening of applicable standards, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Global or regional economic, political, trade or other factors may materially affect our business.

Our operations are influenced by global and regional economic and market conditions, as well as by the volume of international and regional trade. Political and trade tensions and rising protectionism may lead to the imposition of trade barriers or restrictions, sanctions, boycotts or embargoes, new or increased tariffs, or other adverse developments such as acts of war, hostilities, epidemics or terrorism.

Any such events could reduce international and regional trade volumes and, in turn, have a material adverse effect on our business, financial condition and results of operations, and could also constrain our future expansion strategies. For instance, if the trade tensions between China and the United States persist and the global economic environment continues to deteriorate, the demand for our products may decline, adversely affecting our business, financial condition and results of operations.

The utilisation rate of our machinery and equipment is dependent on market demand and supply for our products, which are linked to global economic conditions. Should the global economy fail to recover or enter into recession, demand for our products would likely decrease accordingly, resulting in lower utilisation of our production capacity and a material adverse impact on our results of operations and financial performance.

Environmental risks may materially and adversely affect our business, financial condition and operational results.

We are exposed to environmental risks due to the nature of our business operations. Breaches of environmental laws or regulations may occur, for instance, if discharged wastewater exceeds prescribed standards, if damage to third-party pipelines leads to leakage, or if our employees fail to follow required procedures.

We may be held liable for environmental damage caused by our wastewater treatment activities, which could adversely impact nearby properties or residents. Any significant liability for such damage could materially and adversely affect our operating results and financial condition. In the ordinary course of business, we may also be involved in legal or administrative proceedings relating to environmental matters.

As at the Latest Practicable Date, we had not received any material administrative penalties or fines relating to excessive discharge of pollutants. Any adverse outcome in such proceedings could have a negative impact on our business, financial performance and results of operations.

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

Our continued success depends on our ability to recruit, train, retain and motivate our employees. During the Track Record Period, we have maintained good working relationships with our employees and did not experience any material work stoppages, strikes or other significant labour disputes. However, there can be no assurance that such events, including strikes or other work stoppages, will not occur in the future. Any such labour disruptions could materially disrupt our operations, reduce productivity and result in increased labour costs, which may in turn have a material adverse effect on our business, financial condition and results of operations.

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In addition, employees of certain of our suppliers or customers may become unionised or experience labour instability in the future, and we may be unable to predict the outcome of any labour negotiations. Any disputes between us and our employees, or between our suppliers or customers and their respective labour unions (if any), could adversely affect our operations and financial performance.

For each of the Track Record Period, our direct labour costs amounted to approximately RMB62.0 million, RMB63.8 million and RMB67.6 million, representing approximately 10.6%, 10.4% and 10.6% of our total cost of sales for the respective periods. Labour costs in the regions in which we operate have generally increased in recent years and may continue to rise. Such increases may be driven by, among other factors, inflationary pressures, the implementation or tightening of minimum wage regulations (including global minimum wage initiatives), and intensifying competition for skilled labour. The competition for experienced and skilled workers in our industry is particularly intense, and we may be required to offer more competitive remuneration packages and employee benefits in order to attract and retain qualified personnel.

Changes in labour laws and regulations, including statutory increases in minimum wages or enhanced employee benefit requirements, may further increase our labour costs. If labour costs continue to rise, our production and operating costs will increase. We may not be able to pass on such increased costs to our customers by raising the selling prices of our products due to competitive pressures in the markets in which we operate. In such circumstances, our profit margins may be reduced, which could have a material adverse effect on our business, financial condition and results of operations.

Our business depends on our ability to protect, enforce and defend our intellectual property rights in court or before any related intellectual property agency in any jurisdiction. If we fail to do so, or if third parties infringe our rights or assert claims against us, our business, financial condition and results of operations could be materially and adversely affected.

Our key intellectual property includes proprietary technologies, product designs, technical know-how, patents, trademarks, copyrights and domain names. We regard these as critical to our operations and seek to protect them through applicable intellectual property laws, contractual arrangements and internal measures. We cannot rule out the possibility that such rights may be challenged, invalidated, circumvented or misappropriated, which could fail to deliver our expected competitive advantages.

