# RISK FACTORS

*An* **[REDACTED]** *in our H Shares involves significant risks. You should carefully consider all 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 materially and adversely affect our business, financial condition, results of operations or prospects. The* **[REDACTED]** *of our H Shares could significantly decrease due to any of these risks, 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

**The markets in which we operate are highly competitive, and we may not be able to compete effectively.**

We conduct business in highly competitive markets and our business success depends on various competitive factors, including the launch of new or upgraded products and services, pricing strategies of competitors and shifts in customer preferences. There can be no assurance that our competitors will not offer products comparable or superior to ours at equivalent or more competitive prices, or respond more rapidly to evolving industry trends and changing market demands. We may lose our customers if we fail to keep prices at competitive levels for comparable products or services, or fail to achieve sufficient differentiation from our competitors.

We compete with multinational and local manufacturers, as well as smaller niche market players. Our existing and potential competitors may seek to increase their market share by, among other things, investing in research and development, expanding production capacity, and implementing proactive sales and marketing activities. Our competitors may also attempt to attract customers or increase sales volume through price cuts. Such heightened competition may adversely affect the demand and pricing of our products, which in turn may result in price reductions, compressed profit margins and loss of market share. If we fail to compete effectively, we may not be able to maintain or expand our market share, which may adversely affect our business, results of operations and financial condition.

**We rely heavily on a limited number of core products. Failure to maintain the sales volume, pricing levels and gross profit margins of our core products may materially and adversely affect our revenue and profitability.**

We rely heavily on a limited number of core products. Our revenue generated from our low-voltage switchgears accounted for 66.5%, 67.9%, and 55.2% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively. Our best-selling product, the BlokSeT series, accounted for 37.5%, 42.6% and 42.7% of our total revenue for the years ended December 31, 2023, 2024 and 2025, respectively. As our revenue is, and is expected to continue to be, highly concentrated in a limited number of core products, we are particularly vulnerable to factors that may adversely affect the sales volume, pricing level or profitability of such products. Factors that may adversely affect our core products include, among others, failure to renew licenses for our core products, inability to secure major and long-term contracts, intensified competition and unsuccessful bids in the tender processes, declining demand for new infrastructure construction, disruptions in raw material supply, increases in raw material costs, product quality issues, adverse changes to our sales and marketing network, and unfavorable changes in policies, laws and regulations. Many of these factors are beyond our control, and if any of these events occur, the sales volume and pricing of our core products may be adversely affected, which could further result in a decline in our revenue and profits.

**Our historical results may not be indicative of our future performance. If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.**

The historical financial information included in this Document is not expected to be indicative of our future financial results. We cannot guarantee that our prediction will prove to be correct or that we can grow our business as planned. Our expansion and growth strategies are subject to numerous factors beyond our control, including general economic conditions, changes in the competitive landscape of the industries in which we operate, shifts in relevant regulatory and policy frameworks, and fluctuations in the supply and demand for our products.

Our business has expanded continuously in recent years. Managing such growth requires substantial capital expenditures and efficient allocation of resources. We will need to effectively balance our growth objectives with the maintenance of profitability, as our costs and expenses are expected to increase in line with our expansion. This includes the need to expand, train, manage and motivate our growing workforce, strengthen and maintain relationships with an increasing number of suppliers, customers and business partners, upgrade our operational infrastructure and technologies, enhance our operational, financial and internal management controls, optimize our reporting systems and procedures and continue investing in our ongoing and planned production capacity expansion projects and R&D activities. All of these efforts involve inherent risks and require significant managerial, financial and human resources. We cannot assure you that we will be able to implement our expansion and growth strategies in a timely and effective manner, or that our existing infrastructure, systems, procedures and controls will be sufficient to support our expanding operations. In addition, changes and developments in our industries may require us to re-evaluate our business model and make material adjustments to our long-term strategies and business plans. Our failure to adapt to such changes, or our failure to realize the anticipated benefits from any revised strategies or plans, could materially and adversely affect our business, financial condition, results of operations and prospects.

**We derived a significant portion of our revenue from a limited number of customers during the Track Record Period and may continue to be exposed to the risk of customer concentration following the Track Record Period.**

Due to the nature of our business, we maintain a relatively concentrated customer base and have relied on a small number of major customers for a substantial portion of our revenue. For the years ended December 31, 2023, 2024 and 2025, our sales to our five largest customers accounted for 72.7%, 81.7% and 82.9% of our total revenue, respectively. Particularly, revenue from Customer A and Customer B contributed to a majority of our revenue throughout the Track Record Period. See "Business — Our Customer." This revenue concentration has also resulted in a significant concentration of our trade and bill receivables and contract assets. As of December 31, 2023, 2024 and 2025, our five largest customers collectively accounted for 57.2%, 73.0% and 67.2% of our trade and bill receivables and contract assets respectively, while our single largest customer accounted for 7.7%, 32.1% and 34.9% of such balances in the corresponding years. See "Financial Information — Credit Risk — Trade and Bills Receivables and Contract Assets." Our ability to maintain stable relationships with our major customers is essential to our business growth and profitability. If we fail to retain such major customers during any period, if a major customer reduces or ceases its business dealings with us, or if we fail to develop new major customers, our revenue may decline significantly, which could materially and adversely affect our business, financial condition, and results of operations.

In particular, any of the following events in connection with our major customers may cause material fluctuations or declines in our revenue:

- the reduction, delay, or cancellation of purchase orders by our major customers;

- rejection of our products by our major customers due to quality defects or failure to meet required specifications;

- the loss of one or more of our major customers and our failure to secure replacement customers that could generate comparable sales volume on satisfactory pricing and other commercial terms; or

- delay or default in payment by any of our major customers.

We expect that our revenue will continue to be highly concentrated among a limited number of major customers in the foreseeable future. We cannot assure you that we will be able to maintain and develop our customer relationships with them, or that such major customers will continue to contribute a significant portion of our revenue. Any failure to maintain our existing customer relationships or to expand our customer base may materially and adversely affect our results of operations and financial condition.

**Termination of our business and licensing relationships with Schneider Electric and ABB may materially adversely affect our competitiveness and business operations.**

Schneider Electric and ABB are our key suppliers of electrical components and they also grant us licenses to manufacture certain products. For the years ended December 31, 2023, 2024 and 2025, our revenue generated from products incorporating Schneider Electric's licensed technology amounted to RMB205.0 million, RMB268.9 million and RMB285.4 million, respectively, accounting for 39.4%, 43.0% and 43.6% of our total revenue for the same periods. For the years ended December 31, 2023, 2024 and 2025, our revenue generated from products incorporating ABB's licensed technology amounted to RMB24.7 million, RMB35.0 million and RMB7.9 million, respectively, accounting for 4.7%, 5.6% and 1.2% of our total revenue for the same periods. The total purchase from Schneider Electric and ABB during the Track Record Period amounted to RMB46.0 million, RMB68.7 million, and RMB60.8 million, accounting for 16.3%, 21.0% and 16.6% of our total purchase for the relevant periods, respectively. We cannot assure you that we will be able to maintain stable and long-term business relationships with Schneider Electric and ABB. In the event that either Schneider Electric or ABB terminates its business relationship with us, we may face difficulties in identifying and engaging alternative suppliers within a short period of time. New suppliers may require lengthy product certification, testing and qualification processes, which may disrupt our production schedule and order fulfillment. In addition, components procured from alternative sources may be more costly and of inferior quality. Furthermore, we cannot assure you that we will be able to renew any of relevant license agreements with them on commercially reasonable terms, or at all, upon their expiration. If we fail to renew those agreements, we may cease to manufacture and sell the BlokSeT series, the RM AirSeT series, the N2X-S series and other products. Even if we are able to develop alternative products, there can be no assurance that such products will achieve market acceptance comparable to the licensed products, or that we will be able to recoup the substantial research and development, marketing and production costs incurred in connection therewith. Any of the foregoing events could materially and adversely affect our business, financial condition, results of operations and prospects. For details of our collaboration and licensing arrangements with Schneider Electric and ABB, see "Business — Procurement and Supply Chain Management — Collaboration and Licensing Arrangements".

