RISK FACTORS

An [**REDACTED**] *in our H Shares involves risks. You should carefully consider all of the information in this document, including our consolidated financial statements and related notes before making an* [**REDACTED**] *in our H Shares.*

Our business, financial conditions, results of operations and prospects could be materially and adversely affected by any of these risks, some of which are beyond our control. Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The [**REDACTED**] *of our H Shares may decline due to any of these risks, and you may lose all or part of your* [**REDACTED**]. *This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this document.*

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We may fail to develop and implement our growth strategies or effectively manage our growth.

Our ability to continuously expand our business is contingent upon our ongoing success in executing our growth strategies, including to maintain and strengthen our market position and to improve our product portfolio. The implementation of our business strategies depends, among other factors, on the general economic conditions, our ability to maintain strong relationships with customers, overall demand trends for decoration and renovation panel products, the availability of management, financial, operational and other resources, and market competition. Should we be unable to implement these strategies, which may be influenced by factors beyond our control, we may not achieve growth rates comparable to our past performance, or any growth at all, resulting in a material and adverse impact on our business, financial position, and operational outcomes.

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

The new polymer stone plastic decoration composite materials industry is competitive. In addition, the existing players in the industry may seek to become more competitive through various means, including mergers and acquisitions and the introduction of domestic or foreign strategic investors. These current and potential competitors may have better track records, greater financial and marketing resources and greater economies of scale than we do. In addition, competition for market share could result in price reductions by our competitors, which may in turn put downward pressure on the selling prices of our products. If we cannot respond to changes in market conditions rapidly or respond as swiftly or effectively as our competitors, or if we fail to deal with the competition effectively, our business, results of operations and financial condition could be materially and adversely affected.

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

The new polymer stone plastic decoration composite materials industry is influenced by changes in design trends and procurement preferences of our customers. These factors may change rapidly and can be difficult to predict. Our ability to respond to such changes depends on accurate market analysis, timely collection of customer feedback, strong research and development capabilities, and cost-effective production. If we fail to anticipate customer requirements, regulatory standards, or market trends, or if we misjudge customer demand for our products, our business growth and financial performance could be materially and adversely affected, potentially resulting in reduced orders or loss of major customers. Our success and continued growth depend on our ability to respond to evolving needs or develop new flooring and wall panel products, surface technologies, and material formulations that meet the evolving requirements of our customers. We cannot assure you that we will be able to identify or develop new products or technologies successfully, on a timely basis, or at all. In addition, we cannot assure you that any newly developed products will be accepted by our customers or incorporated into their procurement plans.

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

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

Our business, financial condition and results of operations may be materially and adversely affected by international export controls and economic sanctions.

We substantially rely on overseas markets. In 2023, 2024 and 2025, 98.6%, 98.9% and 99.1% of our products sales were attributable to sales to overseas markets, respectively, mainly including Europe and we anticipate that our export sales will continue to be significant to our revenue in the future. Certain foreign jurisdictions in which we operate our business have imposed or may impose export controls, economic sanctions or other trade-related measures in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Export controls and economic sanctions laws or regulations could change in a way that could affect us or our business partners, harming our exports or sales in other countries and/or resulting in restrictions, penalties or fines.

During the Track Record Period, we recorded a limited amount of sales in North America. There is no assurance that our sales of their products will not be subject to the restrictions introduced by the U.S. Furthermore, if we export our products to other countries which are subject to sanctions or export controls in the future and if the scope of the export controls or sanctions are expanded, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to retain existing customers, especially our major customers, attract new customers or increase the spending by our customers, our business and results of operations may be materially and adversely affected.

Our future growth depends on our ability to continuously retain existing customers, especially our major customers, attract new customers as well as to increase the number of repeat customers and the order size of each customer. Consequently, we must stay abreast of the emerging consumer trends. This requires timely collection of market feedback, accurate assessments of market trends and deep understanding of the industry dynamics. Should our customers change their purchasing behavior or we fail to offer appealing products with attractive price, our business results of operations and financial condition may be materially and adversely affected.

Particularly, we depend on a number of major customers for a substantial portion of our revenue. In 2023, 2024 and 2025, sales to our top five customers accounted for 46.0%, 44.0% and 42.7% of our revenue, respectively, while sales to our largest customer accounted for 20.1%, 19.0% and 14.9% of our revenue for the same years, respectively. Our business, financial condition, and results of operations will likely continue to be subject to a certain degree of customer concentration for the foreseeable future. There is no assurance that we will be able to retain our major customers or that they will maintain their current level of business with us in the future, or at all. If there is a significant decrease in business engagements with our major customers for whatever reasons, and we are unable to obtain comparable business engagements as replacement, our financial conditions and operating results would be materially and adversely affected.

An increase in costs of raw materials or our inability to procure raw materials at satisfactory prices may adversely affect our profitability.

The principal raw materials used in our production processes include PVC, UV coating and calcium carbonate. Cost of materials consumed accounted for approximately 71.8%, 75.9% and 70.0% of our cost of sales in 2023, 2024 and 2025, respectively.

We mainly source our raw materials in the PRC during the Track Record Period. The prices of the raw materials, in particular PVC, may fluctuate significantly due to various factors, including general market conditions, supply and demand dynamics, energy and feedstock costs, transportation costs and customs, and the availability of alternative comparable materials. PVC is a petroleum-based product, and its market price is closely linked to upstream petrochemical inputs and energy prices.