To prevent or address any actual or threatened infringement or unauthorised use, we may need to initiate or participate in litigation or other proceedings before courts or intellectual property authorities in any jurisdiction, which may be costly, time-consuming and divert the attention of our management and other resources. Any claims that we assert may also give rise to counterclaims. In addition, our competitors may devote substantially greater resources than we do to such disputes, and any adverse outcome may result in our patents, including those that are pending, being invalidated, held unenforceable or construed more narrowly than we anticipate. Proceedings before the China National Intellectual Property Administration (國家知識產權局) (“CNIPA”) or other administrative authorities in mainland China or other jurisdictions may likewise result in the revocation, amendment or limitation of our patents, thereby reducing the scope of their protection. If any of our patents were held to be invalid or unenforceable, we would lose some, or potentially all, of the patent protection for the relevant products or product candidates.

Our competitors, particularly those with substantial patent portfolios, may allege that our products infringe their intellectual property rights. Whether a product infringes a patent involves complex legal and factual analyses, and the outcome is often uncertain. Moreover, competitors may have filed patent applications that have not yet been published, or may assert trademark rights that are not disclosed by public record searches. Although we intend to identify and avoid infringement of third-party intellectual property rights, such efforts may not always be successful. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or

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administrative proceedings in relation to intellectual property rights violations that we consider would have a material adverse effect on our business, results of operations, financial condition, reputation or compliance. Nevertheless, any such claims, whether meritorious or not, could be costly, divert management attention and result in significant legal or other expenses. If successful, such claims could require us to suspend the sale of relevant products, redesign or rebrand products, pay substantial damages or enter into unfavourable royalty or licence arrangements.

In addition, although we enter into employment agreements with our employees containing confidentiality, non-compete and intellectual property ownership clauses, we cannot assure you that such agreements will not be breached, that we will obtain timely remedies or that our proprietary information will not become known to third parties.

An inability to protect our intellectual property rights, or actual or alleged infringement of a third-party intellectual property rights, could adversely affect our business.

The success of our business depends in part on our ability to obtain, maintain and enforce patents and other intellectual property rights, and to secure adequate legal protection for our products in the jurisdictions in which we operate. We rely on a combination of patent, trademark, copyright and trade secret laws, together with contractual and other legal protections, in the PRC and other jurisdictions to safeguard our proprietary rights; however, these protections may be limited or difficult to enforce in practice. We cannot assure you that any pending patent applications will result in patents that provide us with sufficient defensive protection or competitive advantage, if at all, or that any patents granted to us will not be challenged, invalidated, narrowed in scope or circumvented. Our existing patents, and any patents or other intellectual property rights that may be granted or registered in the future, may not provide comprehensive protection, may be insufficient to prevent competitors from developing similar technologies and may not be enforceable in proceedings against alleged infringers. We also cannot assure you that the measures we have taken, or may in future take, will prevent unauthorised use of our technology or reverse engineering of our products and solutions. In particular, our confidentiality procedures, technical safeguards and contractual restrictions may be breached, may not operate as intended or may otherwise prove insufficient to protect our trade secrets and know-how.

Our brand, products and solutions may be counterfeit, imitated or otherwise misused by third parties. We cannot assure you that such counterfeiting, imitation or misuse will not occur in the future or that, if it does, we will be able to identify, prevent or remedy it in a timely or effective manner. Any such infringement could damage our reputation, dilute our brand and adversely affect customer confidence and demand.

We may also be subject to claims, disputes or litigation alleging that our products or solutions infringe the intellectual property rights of third parties. Regardless of merit, such claims may be time-consuming and costly to defend, may divert management attention and other resources from our business and may require us to alter, suspend or cease sales of affected products or solutions. In addition, any such proceedings could result in a court or other authority invalidating, narrowing or rendering unenforceable some or all of our intellectual property rights.

If any of our products are found to infringe valid and enforceable third-party intellectual property rights, we may be required to obtain licences on unfavourable terms, pay damages, enter into settlement arrangements or cease offering the relevant products or solutions altogether. We may also face claims from customers, business partners or other third parties seeking indemnification or other remedies in connection with any such infringement allegations.

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RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTION WE OPERATE

Changes in economic, political or social conditions, or in government policies, laws, regulations, or industry practices in the jurisdictions where we operate, may adversely affect our business, financial condition and results of operations.