**Fluctuations in demand in energy and electricity market may have a material adverse effect on our business, financial condition and results of operations.**

The demand for energy and electricity in China is subject to cyclical fluctuations and is affected by many factors beyond our control, including macroeconomic conditions, population growth, urbanization rates, fixed asset investment levels and technological developments. While the rapid expansion of data centers and the large-scale deployment of new energy sources such as photovoltaic and wind power have driven demand for power distribution solutions in recent years, such growth may not be sustained or may experience significant volatility. Any slowdown in the development of data centers, cloud computing, artificial intelligence or digital infrastructure, or any changes in government policies related to new energy development, could lead to a decline in demand for power distribution equipment and systems, which would in turn adversely affect the demand for our products. In addition, the demand for our electrical switchgears and other electrical products is also influenced by our customers' fixed asset investment plans, project budgets and internal decision-making processes, all of which are subject to changes in market conditions and government policies. A general economic slowdown may result in a reduction in overall investment in power infrastructure and related industries, thereby curtailing demand for our equipment and solutions.

**Any disruption to our operations, particularly our production activities, may have an adverse impact on our business.**

Our operations span from R&D, production, storage and logistics to marketing, sales and after-sales services. Any interruption or breakdown in such processes may result in product quality or safety issues, as well as regulatory and environmental risks, any of which may adversely affect our business. Our operations may be disrupted by events beyond our control, such as fire, flood, earthquake, power outages, telecommunication failures, cybersecurity breaches and other force majeure incidents. Any such operational disruption may cause us unable to fulfill customer orders in a timely manner, and/or to design and manufacture products that meet customers' demand, or to fulfill orders at all. Any disruption to our overall operations may result in substantial losses and reputational damage, which may materially adversely affect our business, results of operations and financial condition.

Our production involve complex processes due to our bespoke production model and may be subject to capacity constraints, equipment and systems failures, delays in the construction and upgrading of facilities and other risks. We cannot guarantee that our quality and inspection control system on the production activities will always be effective. Any deviation in the production process such as sheet metal processing, busbar fabrication and cabinet assembly, disruptions to utility supply, or defects in the key materials used to manufacture electrical switchgears may also cause production interruptions. Failure to maintain stable and acceptable production yields and low scrap rates may in turn lead to increased production costs and lower profit margins. In addition, we may experience lower production yields during the ramp-up stage of our production facilities, typically in connection with the launch of new products, installation of new equipment or adoption of new production techniques. The occurrence of any of these events may lead to delays in product delivery and customer dissatisfaction, which could have a material adverse impact on our business and results of operations.

**We may face risks and challenges in product development, technological change and market demand.**

We provide our customers with a full range of solutions for the protection of their electrical systems. Revenue from our primary products including high-voltage switchgears and low-voltage switchgears has experienced growth during the Track Record Period, growing at a CAGR of 5.6% from 2023 to 2025. Our future success depends on our ability to continuously develop new products, adapt to rapid technological changes in the industry and respond effectively to evolving market demands. There can be no assurance that sales of our electrical switchgears will continue to grow in the future.

Certain of our electrical equipment products require relatively long development lead times. Their competitiveness and market acceptance depend substantially on our research into emerging technologies, which are constantly evolving alongside advancing industry standards and application requirements. They also rely on our ability to regularly launch new products and solutions and continuously upgrade our existing offerings to meet changing customer demands. In response to the increasing market competition, we plan to continue to invest in our R&D, as well as our sales and marketing activities, which would entail significant capital expenditures. However, such investments typically require a long period to generate returns, and there is no guarantee that they will ultimately be profitable. If we fail to keep pace with technological advancements, or if our technologies and solutions become obsolete due to the emergence of new technologies, customer demand for our products and solutions may decline, which could materially and adversely affect our business and financial performance.

**Our expansion into new products, services and business activities may subject us to various risks.**

We have expanded and plan to continue expanding our product portfolio, which may render our operations increasingly extensive and complex. Such business expansion exposes us to a range of risks and challenges, including:

- failure of our new products and services to gain market acceptance or achieve expected sales;
- insufficient experience or expertise in certain new products and services, as well as difficulties in dealing with new counterparties and customers;
- failure to make accurate analysis and judgement regarding market demands for our new products;
- difficulties in recruiting additional qualified personnel or retaining existing talent on commercially reasonable terms;
- insufficient financial, operational, management and other resources to support our expansion;
- failure of our logistics management to support timely product delivery;
- failure of sales network management to drive revenue growth and improve profitability;
- failure to timely enhance our risk management systems, internal control capabilities and information technology systems to support new businesses and a broader range of products and services;
- more stringent regulatory requirements and elevated credit, market and operational risks;
- regulatory risks relating to our expanding domestic and overseas operations, including compliance with labor, environmental and industry-specific regulations;
- failure to obtain requisite regulatory approvals, licenses and permits for new products or services;
- failure to obtain sufficient financing from internal and external sources to support our business expansion on commercially reasonable terms, or at all;

- failure to protect our intellectual property rights across multiple jurisdictions; and

- imitation or replication of our products and services by our competitors.

In addition, our expansion plan is based on our estimates and judgments of future market trends, and we cannot assure you that such strategic decisions will yield the anticipated results. Given the risks and uncertainties associated with business expansion as described above, any failure to effectively navigate these challenges may materially impede our growth strategies and consequently exert a material adverse effect on our business, financial condition and results of operations.

**Fluctuations in prices, insufficient supply and quality defects of raw materials and production equipment may materially adversely affect our business, financial condition and results of operations.**

Our business relies on sourcing quality raw materials and production equipment on a timely basis and at commercially reasonable terms. For the years ended December 31, 2023, 2024 and 2025, the cost of raw materials accounted for 85.1%, 85.4% and 84.7% of our cost of sales, respectively. We are exposed to risks relating to price volatility, supply disruptions and quality issues of raw materials and production equipment, as well as our reliance on a limited number of suppliers for certain critical inputs. The raw materials used in our electrical equipment production mainly include electrical components and metal products based on copper, aluminum and steel, such as copper bars and steel plates. The supply and prices of these raw materials may fluctuate due to numerous factors beyond our control, including upstream resource availability, market supply and demand dynamics, speculative activities, market disruptions and natural disasters. For the period from 2021 to 2025, the average prices of copper and aluminum in China increased from RMB68,654 per tonne and RMB19,330 per tonne to RMB81,259 per tonne and RMB21,035 per tonne, representing a CAGR of 4.3% and 2.1%, respectively. By 2030, the average prices of copper and aluminum in China are expected to reach RMB100,516 per tonne and RMB24,070 per tonne, representing a CAGR of 4.3% and 2.7% from 2025 to 2030, respectively. Any predictions regarding commodity prices are inherently subject to substantial uncertainty. During the Track Record Period and up to the Latest Practicable Date, we have not adopted any hedging policies to mitigate the risks arising from raw material price fluctuations. There can be no assurance that we will adopt hedging instruments in the future or that any such measures, if implemented, will be effective. We may not be able to pass on increases in raw material prices to our customers in a timely manner, nor can we effectively mitigate cost fluctuations through optimizing our procurement practices. This could have a material adverse effect on our business, financial condition and results of operations.

In addition, there can be no assurance that raw materials supplied by our suppliers will meet our prescribed quality standards. If defects are not detected during our inspection process, our finished products may fail relevant tests and be rejected by customers. Furthermore, we rely on a limited number of suppliers for certain critical raw materials, particularly electrical components including gas compartments, circuit breakers, frequency converters and intermediate relays, and may not have established alternative supply sources. Even if quality issues are identified at an early stage, we may be unable to secure alternative supplies of qualified raw materials on a timely basis, at commercially acceptable costs, or at all. Any supply disruptions could lead to delays in product delivery, customer claims for damages and penalties, and reputational damage.

