An [**REDACTED**] *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an* [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your* [**REDACTED**].

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are exposed to customer concentration risk in respect of our NEV domain-controlled electric drive solutions business.

A significant portion of our revenue during the Track Record Period was derived from a small number of customers, being the automotive OEM customers. Geely Related Group is the largest customer in each year during the Track Record Period. Revenue from Geely Related Group and other associates of Mr. Li Shufu amounted to RMB191.2 million, RMB556.5 million and RMB3,267.4 million in 2023, 2024 and 2025, respectively, accounting for 60.9%, 75.4% and 90.0% of our total revenue during the Track Record Period, respectively. Revenue generated from our second largest customer Leapmotor amounted to RMB121.3 million, RMB177.3 million and RMB312.8 million, accounting for 38.6%, 24.0% and 8.6% of our total revenues for the same period, respectively. See "Business — Our Customers" for details.

The stable relationship and consistent demands from major NEV customers are important for our business. With the cooperation spanning eight vehicle models and covering multiple product applications across different vehicle platforms, we have established long-standing and deep engagement with the Geely Related Group. See "Business — Our Business Relationship with Geely Related Group" for details. However, their business conditions, procurement preferences, liquidity, and solvency may have a significant adverse impact on our business, financial results, and management of the supply chain. Even if we maintain stable relationships with our certain customers, their delivery cycles may result in fluctuations in our revenue. Any disruption in our business relationship with major customers could have a material adverse effect on our business, financial condition, and results of operations. In the event that the existing major customers reduce or cease to purchase our products and solutions and we are unable to find new customers with a similar level of demands at comparable terms within a reasonable period of time or at all, it could have an adverse impact on our business, results of operations and financial performance.

Our business is highly dependent on the demand and development of the downstream market of NEV. Any adverse change in market conditions or production volumes of NEV models could materially affect our operation, financial performance and results of operations.

During the Track Record Period, we primarily focus on the design, development, manufacturing, and sales of NEV domain-controlled electric drive solutions. During the Track Record Period, a majority of our revenue are generated in relation to the sales of certain vehicle models. Accordingly, our business performance and growth prospects are highly dependent on (i) the overall development of the NEV and automotive industries, (ii) the evolving demand for our NEV domain-controlled electric drive solutions and (iii) the sales performance of vehicle models deployed with our NEV domain-controlled electric drive solution.

The automotive industry, including the NEV segment, is cyclical and subject to significant fluctuations. The demand for our products and solutions depends on the production volume of vehicle models by OEMs and ultimately their sales to end consumers. Any reduction, delay or volatility in automotive production or sales may directly and materially reduce the volume of our products installed on vehicles, thereby adversely affecting our business and results of operations.

The future market size of the NEV industry and the demand for our products and solutions are difficult to predict and are affected by various factors beyond our control, including macroeconomic conditions, consumer confidence, disposable income, interest rates, fuel costs, availability of financing, regulatory and policy changes, as well as industry trends and customer preferences. Although the NEV industry has experienced rapid growth and is supported by favorable government policies in major automotive markets, there can be no assurance that such growth will continue or that supportive policies will be maintained. Any decline in, or slower-than-expected growth of, the automotive or NEV markets, or any unfavorable changes in relevant policies, may reduce demand for our products and solutions and materially and adversely affect our business, financial condition and results of operations.

We face intense competition in our industry.

We primarily operate in the NEV industry, which is and will continue to be highly competitive in terms of product quality, market recognition, pricing, and technology innovation. We compete with a number of domestic and international companies supplying domain-controlled electric drive solution. Many of our competitors may have well-established market presence and reputation, more effective financing channels on the capital market, and greater expertise and abilities in R&D, sales and marketing, establishing strategic partnerships with other companies throughout the industry value chain, recruiting, retaining and managing capable technical staff and talent, maintaining more effective communication channels with relevant regulatory authorities, and reaching a broader base of customers than we do. In addition, our competitors, suppliers and customers may seek to extend their reach throughout the industry value chain, which in turn could intensify the competition in our industry. If we fail to compete effectively, we may not be able to maintain our current market position in the future. As a result, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

If we fail to retain our existing customers or attract new customers, our business, financial condition and results of operations may be materially and adversely affected.

Our success has and will continue to significantly depend on our ability to retain existing customers and attract new customers. This in turn would depend on a number of factors, including our ability to offer high-quality products and solutions that address the needs of our customers at competitive prices, roll out new and enhanced features and functionalities of our products and solutions, strengthen our technological capabilities and adapt to the evolving industry trends and competitive landscape. In particular, our industry is characterized by continuous product innovation and cost optimization, which constantly reshape market demand and customer expectations. To maintain our competitiveness, we must continuously advance our products and solutions.

If customers no longer view our products and solutions as attractive as compared to competing offerings, we may not be able to grow or retain our customer base, which could negatively impact our business and financial situation. In addition, securing the loyalty of our existing customer base is not guaranteed. We cannot assure that any of our existing customers will not cease purchasing products and solutions from us. Should our existing customers significantly reduce orders, or seek price reductions in the future, or we are unable to attract new customers, any such event could have a material adverse effect on our business, financial condition and results of operations.

We have incurred losses for the year during the Track Record Period and may not be able to maintain profitability in the near future.