Our business, financial position and results of operations are subject to the economic, regulatory, political and social conditions of the jurisdictions in which we operate. Governments worldwide have implemented, and may continue to adopt, policies affecting economic growth and resource allocation. The industrial motor industry is also influenced by broader macroeconomic factors, such as global and domestic economic conditions, trade relationships, employment levels, customer demand and discretionary spending. Adverse changes in any of these factors could materially and negatively impact our business, financial position and results of operations.

We are exposed to risks arising from the international sale of our products, including political tensions, export controls and trade or economic restrictions. Failure to effectively manage these risks could materially and adversely affect our business, financial position and results of operations.

While we expect the PRC will remain our principal market, we anticipate that the marketing and sale of our products in international markets will expand over time. Our international expansion may expose us to various risks, including: (i) fluctuations in foreign exchange rates; (ii) increased costs associated with understanding local markets and establishing effective marketing and distribution networks; (iii) challenges in providing customer service and support; (iv) difficulties in staffing and managing overseas operations; (v) intense competition from established industrial motor players; (vi) exposure to regions where improper business practices may occur; (vii) challenges in developing and maintaining relationships with local business partners; (viii) failure to establish adequate risk management and internal control systems for overseas operations; (ix) costs and challenges associated with complying with diverse commercial and legal requirements, including those relating to charging and other electric infrastructure; (x) failure to obtain or maintain permits and authorisations; (xi) differing safety requirements and accident-related risks across jurisdictions; (xii) difficulties in securing, maintaining or enforcing intellectual property rights; (xiii) adverse changes in economic conditions or regulatory regimes; and (xiv) trade barriers, such as export controls, tariffs, taxes or other restrictions.

Operating internationally will require timely and effective responses to rapidly changing market conditions in each jurisdiction. Our ability to succeed overseas depends partly on managing diverse legal, regulatory, economic, environmental, social and political environments, over which we have limited control. We may be unable to adapt policies and strategies that are effective in each market, and any of the above factors could materially and adversely affect our business, financial condition and results of operations.

As our international footprint grows, we are increasingly exposed to changing global economic, regulatory, social and political conditions, as well as local market risks in each country or region of operation. These may include legal compliance challenges, potential disputes or litigation, geopolitical tensions, trade restrictions, foreign exchange volatility, cultural and language differences, competitive pressures and evolving tax regimes. International political developments may in turn affect our cost structure, demand for our products and relationships with business partners, any of which could adversely impact our business, financial performance and prospects.

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As a PRC company whose shares are quoted on the NEEQ, we and our Directors, senior management, employees and Shareholders are subject to securities laws and the applicable quotation rules in the PRC.

As a PRC company whose shares are quoted on the NEEQ, we together with our Directors, senior management, employees and Shareholders, are subject to securities laws and regulations promulgated by the CSRC and the NEEQ listing rules. While we endeavour to ensure full compliance with all applicable requirements, new regulations, or changes in the interpretation or enforcement of existing ones, may be introduced from time to time. Maintaining compliance may require us to allocate additional resources and incur higher compliance costs. The CSRC and the NEEQ may also conduct periodic or ad hoc inspections, reviews or inquiries regarding our regulatory compliance. During the Track Record Period and up to the Latest Practicable Date, neither we nor our Directors, senior management, employees or Shareholders were subject to any administrative penalties imposed by the CSRC.

Loss or reduction of tax incentives and government grants in the regions in which we operate may adversely affect our financial results.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “EIT Law”) and its implementation regulations, enterprises which operate in China are generally subject to enterprise income tax at a statutory rate of 25% on the taxable profit, while enterprises recognised as a “high and new technology enterprise” (高新技術企業) (“HNTE”) are entitled to a preferential tax rate of 15%. During the Track Record Period, we enjoyed a preferential income tax rate of 15% as an HNTE. Our existing HNTE qualification is valid until December 2026, and we intend to apply for renewal upon expiry. However, the qualification is subject to reassessment by the relevant authorities every three years, and there is no assurance that we will continue to meet the evolving assessment criteria or that our renewal application will be successful. Should we fail to renew or should this preferential treatment be discontinued, we would be subject to the standard PRC enterprise income tax rate of 25%, which would increase our tax expenses and could materially reduce our profitability.