Our advanced production equipment and machinery are essential for ensuring consistent product quality and we rely on third-party suppliers for various types of production equipment. If our equipment encounter delivery delays, quality defects or supply disruptions, our production processes such as automated assembly, precision welding and testing may be materially disrupted, which could also lead to product delivery delays, customer claims and reputational damage, all of which could materially adversely affect our financial performance and operating results.

**Production capacity constraints and failure to expand capacity may materially adversely affect our business.**

Our production capacity is constrained by the scale of our facilities and availability of skilled personnel. We cannot assure you that our measures to optimize capacity utilization will be effective or that sufficient skilled labor will be available to support production. To expand our production capacity, we plan to upgrade existing equipment, acquire new machinery and recruit skilled employees. We cannot assure you that necessary equipment will be available to us in a timely manner or at a reasonable cost, or that we will have access to a sufficient number of skilled employees to upgrade, install or operate the equipment. If we are unable to increase our production capacity effectively or in a timely manner, our results of operations and growth prospects could be adversely affected.

The successful implementation of our production capacity expansion and upgrade plans is subject to a number of risks and uncertainties, including the availability of sufficient working capital for facility construction and equipment procurement, potential delays in construction completion, shortages or delivery and installation delays in production equipment, and challenges in implementing new production processes. We may require additional capital to fund our operations and expansion plans, which may not be available on acceptable terms or at all. Equity financing may dilute the ownership interest of our existing shareholders, including **[REDACTED]**, while debt financing may impose restrictive covenants on us and limit or restrict us to take certain 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 ability to execute our business strategies. We cannot guarantee that our upgrade or expansion plan, if implemented, will achieve expected operational or financial returns, or that such investments will be supported by sufficient market demand.

Furthermore, insufficient customer orders may lead to low capacity utilization and overcapacity. A decline in market demand may also prevent us from recovering capital expenditures incurred for new or expanded facilities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, and our warranty reserves may be insufficient to cover future warranty claims, which could adversely affect our business and results of operations.**

Our products are incorporated into a variety of end-products. Malfunctions, production defects, design flaws or insufficient disclosure of product-related risks may cause safety hazards or personal injuries in connection with the use of such end-products. These incidents may give rise to product liability or warranty claims against us. The insurance coverage we maintain may not be sufficient to cover all potential losses or may not apply to all circumstances. Similarly, our customers may also pursue claims against us if they incur liabilities as a result of product failures. If our products fail to perform as expected or such failure results in a product recall, our reputation may be damaged, which could materially impair our ability to retain existing customers and acquire new customers, and materially and adversely affect our business, results of operations and financial condition.

We generally provide a warranty period ranging from one to six years from the acceptance of the goods. During this warranty period, if our customers prove that the goods possess defects or fail to comply with contract provisions, we will be responsible for all costs related to product maintenance and component replacement. We accrue warranty provisions for products sold, based on our best estimates of the projected costs of repair or replacement under applicable warranty obligations. These estimates are primarily based on the nature, frequency, and average costs of potential future claims. We regularly review the adequacy of our warranty provisions. However, we cannot assure you that such provisions will be sufficient to cover actual future claims. As of December 31, 2023, 2024 and 2025, our provision for product warranties was RMB1.7 million, RMB2.7 million and RMB3.6 million, respectively. We may incur substantial costs in remedying defects, defending claims or conducting product recalls. Warranty, product liability claims or negative publicity may result in costly and time-consuming litigation, including class actions, which may divert management attention and materially harm our business and operating results. We may be required to undertake voluntary or involuntary recalls if our products are found to be defective or fail to comply with applicable laws and regulations. Any such recall, whether attributable to our own design or production or to defects in supplied components, may involve substantial expenses and materially harm our brand image, business, results of operations, financial condition and prospects.

**Expansion into overseas markets may expose us to additional operational, financial and regulatory risks.**

During the Track Record Period, our products were sold primarily in the PRC. As we commenced our global expansion in 2025, further expanding our global presence and growing our overseas sales will be key to our future growth. However, there can be no assurance that our expansion plans will be successful. Our overseas operations are subject to a number of risks, including but not limited to:

- foreign exchange controls and exchange rate fluctuations;
- difficulties in understanding local markets and establishing effective marketing and sales presence in various countries;
- additional expenses for providing after-sales services and customer support in overseas markets;
- difficulties in recruiting, training and managing local personnel for overseas operations;
- failure to develop and implement appropriate risk management and internal control systems tailored to overseas operations;
- complexities and costs associated with compliance with different commercial and legal requirements of the overseas markets;
- failure to obtain or maintain necessary permits, licenses or approvals for our products or services in these markets;
- inability to obtain, maintain or enforce our intellectual property rights;
- stringent product safety, compliance and consumer protection;
- unanticipated changes in local economic conditions, government policies and regulatory requirements; and

- trade barriers such as export controls, tariffs, customs duties, quotas and other trade restrictions.

The materialization of any of these risks may impede our overseas expansion plans and materially adversely affect our business, financial condition and results of operations.

**Our financial performance is subject to significant risks relating to our reliance on major fixed-price contracts awarded through competitive bidding.**

Our major contracts contribute to a substantial portion of our revenue. Most of our major contracts in the communication and power sectors are awarded in a competitive bidding process, under which we are often required to supply goods or services at pre-determined fixed prices with limited or no contractual pricing adjustment mechanisms. We may incur substantial upfront capital expenditures in performing these contracts and we cannot guarantee that we will achieve expected return to cover such capital expenditures. Our performance of contracts may also be disrupted by numerous factors beyond our control, including shortages and price increases of raw materials and equipment, shortages and rising labor costs for skilled technical personnel and workers, accidents, and other unforeseen events. Any of these events may lead to delays in product delivery, resulting in cost overruns, liability for damages or compensation to customers. Consequently, the gross profit margins of such fixed-price contracts may be significantly lower than our original estimates. There can be no assurance that our fixed-price contracts will be completed profitably and on schedule.

**If we are unable to retain our existing customers or attract new customers, our business, financial condition and results of operations could be materially and adversely affected.**

Our customers primarily consist of state-owned infrastructure companies, electrical equipment manufacturers, and manufacturing companies. We may fail to retain existing customers or acquire new customers for a variety of reasons, including our inability to develop products that meet evolving customers' requirement, intensified market competition, changes in national infrastructure investment policies, adjustments to customers' internal procurement policies, supplier qualification systems or bidding criteria and reputational damage arising from product quality issues, safety incidents or negative publicity. In addition, as our customers typically conduct business through bidding procedures and long-term framework agreements, we may not be successful in renewing existing contracts or winning new tenders. Any failure to maintain customer relationships, secure orders or expand our customer reach may lead to a decline in order volume and revenue, which could materially and adversely affect our business, financial condition, results of operations and prospects.

**We may be exposed to credit risk arising from our trade and other receivables and contract assets.**

Our credit risk is primarily attributable to trade and other receivables measured at amortised cost and contract assets. Our trade and other receivables primarily consist of amounts due from our customers in the ordinary course of business. As of December 31, 2023, 2024 and 2025, our trade and other receivables amounted to RMB198.4 million, RMB183.0 million and RMB290.1 million, respectively while our contract assets amounted to RMB141.9 million, RMB176.8 million and RMB171.1 million, respectively. Contract assets are assessed for expected credit losses and are reclassified to receivables when the right to the consideration becomes unconditional. See "Financial Information — Discussion of Discussion of Certain Key Items of Consolidated Statements of Financial Position." We cannot assure you that we will be able to collect all or any of our trade receivables or contract assets on time, or at all. Our customers may face unexpected financial difficulties, operational disruptions or other adverse changes in circumstances, which may materially impair their ability to make payments when due. Our trade and bills receivables turnover days decreased from 142 days in 2023 to 122 days in 2024, and increased to 140 days in 2025. We may not be able to recover all or part of the outstanding receivables and contract assets, and may incur additional legal and administrative costs in collecting such amounts. Any such failure to collect our receivables and contract assets in full and on a timely basis could materially and adversely affect our financial condition and results of operations.