Geopolitical instability, including armed conflicts and heightened tensions in major energy-producing regions, such as those involving Iran, may disrupt global energy supply chains and lead to volatility or increases in crude oil, natural gas and other petrochemical feedstock prices. Such developments could, directly or indirectly, result in increased production costs for PVC manufacturers and upward pressure on PVC prices, which may be further exacerbated by trade restrictions, sanctions, or increased shipping and insurance costs.

As a result, we are exposed to risks arising from fluctuations in raw material prices and the risk that we may not be able to procure raw materials on commercially reasonable terms to meet our production requirements. If we are unable to obtain raw materials at satisfactory prices or are unable to pass increased costs on to our customers in a timely manner, our profitability and financial performance may be adversely affected. Moreover, any increase in the selling prices of our products in response to rising production costs may reduce customer demand and competitiveness, which could further materially and adversely affect our business, results of operations and financial condition.

As we increase production capacity through expansion of manufacturing facilities, we may face risks associated with the ramp-up of manufacturing.

We plan future production expansion projects in anticipation of increased demand for our products, including the new production and warehouse facility. However, if this demand does not materialize, we will not generate sufficient revenue to offset the costs of maintaining, expanding and operating these facilities, which could decrease our profits and prevent us from growing our business. Additionally, as we increase our production, we may encounter risks associated with our manufacturing that may harm our profitability. If we were to experience any problems during production expansion, or our production expansion projects do not achieve the intended economic benefits there could be a material adverse effect on our business, financial condition, and/or results of operations.

We may be subject to intellectual property infringement claims by third parties, and we may accordingly incur substantial liabilities.

We may be subject to intellectual property infringement claims or other allegations by third parties in relation to products manufactured by us in the ordinary course of business. There is no assurance that our internal control measures to prevent infringement of third-party intellectual property rights are sufficient, or that our designs, manufacturing processes or products will not infringe the intellectual property rights of others. In addition, we cannot assure that our customers' use or modification of our products will not give rise to claims that we have infringed or contributed to the infringement of third-party intellectual property rights.

Our commercial success depends significantly on our ability to develop, manufacture, market and sell our products, without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The new polymer stone plastic decoration composite materials industry is characterized by extensive patent filings, particularly with respect to product construct. In the PRC and other jurisdictions, invention patent applications are generally maintained in confidence until publication, typically 18 months after the filing date. As a result, third parties may have filed patent applications of which we are not aware while we are developing or manufacturing products. Even after conducting reasonable investigations, we may not be able to determine with certainty whether our products or manufacturing techniques infringe existing patents or patents that may be granted in the future.

If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, be required to redesign or develop alternative products or processes, or be required to obtain licenses for the continued use of such intellectual property. There is no assurance that we will be able to obtain such licenses on commercially reasonable terms or at all. Our failure to do so could materially and adversely affect our business, results of operations, financial condition and prospects.

Our failure to adequately protect our intellectual property rights may have a material and adverse effect on our business, financial conditions and/or results of operations.

We rely on intellectual property rights to protect our proprietary technology used to manufacture our products, as well as technical know-how relating to the design and production process of our products, which has been derived from the past experience of our key employees and management team as well as the results of our research and development efforts. There may be counterfeit and imitation versions of our products on the market, and we may have to initiate legal or administrative proceedings to protect our intellectual property rights. Any unauthorized or inappropriate use of our intellectual property rights may harm our reputation and materially and adversely affect our financial conditions and results of operations. In addition, some of our own intellectual property rights may be invalid, unenforceable or subject to challenge. Any inability to adequately protect or enforce our intellectual property rights may weaken our competitive position.

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

Our products are subject to safety, health and quality standards and requirements imposed either by the PRC government or the government of the jurisdictions to which our products are exported, or by our customers. Our customers may also request higher quality standards requirements on our products from time to time. The failure by us to comply, or the allegation of such non-compliance, with any present or future safety, health or quality standards or requirements could result in loss of customer contracts or a cessation of operations and damage to our reputation. In order to comply with these standards or requirements, we may have to incur significant expenses to acquire costly equipment and increase our production cost significantly, and our results of operations and profitability could be materially and adversely affected.

We may not be able to fully maintain quality control over our products and our products may fail to perform as expected or contain defects, which may materially and adversely affect our business, financial condition and results of operations.

The performance and quality of our products are critical to the success of our business, and depend significantly on the effectiveness of our quality control systems, which in turn, rely on a number of factors, including the design of such quality control systems, our quality training program, and our ability to ensure that our employees adhere to our quality control policies and guidelines. While we implement rigorous quality assurance procedures throughout our production, there remains a risk that these measures may prove inadequate or fail at any stage. Any significant failure or deterioration of our quality control systems could have a material adverse effect on our business, reputation, financial condition and results of operations.

In addition, our products may contain undetected errors or defects, whether arising from design, manufacturing, or materials. Despite quality control and testing procedures, it is impossible to entirely eliminate the risk of defects. If any of our products are alleged to have caused property damage, personal injury, or other losses, we could face significant product liability claims, lawsuits, and regulatory investigations. Defending against such claims, regardless of their validity, would be expensive and time-consuming, diverting critical management and financial resources. An adverse ruling could compel us to pay substantial damages, settlements, or legal judgments, which could far exceed our available insurance coverage. Our product liability insurance, if any, may be subject to coverage limits, deductibles, and exclusions that may leave us responsible for significant uncovered losses. Furthermore, a widespread product defect could lead to voluntary or mandatory product recalls, requiring significant expenditures and causing severe disruption to our operations and supply chain. Even if a claim is unfounded, the negative publicity surrounding such events could severely damage our market image and customer trust, leading to lost sales and a decline in our market share. The financial impact of a major product liability event could have a material adverse effect on our business, financial condition, and results of operations.