In addition, we recognised government grants of approximately RMB3.4 million, RMB4.6 million and RMB3.1 million for each of the Track Record Period, as support for R&D, employment stabilisation and contribution to local economy. The amount and terms of these grants are determined at the discretion of the relevant PRC authorities. Government grants may be unconditional and recognised as immediate financial support, with no associated future costs or asset-related obligations, or conditional, in which case the relevant conditions have been satisfied during the relevant year or period. Our eligibility for such grants depends on a number of factors, including compliance with applicable conditions, prevailing government policies and the availability of funding from the relevant authorities. There can be no assurance that we will continue to receive government grants in the future, that the amounts will remain at similar levels, or that the terms will remain as favourable. Any reduction, delay in receipt or discontinuation of such grants, or any material decrease in the amounts received, could adversely affect our business, financial condition and results of operations.

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We are subject to various laws, regulations and regulatory standards and any inability to comply with such requirements and standards may subject us to liabilities.

In mainland China, enterprises are required to establish housing provident fund accounts and make full and timely contributions for employees pursuant to the Regulation on the Administration of Housing Provident Funds (《中華人民共和國住房公積金管理條例》). Pursuant to the PRC Social Insurance Law (《中華人民共和國社會保險法》), enterprises must also complete social insurance registration for their employees and pay relevant contributions in full and on time.

During the Track Record Period and as at the Latest Practicable Date, we did not make full social insurance contributions and housing provident fund contributions for employees. We estimated that the provisions to be made for the shortfall of our social insurance contributions and housing provident funds for each of the Track Record Period were approximately RMB0.9 million, RMB0.9 million and RMB0.5 million, respectively.

As advised by our PRC Legal Advisers, pursuant to Law on Social Insurance of the PRC (《中華人民共和國社會保險法》) employers who fail to pay social insurance contributions in full and on time may be ordered to pay the outstanding amounts within a prescribed time limit by the relevant social insurance authorities, with an additional late fee being 0.05% of the outstanding amounts calculated on a daily basis from the date on which such amounts are payable. Failure to make such payment within the stipulated period may result in a fine of one to three times the overdue amount. In addition, pursuant to the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》), employers who fail to make full and timely contributions may be ordered by the relevant housing provident fund management centre to settle the outstanding amounts within a prescribed period, failing which the authority may apply to the PRC courts for compulsory enforcement.

Our PRC Legal Advisers have further advised that the relevant authorities will not ordinarily initiate any focused recovery or settlement actions in respect of arrears owed by us and our domestic subsidiaries, unless a material complaint or report is filed by a relevant party and is substantiated upon preliminary investigation. During also the Track Record Period and up to the Latest Practicable Date (i) neither our Company nor our subsidiaries were subject to any enforcement actions or pending actions by the relevant social insurance authorities or housing provident fund authorities, and (ii), no record of administrative penalties or rectification order was found against us upon public inquiry. In addition, no administrative penalties had been imposed on us in connection with the above shortfalls, and we had not been subject to any material complaints or labour disputes relating to social insurance or housing provident fund contributions.

Given that (a) no administrative penalties had been imposed on us in connection with the shortfalls for the social insurance and housing provident funds; and (b) we will pay any shortfall within a prescribed time period if demanded so by relevant competent authorities, our PRC Legal Advisers are of the view that, in the absence of material changes to current laws, regulations or enforcement practices, and in the absence of employee complaints, the risk of us being required to make additional payments or being subject to administrative penalties is remote.

Based on the above, and provided that (i) the above undertakings can be duly fulfilled, (ii) there are no material changes in applicable laws, regulations or enforcement practices, and (iii) there are no material employee complaints, reports, or related litigation or arbitration proceedings, our PRC Legal Advisers are of the view that the risk of our Group being required to make retrospective contributions, settle arrears or incur late payment surcharges or fines, or being subject to material administrative penalties in connection with the aforesaid non-compliance, is low.

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Non-compliance with other labour laws and regulations in the PRC could also lead to penalties or compensation liabilities. Given the scope, complexity and frequent changes to such laws, maintaining full compliance requires financial and management resources. These efforts may increase our operating costs, place additional burden on our management and, in certain cases, disrupt our business operations. Persistent or material non-compliance could result in administrative penalties, fines, rectification orders or enforcement actions, any of which may materially and adversely affect our business, financial condition and results of operations.

Failure to comply with PRC property-related laws and regulation regarding certain of our leased properties could adversely affect our business operations.

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), the parties to a lease are required to register and file such lease with the relevant government authorities. As at the Latest Practicable Date, 50 of our leased properties had not been registered or filed. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease.