**If we fail to maintain adequate inventory or manage our inventory effectively, we may lose sales opportunities or incur substantial inventory-related expenses.**

Our inventories primarily consist of raw materials, work in process, finished goods, goods in transit and turnover materials. As of December 31, 2023, 2024 and 2025, we had inventories of RMB80.4 million, RMB71.9 million and RMB113.8 million, respectively. We consider our raw materials and consumables procurement as well as production scheduling based on demand forecasts. Such demand may fluctuate significantly due to general market conditions, customer preference, industry trends, new product launches, pricing and promotional activities, many of which are beyond our control. In addition, in the course of developing and launching new products, we may not be able to establish stable supplier relationships or accurately forecast demand. Furthermore, as we plan to continue expanding our product offerings, we expect to use a wider range of raw materials and consumables, which may increase the difficulty of effective inventory management.

We cannot guarantee that our inventory levels will be able to meet the demands of customers, or that all inventories will be sold within a reasonable period. If we fail to manage our inventory effectively, we may be subject to higher storage costs, increased obsolescence risks, declines in inventory value and significant write-offs, any of which may materially and adversely affect our results of operations and financial condition. Conversely, if we underestimate demand for our products or encounter delays in supply from our suppliers, we may experience inventory shortages, which could disrupt our production schedule, delay product deliveries to customers and result in the loss of sales opportunities. A continuous inability to fulfill customer orders in a timely manner may also harm our reputation and customer relationships, which could adversely affect our business, financial condition and results of operations.

**We have previously received regulatory caution letters from the CSRC Fujian Regulatory Bureau and the Beijing Stock Exchange in relation to information disclosure irregularities, revenue recognition issues and corporate governance deficiencies, which may adversely affect our reputation and business operations.**

We received formal regulatory measures from the Fujian Regulatory Bureau of the China Securities Regulatory Commission (the "**CSRC Fujian Regulatory Bureau**") and the Beijing Stock Exchange (the "**BSE**") in respect of us and our certain management members. The decisions identified three categories of irregularities relating to information disclosure, revenue recognition and corporate governance, and concluded that the relevant management members had failed to discharge their duties with due diligence. See "History, Development and Corporate Structure — Our A Share Listing" for more details. These regulatory measures may damage our reputation, undermine the confidence of our customers and suppliers. and adversely affect our competitive position in the power distribution equipment industry. In particular, as our key customers include major power grid companies and large industrial enterprises that place significant emphasis on suppliers' compliance records and corporate governance standards, these regulatory measures may adversely affect our eligibility to participate in certain project tenders and our ability to secure new long-term contracts. These matters may also increase our ongoing compliance costs, require us to divert additional management time and resources to compliance matters.

We cannot assure you that similar issues will not occur in the future. There can be no assurance that we will not be subject to further investigations or additional regulatory measures by competent authorities in the future. Relevant securities regulatory authorities and industry self-regulatory organizations may conduct retrospective reviews, supplementary verifications or extended inspections of the historical non-compliance at any time in accordance with their duties. If any previously undisclosed issues or unrectified hidden risks are identified in such subsequent reviews, we and our relevant management personnel may face more stringent regulatory sanctions, including but not limited to, formal regulatory talks, orders for rectification within a specified time limit, fines, restrictions on market access, and even disqualification from serving as directors or senior management of listed companies. Any such additional regulatory actions may further damage our reputation and adversely affect our business operations.

As we continue to expand our business, increase our production capacity and diversify our product lines, our internal control system will face greater challenges and complexity. We cannot assure you that our current internal control measures will be sufficient to prevent all potential errors, omissions or irregularities in the future. Any recurrence of corporate governance lapses or internal control failures may lead to inaccurate financial reporting, inadequate disclosure of material information, or even misappropriation of company assets, which may in turn trigger new regulatory investigations and penalties.

**Undetected defects, failures or reliability issues in our products may damage our reputation, impair our ability to retain and acquire customers and expose us to product liability and other claims.**

As electrical switchgears are critical to the safe and stable operation of electrical systems, any issue in product quality and safety may cause significant adverse outcomes and thus harm our business. Given the complexity of design and manufacturing processes and the long service life of our products, our products may contain undetected defects or failures following initial launch. We cannot assure you that our products will be free from any quality defects now or in the future. Any occurrence of product defects or failures may result in increased warranty and after-sales costs, order cancellations, rescheduled deliveries, product returns or price discounts, any of which would adversely affect our results of operations. In serious cases, we may have to conduct product recalls. We may also face claims or litigation from third parties who incur losses as a result, some of which may arise from defective components procured from suppliers. While we may seek indemnification from such suppliers, such recourse typically expensive, time-consuming and may not succeed.

The effectiveness of our quality management system depends on a number of factors, including the design of the system, the performance of production equipment, the competence of our personnel and relevant training arrangements, as well as our ability to ensure strict compliance with our quality management policies and guidelines by our employees. There can be no assurance that our quality management system remains effective and fully compliant with evolving laws and standards. Any failure of such system may result in the inability to detect latent product defects, which could cause malfunctions during installation or operation and pose safety risks to our customers. If our products lead to personal injury or property damage due to design flaws, manufacturing defects, component failures or insufficient risk disclosure, we may face product liability and warranty claims. In addition, our customers may also pursue claims against us in connection with losses incurred by their own customers. Any such incidents could severely damage our reputation and impair our ability to retain and acquire customers.

Furthermore, scaling up production to meet growing demand may exert additional pressure on our quality control procedures. For example, it may stretch our personnel and equipment beyond optimal capacity, resulting in oversights or errors. Accelerated equipment wear and tear, process adjustments, adoption of new technologies and increased component sourcing may also introduce quality variability. Any of the above factors may have an adverse effect on the product quality and increase the risk of product defects, which could materially and adversely affect our business and results of operations.

**We may fail to maintain and enhance our brand recognition and any negative publicity relating to us, our directors, management, shareholders or business partners may adversely affect our reputation and results of operations.**

Well-established brand recognition is essential to attracting customers and maintaining customer loyalty, and effective brand management is critical to maintaining our market position. We have historically invested heavily in marketing and promotional activities and may need to increase such expenditure further to strengthen brand awareness and loyalty, attract and retain customers, and promote our products and services. However, there can be no assurance that these sales and marketing activities will be successful or achieve expected results. If we cannot properly manage our selling expenses or if our sales and marketing activities fail to meet our expectations, our business, financial condition and results of operations may be adversely affected.

Moreover, any negative publicity relating to us, our products, services, directors, management, shareholders or business partners, whether true or unfounded, may damage our brands and public perception. As our business expands, we may face intensified public scrutiny in both existing and new markets, which may have an negative impact on our reputation, business and prospects. As we operate in a highly competitive industry, our brands and business may be negatively affected by aggressive marketing and promotional tactics adopted by competitors and other third parties, which may expose us to additional regulatory investigations, negative media coverage or third-party claims. We may have to devote substantial time and resources and incur significant costs to respond to and resolve such matters. In addition, anonymous online allegations against us or our directors, management, shareholders or business partners may be disseminated rapidly through social media platforms. Such information spreads almost instantaneously and may generate immediate adverse impact, leaving us with limited or no time to formulate a response. As a result, our reputation may be materially and adversely affected, our ability to attract and retain customers and maintain our market share may be compromised, and our financial conditions may deteriorate.