Our business and reputation may be affected by product liability or other claims, litigation, complaints or adverse publicity and insurance coverage may not be sufficient.

We may be exposed to risks of claims, litigation, complaints or adverse publicity. Such risks include product liability claims, such as unsafe or defective products and inadequacy of warnings and instructions on the usage of our products. We maintain product liability insurance for the products we sell to our customers. If any successful product liability claim is brought against us for damages, and our products proved to be defective, we may need to accept the product return and pay for the shipping cost. If we are found to be liable for a product liability claim, we could be required to pay monetary damages not covered by insurance, which could adversely affect our financial condition. Furthermore, violation of applicable product quality and safety requirements may result in fines or sanctions by the relevant regulatory authorities. We could be involved in conflicts and litigation, which could disrupt our business, divert management attention and we may incur substantial amount of costs to protect our rights or defend ourselves against claims. Even if we successfully defend ourselves against a claim, we could be forced to spend a substantial amount of money and time in defending such a claim and our reputation and future prospects could suffer. If we are unable to defend ourselves, our reputation and our business could be adversely affected.

We face the risk of obsolescence of our inventory.

The amount of our inventory, which consists of raw materials, work in progress and finished goods amounted to RMB238.1 million, RMB351.7 million and RMB452.1 million as of December 31, 2023, 2024 and 2025. Our inventory turnover days was 98 days, 77 days, and 101 days for the same years.

We constantly monitor our inventory level, and we may purchase additional raw materials based on the inventory level to cater for additional order for products from our customers. However, there is no assurance that we could correctly anticipate the expected increase in sales volume of our products. Overestimating our upcoming sales may lead to excess inventories of our raw materials. Also, finished goods may be returned by our customers due to product quality issues, and such returned finished goods may become obsolete if it is no longer sold again. If we are unable to accurately forecast the demand and manage inventory levels effectively, we may be required to write down or write off obsolete or slow-moving inventory, which would directly negatively impact our business and financial performance and result in potential asset impairment charges. Any significant inventory obsolescence could have a material adverse effect on our profitability and financial condition.

Any unexpected disruption at our production facilities could materially and adversely affect our business, results of operations and financial condition.

Our production facilities may be exposed to natural disasters, such as fires, floods, tsunamis and earthquakes and to other events beyond our control such as pandemics, political instabilities, outage of critical utilities or terrorist attacks. Events like these occurring in the future could disrupt production at our facilities, materially increase our cost of sales and other operating expenses and result in material asset losses. Such events could also disrupt shipping and freight forwarding services and interrupt the availability of basic services and infrastructure, including power and water. Disruptions such as these would have an adverse impact on our business, operating results and financial condition. Furthermore, if we are unable to find suitable alternative facilities in a timely manner in the event that our production facilities are destroyed or become inoperable, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Moreover, advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete, and therefore we may also need to develop advanced manufacturing techniques and process controls in order to fully utilize our facilities. If we are unable to do so, or if the process to do so is delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to supply our products in a sufficient quantity to meet future demand, which would materially and adversely affect our business, results of operations and financial condition.

Failure to renew our current leases at reasonable terms or to locate desirable alternatives for our offices and facilities could materially and adversely affect our business and results of operations.

We lease properties for our business operation, warehouse facilities and manufacturing activities including in Germany, Chinese Mainland, and the United States. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in entering to leases or renewing our lease agreements. We may not be able to successfully extend or renew such leases upon expiration of the current term on commercially reasonable terms or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations, which could adversely affect our business, financial condition and results of operations. In addition, we may compete with other businesses for premises at certain locations or of desirable sizes. As a result, rental payments may increase as a result of the demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our current leased properties.

We are subject to certain risks associated with the transportation and warehousing of our raw materials and products.

During the Track Record Period, we engaged third-party logistics service providers to deliver our products from our production facilities to ports and to our overseas warehouses. Our transportation costs and customs, attributable to the cost of sales, amounted to approximately RMB55.8 million, RMB79.2 million and RMB97.4 million in 2023, 2024 and 2025, respectively. In the event that the third-party logistics service providers fail to deliver our products in accordance with the agreed delivery schedule, we may be subject to claims requested by our customers and our business relationships with our customers may be adversely affected. Consequently, our business, financial conditions and results of operations may be materially and adversely affected. As we do not purchase any insurance in relation to the local transportation services of our products provided by third-party logistics service providers, and we cannot assure that our logistics service providers have sufficient insurance coverage for loss or damage to our products, we may not be able to claim for any loss or damage to our products during the transportation process, which could materially and adversely affect our business, financial conditions and results of operations. In addition, geopolitical tensions, armed conflicts or other disruptions in certain regions may adversely affect international transportation and logistics, resulting in increased freight, fuel or insurance costs or delivery delays.

Additionally, as we typically store our raw materials and products in our warehouses pending for use in the manufacturing process or delivery, if the raw materials and products are damaged due to any fire or other accidents, we may not be able to procure sufficient materials to replace the damaged goods and thereby may be unable to supply products to our customers on time. The foregoing may adversely affect our reputation and results of operations.

We may experience a shortage of labor, an increase in labor costs and be exposed to labor disputes, which would have an adverse effect on our business and results of operations.