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

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. We cannot guarantee that, at a particular exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (“SAFE”). We are, however, required to provide supporting documentation for such transactions and to conduct them through banks authorised to engage in foreign exchange business.

Foreign exchange transactions under the capital account conducted by us must be registered in advance with SAFE or its designated banks. Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies, or any shortage of foreign exchange, may restrict our ability to obtain adequate foreign exchange for the payment of dividends to shareholders, to satisfy other foreign exchange needs, or to fund our capital expenditure plans. Consequently, our business, finance position and results of operations could be adversely affected.

You should consider the legal protections available to you under the laws and legal systems of the jurisdictions in which we operate.

We are subject to the laws and regulations of the jurisdictions in which we operate. In the PRC, our business is governed primarily by written laws, with prior judicial decisions carrying limited precedential authority. We cannot assure you that we will be able to anticipate or adapt to future legal developments, including new legislation or amendments to existing laws, in any of these jurisdictions. Legal proceedings may also involve substantial costs, divert management attention, and disrupt our operations, which could materially and adversely impact our efficiency and business performance.

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You may experience difficulties in effecting service of legal process and enforcing judgements against us, our Directors and senior management.

We are a company incorporated under the laws of the PRC, and the majority of our assets and subsidiaries are located in mainland China. Most of our Directors and senior management also reside in mainland China, and their assets may likewise be situated there. Consequently, it may be difficult to effect service of process upon us or to enforce judgments against us, or our Directors and senior management, outside mainland China.

Our operations are subject to the Chinese Mainland tax laws and regulations as well as those of other jurisdictions in which we operate.

As a company incorporated in mainland China, we are subject to the PRC tax laws and regulations. We also conduct business in other jurisdictions, and are therefore subject to the applicable tax laws and regulations of those jurisdictions. We cannot assure you that we will be able to fully comply with all such laws and regulations. Any failure to do so may result in fines, penalties, or other legal or administrative actions, which could adversely affect our business, financial condition, and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been [REDACTED] for our H Shares and an [REDACTED] of our H Shares may not develop. [REDACTED] of our Shares on the NEEQ may not be indicative of our H Shares.

Prior to this [REDACTED], there has been [REDACTED] for our H Shares. There is no assurance that an [REDACTED] for our H Shares will develop or be sustained following the completion of the [REDACTED]. The [REDACTED] of our H Shares to the [REDACTED] has been determined through negotiations between us and the [REDACTED] (on behalf of itself and the [REDACTED]), and may differ materially from the market price of our H Shares subsequent to the [REDACTED]. We have applied to the Stock Exchange for the [REDACTED] of, and [REDACTED] in, the H Shares. However, the granting of such [REDACTED] and [REDACTED] does not guarantee that an [REDACTED] for our H Shares will develop, or if it does, that it will be sustained following the [REDACTED], nor that the [REDACTED] of our H Shares will increase following the [REDACTED].

Our Shares are currently [REDACTED] on the NEEQ. The [REDACTED] of our Shares on the NEEQ may not be indicative of the [REDACTED] of our H Shares after the [REDACTED], due to differences between the characteristics of the [REDACTED] and those of the [REDACTED]. Accordingly, you should not place undue reliance on our [REDACTED] on the NEEQ when assessing an [REDACTED] in our Shares.

We have been, and are expected to continue to be, substantially influenced by our Controlling Shareholders, whose interests may not align from those of other Shareholders.

Immediately following completion of the [REDACTED] (without taking into account any Shares which may be issued pursuant to the exercise of the [REDACTED]), our Controlling Shareholders will, in aggregate, hold approximately [REDACTED] of our issued share capital will remain our Controlling Shareholders.

Accordingly, our Controlling Shareholders will, for the foreseeable future, be able to exert significant influence over our operations and business strategies through their voting power at Shareholders’ meetings and their ability to appoint members to our Board. Such influence may extend to matters concerning the composition of our Board, the selection of our senior management, the declaration, timing and amount of dividends and other distributions, the formulation and implementation

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of business expansion plans, as well as key strategic, investment and financing decisions. It may also affect the [REDACTED] of [REDACTED], adjustments to our [REDACTED], amendments to our Articles of Association, and other corporate actions requiring Shareholders’ approval, including mergers, consolidations, disposals of assets, or other transactions that could result in a change of control, regardless of whether these are aligned with the interests of our other Shareholders generally.