**Accidents may occur at our production facilities during the manufacturing process, which may expose us to liabilities and disrupt our operations.**

Our production process is complicated and inevitably involves operation of various tools, equipment and machinery as well as the use of chemical substances. While we have adopted automated production lines equipped with industrial robots and intelligent manufacturing systems to enhance production efficiency and workplace safety, a significant portion of our production activities still require manual intervention, including precision component assembly, quality inspection and equipment maintenance. Accidents may therefore occur from time to time which result in personal injuries and fatalities. We cannot assure you that our internal safety policies and procedures will always be effective in preventing such incidents, nor can we guarantee full compliance by our employees with such policies and procedures during daily operations and production. Any such accidents may result in immediate disruptions to our production and operations and expose us to significant legal liabilities, including claims for compensation from injured employees or third parties. Such incidents may also result in fines, suspension of production or revocation of relevant permits by regulatory authorities, further exacerbating the adverse impact on our business. In addition, any accidents may cause negative publicity and damage our reputation and brand image, which will in turn impair our ability to maintain relationships with customers and business partners and may materially adversely affect our financial condition, results of operations and business prospects.

**We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.**

Companies operating in the PRC are required to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period and up to the Latest Practicable Date, we did not make adequate contributions to the social insurance and housing provident funds with respect to certain of our employees, as required by the relevant PRC laws and regulations. In 2023, 2024 and 2025, the shortfall amounts were approximately RMB6.1 million, RMB6.8 million and RMB7.8 million, respectively. As a result, we may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations. See "Business — Legal Proceedings and Compliance — Legal Compliance — Social Insurance and Housing Provident Funds."

If the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay the outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when such contributions were due. If we fail to make such payments within the stipulated period, the competent government authority may further impose on us a penalty of one to three times of the overdue amount. In addition, pursuant to relevant PRC laws and regulations, if we fail to fully pay the housing provident fund contributions, the housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As of December 31, 2023, 2024 and 2025, we have not made any provisions in respect of potential liabilities arising from the underpayment of social insurance and housing provident fund contributions. Our PRC Legal Advisor has advised the likelihood of the adverse consequence for our failure to make adequate contributions to the social insurance and housing provident funds. However, our PRC Legal Advisor has also advised that such analysis is based on their understanding of current applicable laws and regulations as well as their past experience, and it cannot be assured that relevant PRC regulatory authorities would reach the same conclusion as our PRC Legal Advisor. We may be required to pay any shortfalls in contributions to social insurance and housing provident fund within a prescribed time period, and to pay late payment penalties if we fail to do so. We cannot assure you that we will not be subject to any order to rectify such non-compliance in the future, and we cannot assure you that there will not be any employee complaints regarding unpaid social insurance and housing provident fund contributions, or that we will not receive any related claims under relevant laws and regulations.

**Our business requires a number of approvals, licenses, permits or certificates, and our failure to obtain or renew these approvals, licenses, permits or certificates in a timely manner may materially and adversely affect our business.**

In accordance with applicable laws and regulations, we are required to obtain and maintain a variety of approvals, licenses, permits, and certificates to conduct or expand our business. In particular, the majority of our products are subject to CCC certification. Any new products we develop and plan to launch in the Chinese market may also need to obtain the corresponding CCC certification prior to their sale and distribution. Failure to obtain any licenses, permits, approvals, or certificates required for our operations, including the CCC certification for new products, may result in enforcement actions from the governmental authorities, including orders to cease operations and requirements to implement corrective or remedial measures, which may involve substantial expenses. Should an enforcement action of this kind be initiated, our business operations may be materially and adversely impacted.

In addition, certain approvals, permits, licenses and certificates are subject to periodic renewal and reassessment by the relevant authorities, and the standards of such renewal and reassessment may change from time to time. We cannot guarantee that we will be able to successfully maintain or renew existing permits, licenses, certificates and approvals or obtain permits, licenses, or other approvals needed for the operation of our businesses in the future. If we fail to renew our CCC certification upon expiration or fail to meet any revised certification standards, we may be required to suspend the production and sale of the affected products until we obtain valid certification, which could severely disrupt our business.

Furthermore, if existing laws and regulations evolve or new laws and regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing business, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain additional approvals, permits, licenses or certificates may restrict our business operations. We cannot guarantee that we are able to adapt to newly enacted or amended laws and regulations, or that we will not encounter material delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary licenses, permits, registrations, certificates, approvals and filings in a timely manner, or at all. If we fail to do so, we may be unable to proceed with our planned business development or production activities, which could materially adversely affect our business, financial condition and results of operations.

**Non-compliance with anti-corruption and anti-bribery laws may materially adversely affect our business.**

We are subject to anti-corruption, anti-bribery and related laws and regulations in the jurisdictions where we operate. We have direct or indirect interactions with officials and employees of government agencies, state-owned entities and their affiliates in the ordinary course of business, which exposes us to heightened compliance risks. Our anti-corruption, anti-bribery and other compliance policies and procedures may not be sufficient, and we may be held liable for any unlawful or improper acts committed by our Directors, officers, employees, representatives, consultants or business partners.

In particular, we may engage third-party agents or intermediaries in connection with bidding, project procurement and overseas business expansion in the future, which may further expose us to risks of indirect violations of anti-corruption laws. Such agents and intermediaries may engage in bribery, kickbacks, improper entertainment, gifts or other unauthorized payments to government officials, customers or other relevant parties to secure business opportunities or favorable treatment, for which we may be held legally responsible despite our lack of knowledge. It may be difficult for us to fully monitor and supervise the conduct of such intermediaries operating in different jurisdictions with diverse regulatory environments and business practices, which further increases our compliance exposure.

Any non-compliance with anti-corruption or anti-bribery laws and regulations could subject us to whistleblower complaints, adverse media coverage, regulatory investigations, and severe administrative, civil and criminal punishment, collateral consequences and legal expenses, all of which could materially and adversely affect our business, financial condition and results of operations.

**Our results of operations are affected by seasonal fluctuations.**

Our results of operations are affected by seasonal fluctuations in demand for our electrical switchgears and other electrical products. Typically, demand tends to decline over the first quarter of a calendar year, and gradually pick up over the second quarter. We typically record higher sales in the third and fourth quarters of each year and generally generate our highest quarterly revenue in the fourth quarter. See "Financial Information — Major Factors Affecting Our Results of Operations — The Operating Results of Our Business May Fluctuate Due to Seasonality." If we are unable to increase our production capacity to meet peak season demand, we may lose potential sales and our customers may seek other sources to meet their needs. Conversely, if we are unable to scale back production and control costs during periods of seasonal or market-driven low demand, we may experience underutilization of production capacity. Our failure to respond timely and effectively to changes in seasonal or cyclical demand may have a material adverse effect on our business, financial condition and results of operations.

**Our business depends on our ability to protect our intellectual property rights, and we may be subject to intellectual property infringement by third parties.**

We rely primarily on a combination of our patents, copyrights, trademarks, trade secrets and confidentiality agreements with our employees, customers, suppliers and other third parties to protect our intellectual property rights. There can be no assurance that we will obtain new intellectual property rights in a timely and cost-effective manner in the future, as such applications are often costly and time-consuming. See "Business — Intellectual Property." Other third parties may obtain and use information that we regard as confidential and proprietary without our authorization. Such unauthorized use could negatively affect our brand value, erode consumer trust and undermine our competitive position. To protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who infringe our intellectual property rights. Such legal proceedings are often costly and may divert management attention and resources from our business. In certain instances, we may even have to initiate such proceedings in foreign jurisdictions, which exposes us to additional uncertainties regarding litigation results, recoverable damages and the enforceability of judgments. There can be no assurance that our measures to enforce or defend our intellectual property rights may always be successful. Any failure to protect our intellectual property rights may materially and adversely affect our business, financial condition and results of operations.

**We may be subject to claims by third parties for intellectual property infringement or other allegations.**

We cannot assure you that our business operations do not and will not infringe, misappropriate or otherwise violate any patents, trademarks, copyrights, trade secrets and other proprietary rights of third parties. We may, from time to time in the future, be subject to legal proceedings and claims relating to the infringement of intellectual property rights of third parties. In particular, as we manufacture and sell licensed products such as the BlokSeT series under relevant licensing arrangements, any intellectual property disputes arising from scope of such licensed rights may disrupt the production and sales of our licensed products. As we gain greater visibility and market exposure as a **[REDACTED]** in the future, we may also be at greater risk of being the subject of intellectual property litigation. Third parties may claim that our products or activities infringe, misappropriate or otherwise violate their patents, trademarks, copyrights, trade secrets or other proprietary rights. Defending against these allegations and lawsuits, regardless of their merits, could be costly, time-consuming, and distract management from our business operations. In the event that we are found to have infringed third-party intellectual property rights, we may be required to pay substantial damages or be subject to orders, judgments or administrative penalties that prohibit us from manufacturing or selling certain products or impose other liabilities on us. Any allegation of infringement of intellectual property rights, even if without merit, could damage our reputation and brand image, and materially and adversely affect our business operations.