We rely on labor resources for manufacturing, and our manufacturing operations are labor-intensive. As at the Latest Practicable Date, we employed 647 workers in our manufacturing department. The labor costs as a percentage of our cost of sales were 8.6%, 8.2% and 9.5%, respectively, in 2023, 2024 and 2025. There have been certain developments in China's labor market, including shortage of labor in certain regions, increased labor cost and more stringent regulatory requirements on labor protection. There is no assurance that we will not experience any shortage of labor, increased labor costs or labor disputes against us and that we will be able to comply with all relevant regulations or requirements. Any such negative incidents may cause us to incur additional costs, result in production delays, damage reputation or disrupt operations, as a result adversely and materially affecting our business, financial conditions and results of operation. See "Business — Employees" for more information.

We face risks relating to our use of labor dispatch arrangement.

During the Track Record Period, our engagement of dispatched workers did not fully comply with applicable PRC laws and regulations. As advised by our PRC Legal Advisors, for our non-compliance, the dispatched workers may be ordered to make corrections within a time limit, and failure to make such corrections may lead to fines imposed by labor administrative authorities. We are currently taking remedial actions to rectify our labor dispatch arrangements. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties or other disciplinary actions relating to labor dispatch by relevant government authorities, leading to material adverse effects on the operation or financial status of the Group or the Proposed [**REDACTED**]. However, we cannot assure you that the rectifications relating to our labor dispatch arrangements will be completed in time, and that the relevant government authorities will not impose penalties on us for historical non-compliance, which may materially and adversely affect our business, profitability and reputation.

Certain of our practices with respect to social insurance and housing provident fund contributions may subject us to late payment fines or other administrative penalties, which may adversely affect our business and results of operations.

During the Track Record Period, we did not make full contributions to social insurance and housing provident funds for our employees as required by relevant PRC laws and regulations. Under applicable PRC laws and regulations, failure to pay social insurance premiums on time or in full may result in a daily late payment fee of 0.05% of the outstanding amount and, if the shortfall remains unpaid, a fine of one to three times the outstanding amount; failure to make full housing provident fund contributions may result in a court enforcement order. Although we had not been subject to any administrative penalties in connection with our contribution of social insurance plans and housing provident fund during the Track Record Period, there is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident fund will at all times be deemed in compliance with relevant PRC laws and regulations by PRC government authorities mainly due to the evolving interpretation and implementation of these laws and regulations. In addition, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties and fines on us retroactively, thereby materially and adversely affecting our financial condition and results of operations.

Our business depends substantially on the efforts of our management and key personnel, and our operations may be severely disrupted if we lose their service.

Our future performance depends on the service and contribution of our management to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our management can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our R&D team. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We may experience difficulty in hiring and retaining highly skilled employees with appropriate qualifications in competition with other companies, particularly in the areas of engineering and product development. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the estimated value of our equity or equity awards declines, it may adversely affect our ability to retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and prospects could be adversely affected.

Our operations may be materially and adversely affected by environmental regulations.

We are subject to extensive and increasingly stringent environmental protection laws and regulations worldwide. The activities which are subject to environmental regulation primarily include manufacturing activities and the emission or discharge of pollutants or wastes into the soil, water or atmosphere. In addition, the relevant environmental regulations also regulate the standards that our products must meet, in terms of the maximum content or emission of certain chemicals. At present, these laws and regulations impose fines and penalties for environmental violations, require us to obtain certain licenses before we are permitted to carry out certain activities and/or occupy certain premises, and authorize the relevant government to suspend our license or take other actions to correct or stop suspected illegal operations causing environmental damage. Currently, the PRC and EU authorities are moving towards more rigorous enforcement of environmental laws and regulations and the adoption of more stringent environmental standards. As a result, we may incur additional costs in order to comply with the more stringent rules. In addition, there is no assurance that our products will always comply with the applicable environmental regulations. If we fail to comply with current or future environmental laws and regulations, we may be required to pay penalties or take corrective actions and the resulting negative publicity may damage our reputation and market image, any of which may have a material and adverse effect on our results of operations and or financial condition.

If we fail to comply with applicable anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations, our business, financial condition and results of operations could be adversely and materially affected.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations of various jurisdictions, particularly in Europe and China. Although we have policies and procedures designed to ensure that we and our employees comply with these laws and regulation, there is no assurance that such policies or procedures will prevent our employees or third parties from engaging in bribery activities or other misconduct. Violation of or any allegation that we violate these laws and regulations could disrupt our business and lead to severe criminal and civil penalties. It could also subject us to financial losses and sanctions imposed by governmental authorities and harm our reputation. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any instances of fraud, bribery or other misconduct involving employees and other third parties that had any material and adverse impact on our business and results of operations. However, we cannot assure you that there will not be any such instances in future and we may be unable to prevent, detect or deter all such instances of misconduct. Any such misconduct committed against our interests, which may include past acts that have gone undetected or future acts, may have a material adverse effect on our business and results of operations.

Our operations are subject to various laws and regulations in multiple jurisdictions, and any non-compliance, including administrative penalties incurred during the Track Record Period, and our rights to use our leased or owned properties may be defective and could be challenged by original property owners or other third parties, which may negatively affect our business, financial condition, and results of operation.