During the Track Record Period, we recorded loss for the year of RMB270.4 million, RMB345.1 million and RMB288.1 million, respectively. While our loss for the year decreased in 2025 and we recorded profit from operations of RMB50.3 million, we may not be able to maintain profitability in the near future, and may continue to incur loss for the year in the short term, as we are in the stage of expanding our business and operations and are continually investing in R&D. We recorded net liabilities of RMB582.9 million, RMB925.7 million and RMB1,216.8 million as of December 31, 2023, 2024 and 2025, respectively. However, we cannot assure you that we would not incur net liabilities positions in the future which can expose us to the risk of shortfalls in liquidity. This in turn would require us to undertake additional equity financing, which could result in dilution of your equity interests. Any difficulty or failure to meet our liquidity needs as and when needed could materially and adversely affect our results of operations, financial conditions and business prospects. In 2023 and 2024, we also recorded net cash used in operating activities of RMB196.9 million and RMB56.3 million and recorded net cash generated from operating activities of RMB195.0 million in 2025. While we have improved our cash outflows during the Track Record Period, there can be no assurance that we will continue to generate positive operating cash in future periods. If we fail to improve our cash flow position, our liquidity and financial condition may be adversely affected.

We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully, develop new solutions and successfully maintain and secure additional customers. Accordingly, our historical results and significant revenue growth in 2025 may not be indicative of our future performance. We may be unable to sustain the same level of results of operations and financial performance, or our revenue, gross profit and net profit may decline. We may also encounter unforeseen difficulties in operations. Failure to address these risks and challenges may affect our business and financial performance. You should not rely on the revenue of any prior periods as an indication of our future performance.

We also expect our costs and expenses to increase in future periods as we continue to expand our business and operations and invest in R&D. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and may not be able to maintain profitability.

We devote resources to secure design wins with major OEMs which may not necessarily lead to commercial production, revenue realization or long-term cooperation, and the realization of revenue from such design wins is subject to non-binding commitments, validation processes, implementation timelines and fluctuations in production volumes.

From initial engagement with OEMs to the final selection of our solutions for integration into specific vehicle models, we allocate significant human, technical and financial resources, which are subject to considerable uncertainty. As of the Latest Practicable Date, we had cumulatively secured 40 design wins with ten OEMs, either directly or through tier-1 suppliers, and our solutions had been adopted in 16 commercially launched vehicle models across 12 vehicle brands.

In addition to projects for which we directly enter into contracts, we may also secure a design win from OEMs. Upon obtaining such design win, we typically receive a project confirmation from the relevant OEM, typically in the form of a nomination letter. However, such confirmation is not legally binding, and production volume forecasts may not be accurate. A nomination only indicates our solution has been selected for development for a specific vehicle model and does not guarantee revenue realization. OEMs may revise production forecasts, cancel or postpone vehicle programs, or alter technical requirements. OEMs may also choose to internally develop key components or collaborate with other suppliers. Supply chain shortages may also delay OEM manufacturing and operations, postponing our solution implementation, and some OEMs may issue large-volume order forecasts to mitigate supply chain volatility, but if actual vehicle production falls short, OEMs may consume existing inventory before placing new orders, affecting our revenue forecasts. Any projections based on OEM forecasts are inherently uncertain, and our actual results may differ materially. Furthermore, if vehicle models incorporating our solutions experience poor sales, demand for our solutions may decline. Any of these factors could materially and adversely affect our business operations, operating results and financial condition.

Our solutions are technically complex and require ongoing customization and validation to meet stringent customer requirements, therefore, the selected solution is generally retained for the lifecycle of the relevant model, unless the OEM initiates a new round of competitive bidding. Due to industry practices and established relationships, suppliers who obtained design wins often gain advantages in subsequent model development, which intensifies competitive barriers. If we fail to meet OEM requirements in a timely manner, it may negatively impact their workflow and reduce their confidence in our solutions, leading to our failure to retain existing OEMs or continue to secure design wins in the future, we may expend significant resources without achieving expected returns, which could materially and adversely affect our business expansion and operating results.

Our business, financial condition and results of operations may be adversely affected if we fail to timely respond to changes in technology and introduce products and solutions adapting to customers' needs and advancements in technology, or if our research and development investments do not yield the expected results.

The industry in which we operate is characterized by rapid technological advancement, continual improvements in performance characteristics and product features, and continuous optimization in manufacturing. The success of our business is dependent upon our ability to develop and integrate our core technologies to support our products and solutions. To maintain our market position, we are and will be required, on a timely and consistent basis, to design, develop and introduce new and improved products, as well as enhanced solutions offerings that keep pace with technological developments in order to meet the higher demands from our customers.

Technological changes in the NEV domain-controlled electric drive solution industry could render our products and solutions as well as our manufacturing facilities uncompetitive or obsolete, which cannot be accurately predicted or fully mitigated. If we fail to respond by improving our existing products and solutions and launching new products and solutions, develop or improve manufacturing technologies in a timely and effective manner, we may not be able to retain our existing customers, enhance our competitiveness, maintain our market position or attract new customers. Additionally, developing and commercializing new or upgraded existing products or solutions require substantial investment in research and development. Accordingly, we have devoted significant amount of resources to our research and development efforts. Our research and development costs amounted to RMB77.2 million, RMB93.4 million, and RMB111.3 million in 2023, 2024 and 2025, respectively.