**Our success depends largely on the continued service of our senior management and key technical personnel, as well as our ability to recruit, train and retain qualified personnel and maintain a sufficient workforce.**

We rely significantly on the collective experience and expertise of our core team, including our senior management members Mr. Zhou Haizhu and Mr. Kang Quanshui, and our key technical specialists Mr. Chen Zeyin, Mr. Xie Guiyun, Mr. Zhuang Desen and Mr. Zheng Peng. These personnel are responsible for operating, maintaining and troubleshooting assembly equipment, overseeing quality control at our production bases in Fuzhou and Yangzhong, developing new production methods and resolving production yield issues. The loss of any of these key personnel, particularly if they join competitors or establish competing businesses, could significantly disrupt our business operations. Additionally, disputes arising with departing senior management or key employees may lead to costly and time-consuming legal proceedings, divert management attention and adversely affect our reputation.

The electrical equipment industry is characterized by intense competition for talent. There can be no assurance that we will be able to attract or retain sufficient qualified personnel, particularly experienced technical, marketing, operational and international management personnel required to support our business growth and global expansion strategies. We may also face challenges in effectively training and integrating new employees into our operations. A shortage of skilled professionals or failure to retain key talent could result in delays in product development, hinder our ability to respond to market demands, undermine our capacity to manage and integrate overseas operations. Any of these events may materially and adversely affect our business, financial condition, results of operations and ability to achieve our strategic objectives.

**We might experience labor disputes, work stoppage, labor shortage, rising labor costs and other labor related matters, which may disrupt our normal operation and adversely affect our reputation and results of operations.**

We rely on a significant number of employees to support our business and production activities. We cannot guarantee that we will not encounter labor-related issues, including labor disputes, strikes, or difficulties in attracting and retaining qualified workers. Such issues could result in work stoppages or labor shortages, which would materially adversely affect our ability to meet customer demand and fulfill orders on schedule. Furthermore, such labor-related matters could lead to additional costs associated with resolving labor disputes, hiring temporary workers, or implementing contingent plans to mitigate the impact of labor shortages. These additional expenses, coupled with potential revenue losses from delayed deliveries, may negatively affect our profitability and results of operations.

In addition, labor costs have been rising driven by prevailing market conditions, regulatory requirements, global labor shortages, inflationary pressures and economic development in emerging markets. If we are unable to pass such increased costs to our customers through price adjustments, our profitability will be adversely affected.

**Litigations and disputes with competitors, business partners or other third parties 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 parties. We may become involved in disputes with our competitors, suppliers, business partners or governmental authorities as a result of contractual breaches, intellectual property infringement or non-compliance with relevant laws and regulations. Such claims and disputes may evolve into litigations or regulatory enforcement actions. We cannot assure you that we will prevail in any legal proceedings or regulatory enforcement actions to which we may become party in the ordinary course of business. Legal proceedings are distractive and expensive as it may cause us to incur legal costs, utilize a significant portion of our resources, and may divert management attention from our daily operations. In the event of an adverse judgment or ruling, we may be required to pay substantial damages, incur significant liabilities, or suspend or discontinue part of our operations. Consequently, our business, financial condition, results of operations and prospects may be materially and adversely affected.

**We rely on third parties to provide logistics and certain assembly services for our business.**

We engage qualified service providers to perform logistics and assembly services. The performance of these service providers may be disrupted by numerous factors beyond our control, including inadequate internal management, equipment breakdowns, commercial disputes, labor shortages, strikes, extreme weather and natural disasters. If any of these suppliers fails to provide reliable and timely services, or if the cost of such services increases significantly, the supply of our products may be interrupted or our logistics and assembly expenses may increase significantly. In addition, we may not be able to identify suitable alternative suppliers in a timely manner or on commercially reasonable terms, or at all. We may also face additional expenses or potential liability arising from project delays, substandard workmanship, or accidents resulting in personal injury or death to our service providers' employees. Any of these events may lead to litigation or claims for damages and adversely affect our profitability, financial results and reputation.

**Our insurance coverage may not be sufficient to cover all the losses incurred in our business operations.**

We are exposed to a variety of operational risks in the ordinary course of business. We currently maintain employer's liability insurance, property insurance and vehicle insurance. However, in line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. In addition, we do not maintain keyman insurance, insurance policies covering damage to our network infrastructures or information technology systems. We cannot assure you that our insurance coverage is sufficient to cover all potential losses, or that we will be able to successfully and timely recover losses under our insurance policies, if at all. If we incur any loss that is not covered by our insurance policies, or the insurance proceeds is significantly less than our actual loss, we will be required to bear such losses and pay additional expenses out of our own funds and our financial condition and results of operations could be materially and adversely affected.

**Expiration of, or changes to, the government incentives, grants and preferential tax treatments available to us could adversely affect our financial condition and results of operations.**

We benefited from preferential tax treatment and government grants during the Track Record Period. The PRC EIT Law and its implementation rules have adopted a statutory enterprise income tax rate of 25%. However, enterprises that are qualified as High and New Technology Enterprises in the PRC are entitled to a reduced enterprise income tax rate of 15%. If we cease to be entitled to preferential tax treatment or if the relevant PRC laws and regulations change, our income tax expenses may increase. During the Track Record Period, we recorded government grants of RMB1.2 million, RMB0.8 million, and RMB1.5 million in our consolidated statements of profit or loss and other comprehensive income, respectively, which mainly consist of specific subsidies and other subsidies. See "Financial Information — Key Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Net Income." We cannot assure you that we will continue to receive government grants at similar levels or at all in the future. Any reduction or cancellation of such grants may adversely affect our financial condition and results of operations.

**There are defects in our titles of, or rights to use, certain properties.**

As of the Latest Practicable Date, we were in the process of obtaining the building ownership certificates of two properties with an aggregate gross floor area of approximately 188.9 square meters. Such properties are located in Fujian Province and currently used for ancillary purposes. Moreover, as of the Latest Practicable Date, the landlord of four of our leased properties used as our employee dormitories had not provided us with valid title certificates. As of the Latest Practicable Date, the lease agreements with respect to 14 properties we leased for office and accommodation in the PRC had not been filed and registered with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to complete the lease registration may subject us to a maximum penalty of RMB10,000 for each non-registered lease if the parties of the lease agreements fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC regulatory authorities. See "Business — Properties — Leased Properties." We cannot assure you that our landlord will cooperate with us to register such leases or our use of the relevant properties will not be further challenged in the future. Any disputes, claims or regulatory challenges relating to the title or lawful use of the properties we occupy, including proceedings alleging unauthorized or illegal use of the properties, may force us to relocate our operations, incur additional relocation costs and disrupt our business activities. In addition, there can be no assurance that the PRC government will not amend existing property laws, regulations or rules to impose more stringent requirements for obtaining or maintaining property title certificates. Any of the foregoing events may materially and adversely affect our business operations.

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

Fraud or other misconduct committed by our employees, customers, suppliers or other third parties could damage our reputation, subject us to litigation and financial losses, and result in regulatory actions and penalties. Such misconduct may include:

- concealing unauthorized or unlawful activities, such as money laundering, bribery or acceptance of bribes in exchange for improper benefits;
- intentionally concealing material facts or failing to perform necessary due diligence procedures;
- unauthorized use or disclosure of confidential and proprietary information;
- misappropriation of corporate funds or assets;
- conducting transactions in excess of authorized limits;
- engaging in misrepresentation, fraud, deception or other improper practices;
- entering into unauthorized transactions that adversely affect our customers; and
- other failures to comply with applicable laws, regulations, internal policies and procedures.