In the PRC, the applicable laws and regulations require that lease agreements be registered with the local real estate administration. As of December 31, 2025, we leased six operating properties in the PRC. As of the Latest Practicable Date, four of our lease agreements relating to our leased properties in the PRC have not been duly registered. While our possession and use of these properties are not directly invalidated by the lack of registration, this non-compliance exposes us to potential administrative fines. For each lease agreement that is not filed with the relevant PRC housing administration authority, we may be subject to an administrative fine up to a maximum of RMB10,000.

Certain properties, which serve as our production auxiliary and supporting facilities, were constructed without first obtaining the requisite construction work planning permits and construction work commencement permits. Under the relevant PRC laws and regulations, commencing construction without such permits may result in orders to cease construction, fines calculated based on a percentage of the construction cost or project contract price, and in cases where the impact cannot be eliminated through rectification, orders to demolish the relevant structures or confiscation of the properties. While we have not been subject to any administrative penalties in connection with these properties during the Track Record Period, and our PRC Legal Advisors are of the view that the lack of ownership certificates for these auxiliary properties will not have a material adverse effect on our production and operations, we cannot assure you that the relevant competent authorities will not impose administrative fines, order the demolition of these properties, or restrict our use of them in the future. Any such enforcement actions could adversely affect our business, financial condition, and results of operations.

In addition, our operations are subject to various laws and regulations, including those pertaining to fire safety, environmental protection, and customs. While we endeavor to comply with all applicable laws and regulations, and have taken corrective actions for past instances of non-compliance, there can be no assurance that we will not be found in violation of such laws and regulations in the future. During the Track Record Period, we incurred certain administrative penalties related to fire safety and customs regulations. Any non-compliance, even if minor, could lead to administrative penalties, fines, orders for rectification, or other enforcement actions by regulatory authorities.

Under the applicable Thai laws and regulations, including the Building Control Act B.E.2522 (1979) (the "BCA"), our Thai subsidiary is required to obtain and comply with the relevant construction-related permits and certificates in connection with the construction and use of its premises. As part of our expansion strategy, we acquired buildings that were not constructed by us, and part of the construction-related permits and certificates under the BCA for certain of such buildings were not available at the time of acquisition. Following our acquisition, our Thai subsidiary has obtained all requisite construction-related permits and certificates under the BCA. However, we cannot assure you that regulatory consequences, such as monetary penalties, will not be imposed on us in connection with our use of such buildings prior to the issuance of such permits and certificates. In addition, the transfer of certain buildings ancillary to the factory buildings we acquired was not formally registered. The majority of such ancillary buildings have since been demolished. According to our Thailand Legal Advisors, in respect of the remaining unregistered building, pursuant to applicable Thai laws and consistent with Thai Supreme Court judgments as of the Latest Practicable Date, the Thai Subsidiary should be deemed to have acquired ownership of such remaining building on the ground that it forms an integral part of the land on which it is situated, notwithstanding that the transfer of such building was not formally registered.

We cannot assure you that our rights to use these properties will not be challenged by the local authorities or any other third parties in the future. We also cannot assure you that Thai courts will not render future judgements interpreting the relevant provisions in a manner that is unfavorable to us. If the foregoing occur, we may incur costs in relocating to other suitable premises, thus affecting our business operations and financial condition. Moreover, if our rights to such properties are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

Our German subsidiary had an incomplete entry in the transparency register (Transparenzregister) in respect of its beneficial owners. Under the German Anti-Money Laundering Act (Geldwäschegesetz, GwG), any incomplete entry may be sanctioned with administrative fines of up to EUR1,000,000 as well as publication of the non-compliance on the website of the German Federal Office of Administration for a period of five years. The entry has since been rectified; however, we cannot assure you that the German authorities will not impose fines or other sanctions in respect of such past non-compliance, which could adversely affect our business, financial condition, and results of operations.

Our Singapore subsidiary failed to lodge its Estimated Chargeable Income ("ECI") filings on time for years of assessment 2024 and 2025. Under the Income Tax Act 1947 of Singapore, failure to furnish an ECI without reasonable excuse constitutes an offence punishable by a fine of up to S$5,000 and, in default of payment, imprisonment of up to six months. The filings have since been regularized without penalties; however, we cannot assure you that the relevant authorities will not pursue enforcement action in respect of such late filings, which could adversely affect our business, financial condition, and results of operations.

Our management, employees or other third parties may engage in misconduct or other improper activities, which could have a material adverse effect on our business, financial condition and results of operations.

Our management, employees or other third parties we involve may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, violations of laws, fraud or other improper activities. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. Any failure to comply with applicable laws or regulations or administrative or court orders due to misconduct or other improper activities by any of our management, employees, suppliers, agents or business partners could damage our reputation and may subject us to fines and penalties, restitution or other damages, or loss of current and future customer contracts, any of which would adversely affect our business, financial condition and results of operations.

We are subject to risks relating to litigations and disputes with employees, competitors, business partners or other parties, which could adversely affect our business, financial condition, results of operations and prospects.

We may be subject to disputes or claims of various types brought by various external or internal parties. We may from time to time be subject to labor disputes and adverse employee relations. Such disputes and any future labor disputes and adverse employee relations could result in legal proceedings and lead to reputational harm, monetary damages, interruptions of our operation or diversion of managerial attention.

We may also be subject to disputes with our competitors, suppliers, business partners or governmental entities relating to contractual disputes, intellectual property right infringements or legal compliance. Such claims and disputes may evolve into litigations or law enforcement actions. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Legal proceedings are distractive and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert managerial attention from our day-to-day operations, any of which could harm our business. In the case of an adverse verdict, we may be required to pay significant monetary damages, assume significant liabilities or suspend or terminate parts of our operations. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

If we fail to maintain effective internal controls, we may not be able to accurately report our financial results or prevent fraud, and our business, financial condition, results of operation and reputation could be materially and adversely affected.