However, as research and development activities are inherently uncertain, we cannot guarantee that all our efforts on research and development can deliver benefits that we anticipate. We may also not be able to obtain and retain sufficient resources, including qualified research and development personnel. Even if we succeed in our research and development efforts and generate the results we expect, such results may not arrive in a timely manner as anticipated, and we may still encounter practical difficulties in commercializing our research and development efforts. Given the fast pace of evolution of technology, we may not be able to timely upgrade our technology in an efficient and cost-effective manner, or at all. Despite our research and development expenditures, new technologies in NEV domain-controlled electric drive solution industry could render the products and solutions that we develop or expect to develop in the future obsolete or commercially nonviable, thereby limiting our ability to recover related research and development costs, which could result in a decline in our revenue, profitability and market share.

Our results of operations are highly sensitive to fluctuations in raw material prices and the timely supply of key components. Any disruption in our supply chain or inability to secure cost-effective materials could materially and adversely affect our profitability.

During the Track Record Period, the cost of raw materials accounted for a significant proportion of our production costs. Our raw materials include structural components, electronic components and others. We procure part of such materials and components from third-party suppliers, and any disruption, delay or shortage in their supply may affect our production schedule and delivery capabilities, which could adversely affect our business and results of operations.

The prices of our raw materials and components are subject to fluctuations due to factors beyond our control, including changes in supply and demand dynamics, macroeconomic conditions and industry cycles. Any significant increase in the prices of bulk commodities or key electronic components, such as control chips and power chips, may increase our production costs. While we try to pass on such increased costs to our customers to the extent possible, if we are unable to do so in a timely manner, or otherwise mitigate such cost pressures through supply chain management, technological optimization or alternative sourcing, our profitability and financial performance may be adversely affected.

Our products used in vehicles are highly complex and may contain defects or otherwise fail to perform in line with expectations. Such defects or failures could reduce the market adoption of our new products, damage our reputation, expose us to product liability and other claims and adversely affect our operating results.

Our main products are domain-controlled electric drive solution for new energy vehicles, which involve complex and precise manufacturing processes such as mechanical processing, electromagnetic design, and circuit design, making them precision automotive components. At the same time, our domain-controlled electric drive solution must operate stably under various complex working conditions, with features such as high energy conversion efficiency, safety protection, low failure rates, and long service life, to meet the comprehensive performance, safety, and durability demands of end users. As a result, our downstream OEM customers have extremely high expectations for our product quality.

We maintain our quality management systems based on IATF 16949 standards and CNAS 17025 laboratory certifications. However, due to the complexity of our product quality management process and the high difficulty of control, there is still a risk that quality issues may arise due to factors such as force majeure or improper human operation. Such issues could lead to quality claims or the termination of cooperation with customers. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our financial results. In addition, we could face material legal claims for breach of contract, product liability, fraud, tort or breach of warranty as a result of these problems. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our products.

We face pricing pressure from customers.

We design, develop, and manufacture NEV domain-controlled electric drive solutions and NEV domain-controlled electric drive solution components primarily for automotive OEMs, who possess leverage over their suppliers, including us, because some of them are large multinational companies with negotiating power. In addition, the automotive component supply industry is inherently highly competitive and has a high fixed cost base. The growing competition among both established players and new market entrants in our industry further exacerbates the pricing pressures we face. While OEMs may have the ability to pass on part of their cost increases to end consumers, we may not be able to correspondingly pass on increases in our costs in a timely manner, due to OEMs' strong bargaining power and the competitive dynamics of the automotive supply chain. Accordingly, we expect to be subject to substantial continuing pressure from major customers to reduce the prices of our products.

Depending on market conditions and commercial consideration, we incurred sales rebate with certain customers during the Track Record Period. In 2023, 2024, and 2025, an aggregate amount of RMB2.0 million, RMB33.0 million and RMB17.4 million of rebates were incurred, respectively, representing 0.6%, 4.5% and 0.5% of our revenue of the same years, respectively. Such rebates were recorded as reductions of our revenue. According to CIC, such rebate arrangement is a common practice in the NEV domain-controlled electric drive solution industry. While sales rebates may help drive business in a competitive market, they could also reduce our revenue and profit margins and increase the complexity of revenue recognition under applicable accounting standards. If we are unable to offset the impact of customer price reductions and sales rebates by improving operational efficiency, launching profitable new or upgraded products, or implementing other cost-reduction measures, our business, financial condition, and operating performance may be significantly and adversely affected.

Our business requires continuous capital expenditure for production capacity upgrades and expansion.

Our operations depend on the continuous upgrades and expansion of production capacity to meet evolving customer demands and market trends. We require ongoing capital expenditure to ensure the quality, efficiency, and competitiveness of our products. As a result, we are currently proceeding with construction of our Ningbo production facility, and intends to advance construction of our new facility. See "Future Plans and Use of [**REDACTED**] — Use of [**REDACTED**]" for details. However, this is no assurance that we will secure sufficient orders to fully utilize our production capacity. During the Track Record Period, we primarily used cash from operating activities and financing in the maintenance and upgrades of production facilities. During the Track Record Period, our capital expenditures consisting of payments for purchase of plant and equipment and payments for purchase of intangible assets, were RMB130.1 million, RMB75.8 million, and RMB116.2 million in 2023, 2024 and 2025, respectively. There can be no assurance that we will be able to generate sufficient cash from operations, or at all, to fund our planned capital expenditures. Any delays or failures in securing necessary funding and any unforeseen increases in costs or delays in the implementation of our capital expenditure plans could adversely affect our operations and financial results.