Our internal control procedures may be unable to identify all non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, the precautions we take to detect and prevent fraud and other misconduct may not be effective. We cannot assure you that fraud or other misconduct will not occur in the future. Any such incidents may materially damage our reputation, disrupt our operations and adversely affect our business, financial condition and results of operations.

**Our compliance and risk management systems may not be sufficient to protect us against credit, market, liquidity, operational and other risks.**

We are subject to a wide range of laws and regulations in the jurisdictions where we operate. There can be no assurance that our compliance and risk management systems are adequate to address all applicable risks in those jurisdictions. The effectiveness of our compliance and risk management systems is subject to a number of factors such as the effective implementation by our employees and continuous improvement and supplement in response to changing conditions. We cannot guarantee that our compliance and risk management systems will always be effective. If such systems fail to detect and prevent various risks in the course of our business, our reputation may be harmed and our business licenses could be suspended or revocated. We may be also subject to claims and proceedings, regulatory investigations and fines. Any of these events may have a material adverse effect on our business, financial condition, results of operations, reputation and prospects.

**Our operations rely on information technology systems and networks, and any system failures, network disruptions or cybersecurity breaches may affect our business.**

We rely extensively on information technology systems and networks to manage and operate our business, some of which are maintained by third-party service providers. Malfunctions, interruptions, security breaches or underperformance of these systems could materially impair our ability to conduct business. Our systems and networks may be disrupted by events beyond our control, including natural disasters, accidents, power outages, telecommunications failures, acts of terrorism or war and other incidents. Our business continuity and disaster recovery ability may not be sufficient to mitigate these operational disruptions. Our IT systems may also be subject to computer viruses, malicious codes, unauthorized access, phishing and other cyberattacks. As the techniques used in these cyberattacks change frequently and may be difficult to detect in a timely manner, we may experience difficulties in implementing adequate preventative measures. We cannot guarantee that our efforts will prevent breaches or failures of our systems or those of our third-party vendors.

We collect and store business and transaction data in the ordinary course of operations, inclu ding information relating to our customers, suppliers and business partners. Safeguarding the confidentiality, integrity and availability of such data is critical to our operations. Any security incident or data breach could result in the unauthorized disclosure, loss or corruption of sensitive information. If our systems, networks or third-party service providers fail to operate properly and we are unable to resolve such issues in a timely manner, we may face litigation, regulatory sanctions, increased compliance costs, reputation damage and loss of customer trust. Any of the foregoing events could materially adversely affect our business, financial condition, results of operations and prospects.

**We are subject to various environmental and safety laws and regulations which may impose substantial costs on us and cause delays in the construction of our production facilities.**

We are subject to multiple environmental and safety laws and regulations in connection with our production, including those governing the use, storage, discharge and disposal of hazardous materials involved in our production process. If our production facilities or any of our other future constructions fail to comply with applicable environmental and safety laws and regulations, we may face significant liabilities relating to environmental remediation, personal injury claims or administrative penalties, or may be ordered by relevant governmental authorities to suspend or cease operations at the relevant facilities. Any of these events could have a material adverse effect on our results of operations, financial condition, business and prospects.

**Downturns or volatility in general economic conditions may have a material adverse effect on our business, financial condition and results of operations.**

Our sales and profitability depend significantly on general economic conditions and end-market demand in the sectors served by our customers. Adverse economic developments, including recessions, slowdowns, financial market volatility and credit tightening, may reduce demand for our electrical products and cause consumers and businesses to postpone capital expenditures. This could result in our customers cancelling, reducing or delaying existing and future orders with us. Economic uncertainty also makes it difficult for us to accurately forecast market demand, plan production schedules and implement effective business strategies. We may not be able to timely or accurately assess the impact of changing economic conditions on our operations, which could negatively affect our business operations.

In addition, adverse economic conditions may negatively impact the financial health of our suppliers and customers. Financial difficulties experienced by our suppliers could result in supply disruptions and delays. Meanwhile, customers facing financial constraints may have difficulty making timely payments, leading to increased accounts receivable defaults and higher credit risks. We may also face inventory risks if we overproduce in anticipation of demand that does not materialize. All of these factors, which are beyond our control, could materially and adversely affect our business, financial condition and results of operations.

**Our operations may be disrupted by natural disasters, epidemics, pandemics and other similar events.**

We are vulnerable to operational interruptions and personal and property damage caused by natural disasters and other catastrophic events, such as tsunamis, hurricanes, fires, floods, severe weather conditions, earthquakes, power failures, civil unrest, and acts of terrorism. By their nature, the occurrence, timing and severity of such disasters are highly unpredictable. In addition, climate change, particularly rising global temperatures, may increase the frequency and intensity of natural disasters. The occurrence of any such catastrophic events may materially impair our business operations and consequently adversely affect our results of operations, financial conditions, business and prospects.

Our business may also be affected by public health crises, including epidemics, pandemics and other communicable diseases such as avian influenza, H1N1 and COVID-19. Even if we are not directly affected, such events may disrupt the operations and financial condition of our customers and suppliers, which in turn would harm our operating results. If any of our employees is suspected of being infected with a contagious disease, we may be required to implement quarantine measures or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced order volume, temporary suspension of our facilities or other disruptions to our business, which may adversely affect our business, results of operation, financial conditions and prospects.

**Growing awareness of ESG issues may lead to the adoption of more stringent laws and regulations, which may increase our compliance costs.**

Amid rising focus on ESG matters, including packaging waste, greenhouse gas emissions and general environmental protection, new or more stringent laws and regulations may be introduced that affect our operations. We may need to devote more effort and resources to ensure our compliance with such laws and regulations. We cannot assure you that our ESG management measures can effectively mitigate the relevant risks and help us navigate the complex and evolving regulatory environment. Any revisions to, or new enactments of, ESG-related laws and regulations may further increase our compliance costs. Any failure to comply with such laws and regulations may adversely affect our business, financial condition and results of operations.

## RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

**Developments in China's or global economic, political or social conditions, or government policies in the countries and regions where we operate, could have a material and adverse effect on our business and operations.**

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to political, economic and social conditions in China generally and by continued economic growth in China as a whole. The Chinese economy has experienced significant growth over the past decades, and the Chinese government has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy but may not have the same effect on us. In the event of an economic slowdown, whether actual or perceived, decrease in economic growth rates or an uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations.

In addition, the global economic, political and social conditions are evolving rapidly and are subject to uncertainties. The global economy is subject to significant volatility and uncertainty caused by various factors, including geopolitical tensions and armed conflicts, global energy supply disruptions, persistent inflation, rising interest rates, instability in the global financial system, and the tightening of monetary policy by major central banks, particularly the U.S. Federal Reserve. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Furthermore, the United States and certain other jurisdictions have from time to time imposed, and may in the future impose, unilateral economic sanctions, export controls and other trade restrictive measures. These measures often have broad extraterritorial application and may have a material adverse effect on the operations of companies located in or doing business with targeted countries, markets or entities. Chinese companies, including those with no direct operations in the jurisdictions imposing such measures, may be adversely affected. We may be exposed to risks if any of our suppliers, customers or other business partners become subject to such sanctions or export controls. In such event, we may be required to terminate or restructure our relationships with such parties, incur significant additional costs to ensure compliance with applicable laws and regulations, or face penalties, fines or other sanctions, even if any non-compliance is inadvertent. Any of these events could have a material adverse effect on our business, financial condition, results of operations and prospects.

**Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.**

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. The legal systems of some geographic markets where we operate are consistently evolving. It is possible that a number of new laws and regulations may be adopted, or existing laws and regulations may be interpreted as applicable to us, in the jurisdictions where we operate and elsewhere, which could affect our business and operations. Regulatory scrutiny of the industries in which we operate may further intensify, and we may be required to devote additional legal and other resources to comply with these requirements. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may also slow the growth of our industries and affect our business, financial condition and results of operations.