Our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. We have established risk management and internal control systems designed to manage, rather than eliminate, the risks associated with our business, to provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. However, all internal control systems have inherent limitations, including the possibility of human error, circumvention, or the override of controls, and may not be sufficient to prevent or detect all misstatements, errors, fraud, or violations of law. As we continue to grow and expand our operations, both geographically and in terms of complexity, our internal control procedures will need to continue to evolve. We may face difficulties in implementing and maintaining adequate controls over our expanded operations, new business lines, or acquired entities. If we are unable to improve our internal controls, systems and procedures, they may become ineffective and cause errors, information lapses or production breakdowns that may adversely affect our business. If we are not successful in identifying and overcoming weaknesses in our internal controls, our ability to effectively manage our business may be affected. Any failure to maintain an effective system of internal controls, or to identify and manage significant risks on a timely basis, could result in material misstatements of our financial statements, operational inefficiencies, regulatory sanctions, financial losses, or damage to our reputation. Such a failure could also erode investor confidence and have a material adverse effect on our business, financial condition, and results of operations.

Our information technology systems are important to our operations. A system failure or breakdown may cause interruptions of our business and operation.

Our information technology infrastructure is important for us to conduct our operations. Any malfunction or interruption in a particular part of our information technology system for an extended period of time may result in a breakdown throughout our network. Furthermore, a future serious dispute with our information technology service provider or termination of a service contract with such provider may adversely affect our ability to upgrade our information technology infrastructure in a timely and cost-effective manner. If any of these events occur, our business, financial condition and results of operations may be materially and adversely affected.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with some business partners. The secure maintenance of such data is critical. Despite our data security and protection measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

We rely on confidentiality agreements with employees, consultants, advisors, and business partners, along with certain non-compete covenants in relation to our operations in China, to protect our trade secrets, proprietary know-how, and other confidential information. However, these measures have inherent limitations. There is a risk that these agreements may be breached, invalidated, or circumvented. The legal protections and enforcement mechanisms for trade secrets and non-compete obligations vary significantly across different jurisdictions and may not provide adequate recourse or deterrence in practice. In particular, it may be difficult to detect unauthorized disclosures or uses of confidential information, and proving such violations can be complex and costly. If any such information were to be disclosed to or independently developed by a competitor, our competitive position could be materially and adversely affected. The loss of key proprietary information could diminish our technological advantage, impair our research and development efforts, and harm our business prospects.

Our insurance coverage may not be sufficient to cover the risks related to our product liability, operations and losses.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. We have taken out insurance policies to cover the risks associated with our business operation. As of the Latest Practicable Date, we obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in China. However, there is no certainty that we will be able to successfully claim any of our losses under our current insurance policy on a timely basis. We cannot guarantee that a product liability claim or other litigation will not be brought against us in the future, or that we will be able to purchase product liability insurance or other related insurance on acceptable terms. Moreover, we may incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure, production facilities or business operations. The occurrence of any of these events may result in us incurring substantial costs and the diversion of our resources. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Our business and reputation may be adversely affected by negative publicity involving us, our Shareholders, Directors, officers, employees, suppliers or other parties we cooperate with, or by general negative publicity in the industry.

We, our affiliates or other parties we cooperate with may from time to time be subject to negative media coverage and publicity relating to aspects such as the quality or safety of our solutions, the integrity or actions of our management or employees, the financial distress of a major customer or business partner, or general misconduct or regulatory scrutiny within our industry. Such unfavorable information, whether true or not, may arise from a variety of sources and spread rapidly through social media, online platforms and other channels. The dissemination of such information can erode public confidence, damage the reputation that we have established, and threaten our business prospects. This may lead to a loss of existing and potential customers, termination of partnerships, increased scrutiny from regulators, and difficulty in attracting and retaining qualified personnel. Consequently, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. Furthermore, defending against and mitigating the impact of such rumors or negative publicity may require significant management attention and financial resources.

Events like force majeures, natural disasters, acts of war or terrorism, contagious disease outbreaks, epidemics, or similar occurrences, could materially and adversely impact our business, financial condition, and operating outcomes.

Our business, financial condition, and results of operations may be materially and adversely affected by future force majeure events, natural disasters, acts of war, or outbreaks of epidemics and contagious diseases. In addition, geopolitical tensions, armed conflicts, trade restrictions or sanctions may also disrupt cross-border operations, supply chains and collaborations with international clients, suppliers or partners, and may increase our costs or limit our ability to perform certain services, including shipping. Government-imposed measures in response to emergencies, such as lockdowns, travel restrictions, quarantine requirements or workplace safety mandates, may also constrain workforce availability, reduce operational efficiency or increase compliance and operating costs. Any such disruptions may materially and adversely affect our business, financial condition, and results of operations.

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

During the Track Record Period, certain of our relevant customers ("the Relevant Customers") settled their payments with us through third-party payors (the "Third-Party Payment Arrangement(s)"). The Third-Party Payment Arrangement(s) primarily include settlement by entities within the same group of the Relevant Customers as well as by their, affiliates, intermediaries and other independent third parties. In 2023, 2024 and 2025, there were 2, 3 and 4 Relevant Customers, respectively, and the aggregate amount settled with the Relevant Customers under the Third-Party Payment Arrangements was RMB7.20 million, RMB8.20 million and RMB15.6 million, representing approximately 0.4%,0.4% and 0.7% of our total revenue for the same years, respectively. For details, please see "Business — Third Party Payment."