If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.

Our business has continued to grow in recent years, as has our business network and number of employees. In addition, as we expand our product portfolio, customer base, and geographical markets, we will need to work with a larger number of suppliers and partners efficiently and maintain and expand mutually beneficial relationships with our existing and new suppliers and partners. We also need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and customer management, refine our reporting systems and procedures, and expand, train and manage our growing employee base. All these efforts will require significant managerial, financial and human resources.

We cannot assure you that such efforts will reach our expected success. We cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. In addition, changes and developments taking place in industries that we operate in may also require us to re-evaluate our business model and adopt material changes to our long-term strategies and business plans. Our failure to innovate and adapt to these changes and developments may have a materially adverse effect on our business, financial condition and results of operations. Even if we innovate and adapt to these changes and developments, we may nevertheless fail to realize the anticipated benefits of changes adopted to our long-term strategies and business plans or even harm our profitability as a result.

We are expanding into new business segments and regions. Failure to deliver high-quality products and solutions could adversely harm our business and growth prospects.

We are expanding our business through both introducing new products and solutions as well as entering into new business sectors of AIDC power supply systems and embodied intelligence domain-controlled electric drive systems. We plan to advance our global expansion in phases by measure including not limited to establishing production lines at the facilities of our overseas strategic partners and building localized research and development, manufacturing and operation bases overseas. See "Future Plan and Use of [**REDACTED**]" for details. However, the business expansion exposes us to risks. The success of developing and commercializing new products and solutions depends on multiple factors, such as industry trends, market demand, competition and customer acceptance. See "Business — Strategic Business Expansion" for details. There is no assurance that the adoption of our products and solutions by existing or potential customers will continue to grow in any particular sector and these products will be successfully commercialized as planned, or that we will be able to timely and effectively respond to evolving customer needs. Failure to do so could hinder the commercialization and adoption of our products and solutions, thereby adversely affecting our financial condition and results of operations.

In addition, we may face challenges in accurately assessing market demand, customer preferences, and competitive landscapes in unfamiliar markets. Furthermore, local regulatory requirements, trade policies, and compliance obligations may differ significantly from those in our existing markets, potentially leading to additional costs, or restrictions on our operations. Even if we are able to establish operations in these new markets, there is no assurance that they will generate sufficient revenue or profitability to justify our investments. Failure to successfully manage these circumstances could adversely affect our business, financial condition, and results of operations. As we continue to expand our business into new regions and broaden our customer base, we expect to face increasing operational complexity. Rising shipment volumes and diverse customer needs may make it difficult or costly to maintain consistent service quality across all markets. If we are unable to effectively manage these challenges, our business, financial condition and results of operations could be adversely affected.

Unexpected disruptions to our production facilities or production process may materially and adversely affect our business operations.

As of December 31, 2025, we had two production bases in Chinese Mainland. Our ability to maintain stable and efficient operations at our production facilities is key to our business. Our production facilities are subject to operating risks, including utility supply disruptions, such as disrupted supply of electricity, water or steam and significant increases in utility prices, or other force majeure events, adverse weather, forced closures or suspensions, major disease outbreaks, non-compliance with regulations or quality standards, labor disputes, accidents such as equipment failures or fires, and other production issues, including capacity limitations or changes in product types that could affect continuous supply.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material disruptions to our production bases. However, we cannot assure you that the events and factors aforementioned or any other events will not occur and result in a material disruption to the operations at our production facilities in the future. If we fail to take adequate steps to mitigate the likelihood or potential impact of such events or factors, or to effectively respond to such events or factors if they occur or materialize, our business, results of operations and financial condition may be materially and adversely affected.

Additionally, we may need to carry out planned shutdowns of our production plants for routine maintenance, statutory inspections and testing and may need to shut down various plants for capacity expansions and equipment upgrades from time to time. The occurrence of any of the above events may cause us to stop or suspend our production operations and we may not be able to deliver the products to our customers on a timely basis, which would have an adverse impact on our business, financial condition and results of operations.

We depend on certain key personnel and our ability to attract and retain talented personnel for our operations.

Our success depends significantly on the efforts and abilities of key individuals, including Mr. Guan Bo, our co-founder, who have made substantial contributions to the development of our operations and our corporate culture. If we were to lose such personnel, or if these individuals fail to devote the same amount of time and effort to our business as they have done in the past, we cannot assure you that we would be able to replace such individuals with new personnel capable of making the same contribution in the near term or at all. As such, the loss of services of one or more of these key individuals, or any negative market or industry perception arising from such loss, could have a material adverse effect on our operations.

The success of our business is also dependent on our ability to attract and retain talented personnel, including R&D personnel who have in-depth knowledge and understanding of our industry. We cannot assure you that we will be able to attract and retain qualified personnel to fulfill our current or future needs and the failure to do so could adversely affect our business and future growth.

Our failure to adequately manage our inventories may lead to inventory obsolescence.

Maintaining optimal inventory levels is critical to the success of our business. As of December 31, 2023, 2024 and 2025, our balance of inventories was RMB56.7 million, RMB137.2 million and RMB224.1 million, respectively. Our inventory turnover days in 2023, 2024 and 2025 were 73 days, 48 days and 20 days, respectively. Failure to adequately manage inventory risks may lead to inventory obsolescence, decline in inventory value or inventory write-offs.