The interests of our Controlling Shareholders may differ from, or conflict with, those of our public Shareholders. For details, please refer to the section headed “Relationship with Our Controlling Shareholders” in this document. We cannot assure you that our Controlling Shareholders will not, in the future, acquire interests in companies or businesses that compete, directly or indirectly, with us. Our Controlling Shareholders may also take actions, or cause us to take actions, including exercising their influence as our Controlling Shareholders, in a manner that favours themselves or their associates to the detriment of our interests and those of our [REDACTED]. Any such circumstances could have an adverse impact on the value of your [REDACTED] and/or the interests of our [REDACTED].

You will incur immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The [REDACTED] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in the [REDACTED] consolidated net tangible asset value. There can be no assurance that if we were to liquidate immediately after the [REDACTED]. In addition, 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 lower than the net tangible asset value per Share at that time.

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which may result in substantial losses for [REDACTED] subscribing for or purchasing our H Shares pursuant to the [REDACTED].

The [REDACTED] and [REDACTED] of our H Shares may be volatile. The [REDACTED] of our Shares may fluctuate materially and rapidly as a result of the following factors, some of which are beyond our control: (i) variations in our financial condition and/or results of operations; (ii) unexpected business disruptions arising from natural disasters or power outages; (iii) our failure to compete effectively with our competitors; (iv) major changes in our key personnel or senior management; (v) fluctuations in market prices of our products or raw materials; (vi) our inability to maintain regulatory approvals for our operations; (vii) fluctuations in stock market price and volume; and (viii) general economic, political, financial or social developments in Hong Kong, mainland China and elsewhere in the world.

The Stock Exchange and other securities markets have, from time to time, experienced significant [REDACTED] fluctuations unrelated to the performance of any particular company. These developments include a general global economic downturn, significant volatility in [REDACTED] markets, and volatility in, and tightening of, liquidity in credit markets. While it is difficult to predict the duration of such conditions, they may persist for an extended period and could result in increased interest expenses on our bank borrowings or a reduction in the number or availability of banking facilities currently accessible to us. If we experience such fluctuations, our results of operations and financial condition may be materially and adversely affected. In addition, market fluctuations may materially and adversely affect the [REDACTED] of our H Shares.

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[REDACTED] of a substantial number of our H Shares on the [REDACTED] could adversely affect the [REDACTED] of our H Shares.

Following the completion of the [REDACTED], any [REDACTED] of a substantial number of our H Shares or other securities relating to our H Shares in the public market, the [REDACTED] of new Shares or other related securities, or the market perception that such [REDACTED] or [REDACTED] may occur, could adversely affect the [REDACTED] of our H Shares and our ability to raise additional capital on favourable terms and at an opportune time. We are unable to predict the potential impact of any such [REDACTED] or [REDACTED] of a significant number of our H Shares in the [REDACTED] on the [REDACTED] of our H Shares.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official governmental sources contained in this document.

This document, in particular the section headed “Industry Overview”, contains information and statistics relating to our industry. Such information and statistics have been derived from the CIC Report, which was commissioned by us, as well as from various official government publications and other publicly available materials. We believe that these sources are appropriate for the information contained herein and have exercised reasonable care in extracting and reproducing such information. However, the information and statistics obtained from official government sources have not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], and the [REDACTED], the [REDACTED], any of the [REDACTED], or any of our or their respective directors, officers, representatives or any other person involved in the [REDACTED]. Accordingly, no representation or warranty is given as to the accuracy or completeness of such information. The methods by which such information has been collected may be flawed or ineffective, and discrepancies may exist between published information and market practice, which could render the statistics inaccurate or not comparable with those published for other economies. Furthermore, we cannot assure you that such information has been stated or compiled on a basis or with a degree of accuracy consistent with similar statistics elsewhere. You should therefore consider carefully the reliance you place on such information and statistics.

We cannot assure you as to whether, or when, we will declare or pay any dividends in the future.

Our ability to pay dividends will depend on our capacity to generate sufficient earnings. The declaration and distribution of dividends are at the discretion of our Board of Directors and will be subject to approval by the shareholders in general meeting. Any decision to declare or pay dividends, and the amount thereof, will be determined by reference to various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined in accordance with the generally accepted accounting principles of the PRC or IFRSs (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and other applicable PRC laws and regulations, prevailing market conditions, our business strategy and outlook, contractual restrictions and obligations, taxation considerations, regulatory requirements, and any other factors that the Board of Directors may from time to time consider relevant to the declaration or suspension of dividends. Accordingly, there is no assurance as to whether, when or in what form we will pay dividends in the future.