We are subject to various risks relating to such Third-Party Payment Arrangements, including possible claims from third-party payors for return of funds as they were not contractually indebted to us, and possible claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of the Third-Party Payment Arrangements, we will have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may, as a result, be adversely affected.

RISKS RELATED TO OUR FINANCIAL PERFORMANCE

Our historical revenue and profit margin may not be indicative of our future revenue and profit margin.

In 2023, 2024 and 2025, our revenue amounted to RMB1,597.8 million, RMB2,219.4 million and RMB2,306.7 million respectively. For the same years, our gross profit amounted to RMB573.9 million, RMB820.9 million and RMB849.4 million respectively, whereas our gross profit margin amounted to 35.9%, 37.0% and 36.8% respectively. For detailed analysis of our gross profit and gross profit margin, please refer to the paragraph headed "Financial information — Gross profit and gross profit margin" of this document.

However, there can be no assurance that we will be able to maintain our historical growth rates in future periods. We may encounter risks and difficulties frequently experienced by companies in the industry where we operate, and any predictions about our future revenue and expenses may not be accurate. Our business, results of operations and financial condition depend in part on our ability to effectively manage our growth or implement our growth strategies. We intend to grow by expanding our business, increasing market penetration of our existing products and developing new ones. The management of our growth may place significant demands on our managerial, administrative, operational, financial and other resources. Moreover, our growth depends on the ability to maintain stable production capacity and offer reliable products to our customers. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed. If we fail to achieve the necessary level of efficiency as we grow, our growth rate may decline, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

We face foreign exchange and currency conversion risks.

During the Track Record Period, a substantial portion of our sales was settled in U.S. dollars, euros and RMB, while our costs are generally denominated in RMB. Accordingly, fluctuations in exchange rate of U.S. dollars, RMB and other currencies may affect our price competitiveness and harm our business operation and financial performance. In 2023, 2024 and 2025, we recorded a net foreign exchange gain of RMB10.7 million, RMB(0.4) million, and RMB46.7 million, respectively. However, we cannot assure you that we will make similar or any net foreign exchange gain in the future. Changes in foreign exchange rates may be due to many factors such as changes in the global economy and geopolitical conditions which are beyond our control. We may employ hedging strategies to manage our foreign exchange exposure, but such strategies may be costly, complex and insufficient. There is no guarantee that our hedging arrangements will be effective or available on commercially acceptable terms, and any failure to manage our foreign exchange risks may adversely affect our business, financial condition, and results of operations.

Furthermore, as dividends, if any, we pay on our Shares will be in Hong Kong dollars, a depreciation in the RMB, on the other hand, would adversely affect the amount of any dividends we pay to our Shareholders, or require us to use more RMB funds to service the same amount of any foreign debt. Future changes in China's foreign exchange control policies, which are influenced by complex domestic and international economic and political factors, could introduce additional volatility and uncertainty.

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

During the Track Record Period, we were entitled to and benefitted from certain preferential tax treatments, export tax refunds, and government grants. However, there can be no assurance that we will continue to qualify for, or successfully obtain, these benefits in the future. The approval, continuation, and amount of such tax refunds, grants and preferential policies are subject to the discretion of the relevant government authorities and may be amended, reduced, or revoked based on changes in governmental policies, budgetary constraints, or shifts in economic development priorities. Furthermore, our eligibility is often contingent upon our continued compliance with specific conditions, which may include achieving certain operational milestones, maintaining specified employment levels, investing in designated areas, or engaging in particular types of R&D activities. A reduction or loss of these government incentives would lead to a direct increase in our tax liabilities and operating costs, thereby negatively impacting our profitability, cash flows, and overall financial condition. Moreover, if our competitors continue to receive such benefits while we do not, our competitive position could be significantly weakened.

Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities.

Under the applicable laws and regulations in the jurisdictions in which we operate, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. We could face material and adverse tax consequences if the relevant tax authorities determine that the certain intra-group transactions of us do not represent arm's length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. The relevant tax authorities may also impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operations may therefore be materially and adversely affected.

We are exposed to customer credit risk, which may lead to trade receivables, adversely affecting our financial condition. Additionally, delayed or reduced project payments could harm our liquidity and financial performance.

We are subject to the credit risks of our customers. As of December 31, 2023, 2024 and 2025, our contract liabilities, amounted to RMB10.6 million, RMB8.3 million and RMB9.6 million, respectively, and our trade receivables, before deduction for allowance for expected credit losses, amounted to RMB285.9 million, RMB399.9 million and RMB420.8 million as at the same date, respectively. Our reversal of impairment losses/(impairment losses) on financial assets, net mainly represented net reversal of impairment losses and net impairment losses on our trade receivables, amounting to net reversal of RMB1.9 million, net reversal of RMB3.2 million, and net impairment losses of RMB2.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. As our business continues to scale, our trade receivable balance may continue to grow, which may increase our risks for uncollectible receivables. Actual losses on receivable balance may differ from our estimation and reserve in our allowance account, as a result a necessary adjustment on our allowance may be required, and our financial conditions may be adversely affected.