We may not be able to accurately predict relevant trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in market demand for the products we sell could lead to excessive inventory, and we may offer discounts or conduct promotion activities to dispose of slow-moving inventory, which in turn may adversely affect our results of operations and financial condition.

We may get exposed to credit risks, which could negatively impact our financial condition, results of operations and operating cash flow.

We are exposed to credit risk related to delay in payment and defaults of our customers. As of December 31, 2023, 2024 and 2025, the balances of our trade receivables amounted to RMB221.8 million, RMB372.2 million and RMB842.4 million, respectively. As of the same dates, the balances of our bills receivables, which mainly represent short-term bank acceptance receivables, amounted to RMB45.6 million, RMB137.8 million and RMB495.5 million, respectively. During the Track Record Period, the majority of our trade and bills receivables, based on the invoice date, are aged within one year. In 2023, we recorded impairment loss reversal on trade and other receivables of RMB1.3 million. In 2024, we recognized impairment losses on trade and other receivables of RMB0.4 million, and subsequently recorded impairment losses reversal of RMB0.4 million in 2025. Our trade receivables turnover days in 2023, 2024 and 2025 were 140 days, 147 days and 61 days, respectively.

Our trade receivables balance may continue to increase along with our business growth, which may increase our credit risks. Although we have taken various measures to monitor our outstanding trade receivables and enhance the collection of trade receivables, we cannot, however, assure you that our measures will be fruitful nor can we guarantee that customers will settle our trade receivables within the credit period, and our trade receivable balances and average turnover days may increase in the future. Moreover, macroeconomic conditions could also result in financial difficulties for our customers, including operational and liquidity difficulties, limited access to the credit markets, insolvency or bankruptcy, and as a result could cause our customers to delay payments to us or default on their payment obligations to us. Under certain circumstances, we may have to sue our customers for outstanding payments, which may cost us additional resources for the litigations. If we are unable to collect trade receivables from customers, our business, financial condition and results of operations may be materially and adversely affected.

Our sales may be influenced by seasonality.

Our sales are subject to seasonal fluctuations in the NEV markets, which are influenced by OEM procurement cycles. In particular, OEMs typically adjust their procurement plans in response to promotion activities and new model launches or facelifts, which are often concentrated in the second half of the year. As a result, our sales may be higher in the second half of the year, especially in the fourth quarter due to increased deliveries by OEMs at the end of the year. The degree of seasonality may vary from time to time depending on industry conditions, customer demand, and other factors over which we have limited control. If there are any significant seasonal fluctuations differing from our prior experience, we must ensure that relevant supplies and manufacturing capacity are arranged effectively to dynamically meet market demand.

Adverse publicity involving us or the industry where we operate our business in general, could adversely affect our business and financial performance.

As we continue our growth in business scale, broaden the scope of our products and services, and expand into foreign markets, it will be increasingly difficult to maintain the efficiency and quality of our products and solutions, which may negatively impact our brand and market reputation. The failure to maintain and to enhance our brand recognition may materially and adversely affect our business, results of operations and financial performance.

Many factors, some of which are beyond our control, may also negatively impact our brand image and corporate reputation if not properly managed. These factors include our ability to provide quality services to customers, successfully conduct marketing activities, manage relationships with and among industry participants, respond to complaints and negative publicity, and maintain a positive perception of our company, our peers and the industry in which we operate in general. Any actual or perceived deterioration of the quality of our products and solutions could subject us to damages such as the loss of key customers. Negative publicity directed against us or the industry in which we operate in general or our business partners, such as our suppliers and other service providers, could cause damage to our corporate reputation and lead to further changes to government policies and the regulatory environment. If we are unable to promote our brand image and protect our corporate reputation, we may not be able to maintain and grow our customer base, and our business and growth prospects may be adversely affected.

Our share incentive plan may result in increased share-based payment expenses and may adversely affect our results of operations.

We have adopted, or may adopt in the future, share incentive plans to attract and retain key employees and align their interests with those of our shareholders. The grant of share-based awards may result in the recognition of share-based payment expenses in our consolidated financial statements, which could increase expenses in our consolidated statements of profit or loss and adversely affect our results of operations.

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any change in the relevant policies may adversely affect our results of operations and financial performance.

During the Track Record Period, government grants are recognized when there is reasonable assurance that they will be received and that we will comply with the conditions attaching to them. The government grants we received during the Track Record Period represented various forms of incentives and subsidies granted to our Group by local government authorities in the PRC. We cannot guarantee that we will receive such government grants and preferential tax treatment in the future, and our financial condition and results of operations may be adversely affected if we fail to obtain such government grants in the future.