An [REDACTED] in the H Shares is subject to risks relating to taxation.

The tax rules and their interpretation applicable to an [REDACTED] in us may change during our lifetime. The rates of taxation and the availability of tax reliefs may also vary from time to time. The tax reliefs referred to in this document are those currently available, and their value depends on the individual circumstances of each [REDACTED]. Any change in our tax status, the taxation applying to

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the holding of H Shares, or in the relevant taxation legislation or its interpretation, could affect the value of our [REDACTED], our ability to provide [REDACTED], and/or the post-tax [REDACTED] received by [REDACTED]. The statements in this document regarding the taxation of us and our [REDACTED] are based on current law and practice, both of which are subject to change.

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

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations in respect of dividends paid to them by us, and any gains realised upon the sale or other disposition of our H Shares. Non-PRC resident individuals are required to pay PRC individual income tax at a rate of 20% on dividends or gains from share transfers derived from China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless an applicable tax treaty between the PRC and the jurisdiction in which the relevant individual or enterprise resides provides for a reduction or exemption of such tax obligations.

Pursuant to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region (“HKSAR”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on 21 August 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including both natural and legal persons), but such tax shall not exceed 10% of the total amount of dividends payable by the PRC company. Where an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable. The Fifth Protocol to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》), issued by the State Administration of Taxation (“SAT”) and effective from 6 December 2019, provides that any arrangements or transactions primarily aimed at obtaining the above-mentioned tax benefits are not entitled to such preferential treatment.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not effectively connected with such establishments or premises, dividends paid by us and gains realised upon the sale or other disposal of our H Shares are generally subject to PRC enterprise income tax at a rate of 10%, pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations. According to the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, the withholding tax rate applicable to dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to reduction under a special arrangement or an applicable tax treaty between the PRC and the relevant jurisdiction of residence.

Notwithstanding the foregoing, the interpretation and application of PRC tax laws and regulations are subject to change and may be affected by a variety of factors, including whether the relevant preferential tax treatments may be withdrawn in the future, in which case all non-PRC resident individual holders could become subject to PRC individual income tax at a flat rate of 20%. Any change in, or differing interpretation or application of, the relevant PRC tax laws, regulations or policies may materially and adversely affect the value of your [REDACTED] in our H Shares.

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

This document contains certain statements and information that are forward-looking in nature and uses terminologies such as “anticipate,” “believe,” “could,” “going forward,” “intend,” “plan,” “project,” “seek,” “expect,” “may,” “ought to,” “should,” “would” or “will”, and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties, and that any or all of the underlying assumptions may prove to be inaccurate. As a consequence, the forward-looking statements based on those assumptions may also be incorrect.

In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representation or warranty by us that our plans and objectives will be achieved. Such forward-looking statements should be considered in conjunction with various important factors, including those set out in this section. Subject to the requirements of the Listing Rules, we do not intend update or revise publicly any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire [REDACTED] carefully and are strongly cautioned not to place any reliance on any information contained in press articles or other media regarding us, our business, our industry and/or the [REDACTED].

Prior to the publication of this document, and between the date of this document and the completion of the [REDACTED], there may have been, or may be, press or media coverage concerning us and the [REDACTED]. Such coverage may include financial information, industry comparisons, profit forecasts or other details regarding us that are not contained in this document.

You should rely solely on the information contained in this document and on any formal announcements made by us in Hong Kong when making an [REDACTED] decision in relation to the [REDACTED]. We accept no responsibility for the accuracy or completeness of any information reported by the press or other media, nor for the fairness or appropriateness of any forecasts, views or opinions expressed therein regarding us or the [REDACTED].

We make no representation as to the accuracy, completeness, reliability or suitability of any such information, reports or publications. Accordingly, prospective [REDACTED] should not place any reliance on such materials in making their [REDACTED] decisions concerning the [REDACTED].

In deciding whether to [REDACTED] our H Shares, prospective [REDACTED] should rely exclusively on the financial, operational and other information set out in this document. By applying to [REDACTED] or [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.