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

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors and executive officers reside in China, and substantially all of the assets of such Directors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts of China to satisfy the requirements for reciprocal recognition. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States and the United Kingdom, and enforcement in China of judgments of a court in these jurisdictions may be difficult or impossible. On July 3, 2008, the Supreme People's Court promulgated the Arrangement between the Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People's Court promulgated 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**"), which 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 China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

**The foreign exchange regulations may limit our foreign exchange transactions, including our ability to pay dividends, deploy our [REDACTED] from the [REDACTED] and other obligations.**

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present relevant documentary evidence of such transactions and conduct such transactions at **[REDACTED]** within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law.

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, any change in these foreign exchange policies or 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. Furthermore, capital account transactions such as capital transfers, direct investments, securities investments and repayment of borrowings are subject to foreign exchange policies and require prior approval from the SAFE or registration with the SAFE or authorized banks. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

The exchange rate of Renminbi against the Hong Kong dollar and other foreign currencies fluctuates and is affected by, among other things, changes in international political and economic conditions, China's foreign exchange policies, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, or other currencies in the future.

During the Track Record Period, the majority of our revenues and expenditures were denominated in Renminbi, as well as most of our financial assets. However, our **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the Hong Kong dollar or any other foreign currency may result in a decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in Hong Kong dollars. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

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

We are subject to various laws and regulations in the PRC and other jurisdictions in which we operate and are required to comply with all relevant requirements and standards. For example, we are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in China. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a PRC enterprise is required to set up housing provident fund accounts and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a PRC enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full. 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 adversely affecting our financial condition and results of operations. In addition, if we fail to comply with any other relevant labor laws and regulations in mainland China, we may be exposed to penalties or be required to compensate employees.

Given the extensive scope, complexity and evolving nature of these laws and regulations, complying with them can be onerous and may require substantial financial, operational and human resources to establish and maintain effective compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may cause interruptions to our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, among other things. Such events could impact our results of operations and financial condition.

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

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises by State Taxation Administration (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the STA, a PRC-resident enterprise must withhold corporate income tax at a flat rate of 10% on dividends paid to non-PRC resident enterprise shareholders of H Shares with respect to the dividends of 2008 and onwards.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax 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. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 by State Taxation Administration (《國家稅務總局關於國稅發[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 STA, 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 by Ministry of Finance of the People's Republic of China and State Taxation Administration (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Guo Shui Han [1998] No. 61) (國稅函[1998]61號) issued by the MOF of the PRC and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. 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. However, there can be no assurance that any new laws, regulations or administrative practices introduced in the future will not subject non-PRC resident individuals to income tax on gains arising from the disposal of our H Shares.

If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment 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.

**We may be subject to approval, filing or other regulatory requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.**

We may, from time to time, undertake capital raising activities, including offerings of equity or debt securities in the PRC or overseas markets. In connection with such activities, we may become subject to approval, filing, registration or other regulatory requirements imposed by the CSRC or other relevant PRC governmental authorities, particularly the regulatory frameworks governing offshore listings and securities offerings by PRC-related entities. Any failure or delay in obtaining the necessary approvals or completing the required filings could materially and adversely affect our ability to access capital markets in a timely manner or on commercially favorable terms, which may in turn impact our funding strategy, expansion plans and overall financial condition.

## RISKS RELATING TO THE [REDACTED]

**We will be concurrently subject to [REDACTED] and regulatory requirements of China and Hong Kong.**

As our Domestic Shares are quoted on the NEEQ and will be **[REDACTED]**, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

**The characteristics of the NEEQ and H share market may differ.**

Following the **[REDACTED]**, our Domestic Shares will continue to be **[REDACTED]** on the NEEQ and our H Shares will be **[REDACTED]** on the Stock Exchange. Under current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and our Domestic Shares on the NEEQ are neither interchangeable nor fungible, and there is no **[REDACTED]** or settlement between the H Share market and NEEQ. With different **[REDACTED]** characteristics, the H Share market and NEEQ have divergent **[REDACTED]**, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the **[REDACTED]** performance of our H Shares and our Domestic Shares on the NEEQ may not be comparable. Nonetheless, fluctuations in the price of our Domestic Shares on the NEEQ may adversely affect the **[REDACTED]** of our H Shares, and vice versa. Due to the different characteristics of the H Share market and the NEEQ, the historical

**[REDACTED]** of our Domestic Shares on the NEEQ may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the **[REDACTED]** history of our Shares on the NEEQ when evaluating the **[REDACTED]** decision in our H Shares.

**There has been no prior [REDACTED] for our H Shares, and if an active [REDACTED] for our H Shares does not develop, the [REDACTED] and liquidity of our Shares may be adversely affected.**

Prior to this **[REDACTED]**, there was no **[REDACTED]** 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]** (for itself and on behalf of the **[REDACTED]**), and the **[REDACTED]** may differ significantly from the **[REDACTED]** of the Shares following the **[REDACTED]**. We have applied to the **[REDACTED]** for the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares. A **[REDACTED]** on the **[REDACTED]**, however, does not guarantee that an active and liquid **[REDACTED]** market for the H Shares will develop, or if it does develop, that it will be sustained following the **[REDACTED]**, or that the **[REDACTED]** of the H Shares will not decline following the **[REDACTED]**.

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

**You should not place any reliance on any information released by us in connection with the quotation of our Domestic Shares on the NEEQ.**

As our Domestic Shares are quoted on the NEEQ, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the NEEQ or other media outlets designated by the CSRC. However, the information announced by us in connection with our Domestic Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in mainland China, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the NEEQ or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective **[REDACTED]** in our H Shares should be reminded that, in making their **[REDACTED]** decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

**Our historical dividends may not be indicative of our future dividend policy, and there is no assurance that we will pay dividends in the future.**

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of our dividend policy. Please see "Financial Information — Dividends and Dividend Policy" of this Document. We cannot assure **[REDACTED]** when or whether dividends will be paid in the future.

**The interests of our Controlling Shareholder may not always coincide with the interest of our Group and those of our other Shareholders.**

Our Controlling Shareholder will control approximately **[REDACTED]**% of the issued share capital of our Company upon completion of the **[REDACTED]** assuming no exercise of the **[REDACTED]**. Accordingly, our Controlling Shareholder have significant influence over our operations and business strategies, and may have the ability to require our Group to effect corporate actions according to his own desires by virtue of his shareholding in our Group. The interests of our Controlling Shareholder may not always coincide with the best interests of other Shareholders. If the interests of our Controlling Shareholder chooses to cause our business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholder's interests may be adversely affected as a result.

**You will incur immediate and substantial dilution and may experience further dilution if we [REDACTED] in the future.**

The **[REDACTED]** of the H Shares may be higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of our H Shares in the **[REDACTED]** may experience a substantial immediate dilution in **[REDACTED]** consolidated **[REDACTED]** asset value to expand our business, we may consider **[REDACTED]** in the future. Purchasers of our H Shares may experience dilution in the net tangible asset value per share of their H Shares if we issue additional Shares in the future at a price lower than the net tangible asset value per Share at that time or the new Shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Furthermore, we may issue Shares pursuant to share incentive schemes to be adopted in the future, which would further dilute Shareholders' interests in our Company.

**Certain facts, forecast and statistics contained in this Document are derived from publicly available official government sources and they may not be reliable.**

Certain facts, forecast and statistics contained in this Document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications. We have taken reasonable care in the reproduction or extraction of the official government publications for the purpose of disclosure in this Document. However, the information from the official government sources were not prepared or independently verified by us, the Sole Sponsor, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]** or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics, which may not be consistent with other information compiled within or outside the PRC. 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. Further, there is no assurance 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, **[REDACTED]** should give consideration as to how much weight or importance they should attach to or place on such facts, forecast and statistics.

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

This Document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. You are cautioned that reliance on any forward- looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this Document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.

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

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