Since we require various approvals, licenses and permits to operate our business, any failure to obtain or renew any of these approvals, licenses and permits could materially and adversely affect our business and results of operations.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain approvals, licenses, permits and certifications in order to operate our business. Complying with such laws and regulations may require substantial expense, and any noncompliance may expose us to liability. We have designed and adopted strict internal procedures to ensure compliance of our business operations with all relevant laws and regulations, and to ensure that we obtain necessary approvals, licenses, permits and certifications for our business operations. However, we cannot guarantee that we will be able to obtain and maintain all requisite approvals, licenses, permits and certifications in a timely manner. Regulatory authorities who have extensive authority to supervise and regulate the industry we operate in may not interpret relevant laws and regulations the way we do. In addition, as the regulatory regime for the industries in which we operate continues to evolve, new laws, regulations and regulatory requirements are promulgated and implemented from time to time. We may be required to obtain approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. In the event of noncompliance, we may have to incur significant expenses and divert substantial management time to rectify the incidents. In the future, if we fail to obtain or maintain the necessary approvals, licenses, permits and certifications required by relevant laws and regulations or if we are deemed to have conducted business operations requiring certain approvals, licenses, permits and certifications without having one, we may be subject to fines or the suspension of operations of the relevant business segments or facilities that do not have all the requisite approvals, licenses, permits and certifications, which could materially and adversely affect our business and results of operations. See "Regulatory Overview" for further details on the requisite approvals, licenses, permits and certifications for business operations. We may also experience adverse publicity arising from noncompliance with government regulations, which would negatively impact our reputation.

We may face risks relating to labor relations, labor disputes, labor shortages and increases in labor costs.

We have been subject to regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law (中華人民共和國勞動合同法) that became effective in January 2008 and was amended in December 2012 and its implementing rules that became effective in January 2008, employers are subject to the requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts.

In addition to our employees, we also engage labor outsourcing service providers for ancillary production services. If outsourced personnel are deemed by the competent authorities to have formed a de facto employment relationship with us, we may be required to enter into labor contracts with such personnel and undertake employer obligations, including paying wages and making social insurance and housing provident fund contributions. While we seek contractual assurances from our outsourcing service providers regarding compliance with applicable requirements, we cannot assure you that all such obligations will be fulfilled at all times, or that we will not be required by the authorities to bear additional responsibilities or liabilities. According to the Interim Provisions on Labor Dispatch (勞務派遣暫行規定) issued by the Ministry of Human Resources and Social Security in January 2014, the number of dispatched worker hired by an employer shall not exceed 10% of the total number of employees. If the relevant regulatory authorities determine that the number of dispatched worker hired by us exceed 10% of the total number of employees and we fail to rectify such non-compliance within a prescribed time limit, we may be subject to a fine ranging from RMB5,000 to RMB10,000 per dispatched worker exceeding the limit. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, we may incur certain costs to deal with such termination or changes in compliance with the Labor Contract Law and its amendments, which may adversely affect our business and results of operations. We believe that our current practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose fines on us.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practices may always be in compliance with labor-related laws and regulations in a timely manner. If we are deemed to have violated relevant labor laws and regulations, we may be subject to labor disputes or government investigations, and we may be required to provide additional compensation to our employees.

We may not be able to protect our intellectual properties against infringement and unauthorized use in our products.

We consider our intellectual property rights to be critical to our success and competitive advantage. We register and protect such intellectual property rights to the extent that we are able to under relevant local laws. See "Business — Intellectual Property" for details. However, we cannot assure you that the steps we have taken to protect our intellectual property rights are sufficient, or that such intellectual property rights will not be subject to infringement in the future.

In addition, our intellectual property rights may be declared invalid or unenforceable if being challenged in the courts or before the related government intellectual property authorities. Any unauthorized use of our intellectual property rights could harm our brands and reputation, which could adversely affect our financial condition and results of operations. Our results of operations may also be adversely affected as a result of incurring additional costs and the diversion of management's attention when initiating any intellectual property right claims.

If any fraud, bribery or other misconduct is committed by third parties, we may be subject to economic losses and reputational damage.

We may face fraud, bribery or other misconduct committed by third parties, such as suppliers and customers, which could lead to financial losses and penalties from government authorities. Although we have designed internal control procedures to monitor operations and ensure overall compliance, these procedures may not be able to promptly identify all non-compliance, suspicious transactions, fraud, corruption, bribery or other misconduct by third parties, nor prevent or stop such occurrences. Our risk management systems and internal control capabilities are limited by the information and risk management tools and technologies available to us. Any misconduct by third parties that harms our interests could result in negative publicity, damage our reputation and lead to litigation and other legal proceedings, as well as administrative or criminal penalties, thereby adversely affecting our business and financial performance.

If our third-party service providers fail to perform obligations arising from our labor outsourcing arrangements or do not satisfactorily fulfill their commitments and responsibilities, our business and financial performance could be adversely affected.

In conducting our business, we rely on certain services provided by third parties to support various aspects of our operations. These third parties face risks similar to ours, such as business interruption, system failure and human error, risks related to cybersecurity and data protection, as well as their own legal, regulatory and market risks. Our third-party service providers may not be able to fulfill their respective commitments and responsibilities in a timely manner and in accordance with the terms agreed with us or applicable laws and regulations.

Additionally, we may not be able to control the business operations or governance and compliance systems, business practices, and operating procedures of our third-party service providers. If we are unable to effectively manage our relationships with third-party service providers, or if our third-party service providers fail to satisfactorily fulfill their commitments and responsibilities for any reason, our business, operating results and financial condition will be affected. There can be no assurance that we can continue or extend relationships with our current third-party service providers on terms acceptable to us, or that we will be able to establish relationships with new third-party service providers to ensure accurate, timely and cost-efficient delivery of such services. When existing contracts with third-party service providers expire, we may not be able to renew them on terms favorable to us or find suitable replacements in a timely manner, which could adversely affect our business and financial performance.