Our financial liquidity is dependent on our customers making prompt progress payments and/or release of retention monies due to us. Any default in payments of receivables and progress payments or delays in payments of retention monies owed to us or any unilateral demands on performance and quality guarantees by our clients may lead to a decrease of working capital available for our other operations. While we may file claims against our customers for uncompensated costs we have incurred pursuant to our contracts, any disputes between us and our customers as to the value of work properly done in a particular period, or failure by our customers to make progress payment or release retention monies on time or in full would have an adverse effect on our liquidity position and financial performance.

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable terms, or at all.

We may require additional capital in the future to fund our working capital needs, support research and development activities, finance capital expenditures, invest in strategic acquisitions, or respond to unanticipated business opportunities or challenges. There can be no assurance that such additional funds, whether through equity or debt financing will be available when needed, or that it will be available on terms favorable to us. If we are unable to obtain sufficient capital on acceptable terms, our ability to execute our business strategy, pursue growth opportunities, or even maintain our current operations could be significantly impaired. We may be forced to delay, scale back, or abandon our development plans, which could harm our competitive position. Furthermore, if we do raise additional capital through public or private equity offerings, the ownership interest of our existing shareholders including investors in [**REDACTED**], will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our shareholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

Our investments and acquisitions may not realize the expected benefits.

We may make certain investments and acquisitions that we believe can expand and strengthen our resources, monetization abilities, and our technological capacities in our future operation as we continue to grow. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, costs associated with, and difficulties in, integrating acquired businesses and managing a larger business, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our liquidity, financial condition and results of operations. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments.

Acquisitions also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the acquired companies or investment target companies and/or their shareholders may not be sufficient to protect us from, or to compensate us for, actual liabilities.

RISKS RELATED TO THE [REDACTED]

No public market currently exists for our H Shares, and an active [REDACTED] market for our H Shares may not develop.

No public market currently exists for our H Shares. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the market price of the H Shares following the [**REDACTED**]. We have applied to the Hong Kong Stock Exchange for the [**REDACTED**] of, and [**REDACTED**] in, the H Shares. A [**REDACTED**] on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the market price of the H Shares will rise following the [**REDACTED**].

The market price and [REDACTED] of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The market price and [**REDACTED**] of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in market prices and changes in the demand for our products, could cause large and sudden changes to the market price and [**REDACTED**] at which our H Shares will trade. The Stock Exchange and other securities markets have, from time to time, experienced significant price and [**REDACTED**] volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the market price of our H Shares.

A future significant increase or perceived significant increase in the supply of our H Shares in public markets could cause the market price of our H Shares to decrease significantly, and/or dilute shareholdings of holders of H Shares.

The market price of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any [**REDACTED**], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Alternatively, if we meet such funding requirements by way of additional debt financing, we may have restrictions placed on us through such debt financing arrangements which may:

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flows from operations to service our debt, thereby reducing the availability of our cash flow to fund capital expenditure, working capital requirements and other general corporate needs; and/or
- limit our flexibility in planning for, or reacting to, changes in our business and our industry.

Since there will be a gap of several days between pricing and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares could fall during the period before [REDACTED] of our H Shares begins.

The [**REDACTED**] to the public of our H Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the H Shares will not commence [**REDACTED**] on the Hong Kong Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares when trading begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [**REDACTED**] begins.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].

Potential investors will pay a price per H Share in the [**REDACTED**] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities. Therefore, purchasers of our [**REDACTED**] in the [**REDACTED**] will experience a substantial immediate dilution in [**REDACTED**] net tangible assets, and our existing Shareholders will receive an increase in the [**REDACTED**] adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], potential investors would receive less than the amount they paid for their H Shares. See "Appendix II — Unaudited [**REDACTED**] Financial Information" for more information.

The liquidity, [REDACTED] and market price of our H Shares may be affected if we cannot receive the regulatory approval from CSRC with respect to the "full circulation" of our Unlisted Shares.

We are applying to CSRC for approval to convert certain of our Unlisted Shares to H Shares. Such conversion must, in all aspects, comply with the regulations promulgated by the relevant securities regulatory authority in the PRC. We cannot guarantee that we can obtain such approval from CSRC. If we are unable to obtain such approval, the amount of H Shares outstanding at and for a period of time after the [**REDACTED**] will be less than expected, and thus the liquidity, [**REDACTED**] and market price of our H Shares may be affected.

Dividends payable to investors and gains on the sale of our H Shares by our investors are subject to PRC tax.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) with respect to PRC-sourced income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

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

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification.

There remains significant uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS Accounting Standards. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS Accounting Standards. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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

Certain facts, statistics and data contained in this document relating to the PRC, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutes and/or other third party reports we generally believe to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the [**REDACTED**] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials. Therefore, we make no representation as to the accuracy of such statistics, which may not be consistent with other information compiled within or outside the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts.

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

There may have been prior to the publication of this document, and there may be subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and/or media regarding us, our business, our industries and the [**REDACTED**]. None of us or any other person involved in the [**REDACTED**] has authorized the disclosure of information about the [**REDACTED**] in any press or media and none of these parties accepts any responsibility for the accuracy or completeness of any such information or the fairness or appropriateness of any forecast, view or opinion expressed by the press and/or other media regarding our H Shares, the [**REDACTED**], our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecast, view or opinion expressed in any such publication. To the extent that such statements, forecasts, views or opinions are inconsistent or conflict with the information contained in this document, we disclaim them. Accordingly, you are cautioned to make your investment decisions on the basis of the information contained in this document only and should not rely on any other information.