Acquisition of or investments in businesses, products or technologies could subject us to risks and uncertainties.

We plan to continually and actively seek strategic opportunities for acquisitions of or investments in businesses and products that we believe would benefit our sales network. We may not be able to successfully execute our acquisition or investment plans, and complete the relevant transactions as expected. Our ability to grow through acquisitions and investments depends upon our ability to identify, acquire and integrate suitable targets and to obtain necessary financing on reasonable terms. In particular, acquisitions may involve significant risks and uncertainties, including but not limited to: (i) difficulties in integrating acquired companies, personnel, equipment, facilities or products, as applicable, into our business to realize the benefits and synergies of acquisitions and investments; (ii) diversion of our management's time and attention from other business concerns; (iii) higher costs of integration than anticipated; and (iv) difficulties in retaining key employees of acquired businesses.

Meanwhile, we may be unable to achieve the anticipated effects or returns from our investments and recover such investments in time. An acquisition could also impair our results of operations by causing us to incur debt or amortize acquired intangible assets. We may also discover deficiencies in data adequacy, integrity and security, service quality, regulatory compliance and liabilities in acquired businesses which we did not uncover prior to such acquisitions. Consequently, we may be subject to penalties, lawsuits or other liabilities. Any difficulties in the integration of acquired businesses or products, or unexpected penalties, lawsuits or liabilities in connection with such businesses or products could adversely affect our business and financial performance.

We may be subject to complaints, claims, controversies, regulatory actions and other legal proceedings, which could have a material adverse effect on our results of operations, financial condition, liquidity, cash flows and reputation.

We may be subject to or involved in or mentioned in various complaints, claims, controversies, regulatory actions, arbitrations and other legal proceedings during the ordinary course of business operations related to, among other things, products or other types of liability, labor disputes, contract disputes or intellectual property disputes that may adversely affect our results of operations, financial condition, liquidity, cash flows and reputation. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products.

During the Track Record Period and up to the Latest Practicable Date, there were no legal proceedings pending or threatened against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions, or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, and results of operations.

However, complaints, claims, arbitration, lawsuits, and litigations are subject to inherent uncertainties, and we are uncertain whether existing or new claims against us or which mention us would develop into lawsuits, damages or regulatory penalties and other disciplinary actions that may be material to our business in the future. Lawsuits, litigations, arbitration and regulatory actions may cause us to incur substantial costs or fines, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, or materially modify or suspend our business operations, any of which could materially and adversely affect our financial condition, results of operations and business prospects. Responding to or defending litigations or other claims, disputes or complaints against us is costly and can impose a significant burden on our management and employees or negatively affect our reputation, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, there can be no assurance that we will be successful in the claims we pursue against other parties. Any resulting liability, losses or expenses, or changes required to our businesses to reduce the risk of future liability, may have a material adverse effect on our business, financial condition and prospects. The interpretation of PRC laws in different jurisdictions may be subject to change, and an adverse outcome of a single claim against us in one jurisdiction regarding our business practices may result in significant negative publicity and heightened scrutiny by regulators and courts of our business and operations across the country, or potential penalties or other regulatory actions against us. Any of such outcomes may cause significant disruptions to our operations and materially and adversely affect our results of operations and financial condition.

Our insurance coverage may be insufficient to cover all potential liabilities or losses.

We maintain different types of insurance policies to cover our operations. See "Business — Insurance" for more details. We consider our insurance coverage to be sufficient for our business operations in China. However, there may be circumstances under which certain types of losses, damages and liabilities are not covered by our insurance policies, or that we fail to claim our losses under our current insurance policy on a timely basis, or at all. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our business, financial condition and results of operations.

Failures or security breaches of our information technology systems could affect our business.

Information technology is an important part of our business operations, and we increasingly rely on our information technology systems to monitor and manage all aspects of our business including procurement, production, quality control, warehousing and logistics, sales and distribution, and marketing. Our information technology systems may be vulnerable to a variety of interruptions, including natural disasters, telecommunications failures, computer viruses, cyber-attacks, hackers, unauthorized access attempts and other security breaches. The technology security initiatives and disaster recovery plans we have implemented to address these may not be adequate. Any significant failure of our systems, including failures that prevent our systems from functioning as intended could cause transaction errors, processing inefficiencies and loss of customers and sales, resulting in a negative impact on our operations or business reputation.

We are subject to complex and evolving ESG requirements, which require us to devote substantial time and resources.

There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint and maintain environmentally friendly business operations. The process of developing new production technologies and enhancing existing production technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could adversely affect our competitiveness in the relevant market.

In particular, our production activities are subject to environmental protection and energy consumption regulatory requirements in the PRC. If our actual production capacity or energy consumption exceeds the levels approved by the relevant authorities, or if there are any material changes to our approved projects, we may be required to obtain additional approvals, complete supplemental filings, or implement rectification measures. Failure to do so in a timely manner may result in administrative penalties, fines, orders to suspend operations, or other regulatory actions.

Compliance with these ESG requirements and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business operations could be adversely impacted.

We face risks related to health epidemics and other outbreaks, and events such as wars and acts of terrorism, which could significantly disrupt our operations.

Our business is subject to risks related to outbreaks of a widespread health epidemic such as avian influenza, swine influenza, severe acute respiratory syndrome (SARS), Middle East respiratory syndrome coronavirus (MERS-CoV), Ebola epidemics, or COVID-19, or other events such as war, acts of terrorism, environmental accidents, power shortages or communication interruptions. The occurrence of any of the foregoing events may harm the global and regional economy in general, disrupt the industries in which we operate and our operations, and have an adverse effect on our business, results of operations and financial condition.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Changes in political, economic policies and in the interpretation or enforcement of relevant laws, rules and regulations in China may materially and adversely affect our business, financial condition, results of operations and prospects.

Our operations in China are inherently subject to the development of Chinese political, economic and legal environments. Significant changes in Chinese political, economic, regulatory or social conditions may have a material adverse effect on our business performance and prospects. We will comply with applicable laws, rules and regulations in China. However, existing laws, rules and regulations may be amended, interpreted or replaced in the future. There can be no assurance that we will successfully adapt to such changes or to any new laws or regulations that may come into effect, which may adversely affect our business, financial condition, results of operations, cash flows and prospects.

Policies and regulations regarding foreign currency conversion may impact our foreign exchange transactions, including dividend payments to holders of our H Shares and our ability to finance in foreign currencies.

The conversion of RMB is subject to applicable laws and regulations in the PRC. Under the current PRC foreign exchange control 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, or SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

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 the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to Shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, operating results and financial condition, may be affected.

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws and a majority of our assets are located in Chinese Mainland. In addition, most of our Directors and senior management reside in Chinese Mainland. As a result, it may be complex for investors to effect service of process outside Chinese Mainland upon us, our Directors, or senior management or to enforce judgments obtained against us in courts outside

Chinese Mainland. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in Chinese Mainland only if the jurisdiction has a treaty with Chinese Mainland or if the jurisdiction has been otherwise deemed by the courts of Chinese Mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. On July 3, 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2008 Arrangement"). Under the 2008 Arrangement, where any designated court of Chinese Mainland or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of Chinese Mainland or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. The Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2024 Arrangement") became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in Chinese Mainland and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities offering and listing issued by the PRC government authorities.

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures and five supporting guidelines, which had become effective on March 31, 2023 (the "Overseas Listing Regulations"). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. See "Regulatory Overview — Regulations Relating to Securities and Overseas Listing" for details. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

No dividend had been paid or declared by our Company during the Track Record Period. 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. 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. 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.

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

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and a non-PRC investor's jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have an establishment or place of business in the PRC if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

If the PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your [**REDACTED**] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

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

There was no public market for our H Shares prior to the [**REDACTED**]. There can be no guarantee that a public market for our H Shares with adequate liquidity and [**REDACTED**] will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the Overall Coordinators (for themselves and on behalf of the [**REDACTED**]) and us, which may not be indicative of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares may be materially and adversely affected.

The liquidity, [REDACTED] and [REDACTED] of our H Shares following the [REDACTED] may be volatile, which could lead to substantial losses to [REDACTED].

The liquidity, [**REDACTED**] and [**REDACTED**] of our H Shares following the [**REDACTED**] may be subject to significant volatility in response to various factors beyond our control, including the general market conditions for securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant liquidity, market price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the [**REDACTED**] and [**REDACTED**] of our H Shares. In addition to market and industry factors, the liquidity, [**REDACTED**] and [**REDACTED**] of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our financial performance, regulatory developments, relationships with our major customers and suppliers, movements or activities of key personnel, actions taken by competitors, the valuation of publicly traded companies that are engaged in business activities, general market sentiment regarding the industry we operate in, or political, economic, financial and social conditions. Moreover, the shares of other companies listed on the Hong Kong Stock Exchange have experienced market price volatility in the past, and the [**REDACTED**] of our H Shares may be subject to changes in price not directly related to our business performance.

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

The [**REDACTED**] 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 future offerings, 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 of 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.

You will incur immediate and significant dilution if the [REDACTED] is higher than the net tangible asset value per H Share and may experience further dilution if we issue additional Shares in the future.

The initial [**REDACTED**] of our H Shares is higher than the net tangible asset value per Share of the outstanding Shares issued to our existing Shareholders immediately prior to the [**REDACTED**]. Therefore, [**REDACTED**] of our H Shares in the [**REDACTED**] will experience an immediate dilution in terms of the [**REDACTED**] net tangible asset value. In addition, we may consider offering and issuing additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. [**REDACTED**] of our H Shares may experience further dilution in terms of the net tangible asset value per Share if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share.

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

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

Certain facts, forecasts and other statistics in this document are derived from various government publications.

We have derived certain facts and other statistics in this document, particularly those relating to the general economy and the industries in which we operate, from information provided by official government sources. However, the information derived from official government sources has not been independently verified by us, any of the Sole Sponsor, the Sponsor-Overall Coordinator, the Overall Coordinators, [**REDACTED**] or any of their respective directors, officers, affiliates, advisors, or representatives, or any other party involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. In all cases, our [**REDACTED**] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document.

Prior to the completion of the [**REDACTED**], there may be press and media coverage regarding our Group and the [**REDACTED**]. Our Directors would like to emphasize to prospective [**REDACTED**] that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to [**REDACTED**] in our H Shares, prospective [**REDACTED**] should rely only on the financial, operational and other information included in this document.