RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on a stable supply of quality raw materials. Fluctuations in the prices of these raw materials could have a material and adverse impact on our business and results of operations.

Our business operations depend on the timely and sufficient supply of rare earth used for our products that are of adequate quality and at commercially acceptable prices. The supply of rare earth may be adversely affected by a variety of factors beyond our control, such as government regulations and restrictions, production capacity constraints of upstream suppliers, market supply and demand, price fluctuations and natural disasters.

Rare earth production is subject to government policies in China. The PRC government has continued to tighten its regulation on rare earth production so as to protect the national interests and industry security and prevent, among others, illegal mining, destructive mining, and unplanned and over-planned production. On October 1, 2024, Regulations on Rare Earth Management ("《稀土管理條例》") became effective to further strengthen the regulation on rare earth mining. The PRC government issues two batches of rare earth mining quotas and smelting and separation quotas each year to manage the overall production volume of rare earth in China. In particular, governmental adjustments to production restrictions may lag behind increases in market demand. A shortage in supply may drive up the market prices of rare earth and thereby impact our procurement.

Rare earth prices have exhibited volatility. According to CIC, rare earth prices declined from January 2023 to July 2024, primarily due to the PRC government's expansion of mining quotas. From July 2024 to December 2025, amid global geopolitical changes and stricter PRC export policies, prices of rare earth generally increased. Key trends include sharp declines in 2023 to mid-2024 and subsequent increases in late 2024 to 2025.

We purchase our raw materials from third-party suppliers, which exposes us to risks of price fluctuations and supply shortages. We cannot assure you that our suppliers will continue to supply sufficient rare earth to us on terms and conditions commercially acceptable to us, or at all. Further, as we scale up our production capacity, there is no guarantee that our increasing demand for rare earth will be satisfied by sufficient and stable supplies from our suppliers. In the event of a significant increase in the prices of rare earth, we cannot assure you that we will be able to pass on any such increase to our customers. Any failure to pass on such increase would have a direct and negative impact on our profitability and results of operations.

We procure a significant portion of our raw materials from our five largest suppliers for each year during the Track Record Period. Any adverse change in business relationships with our major suppliers could materially and adversely affect our business, financial condition and results of operations.

The majority of our raw materials (mainly rare earth raw materials) were procured from our five largest suppliers for each year during the Track Record Period. Our purchases from our five largest suppliers for each year during the Track Record Period amounted to RMB2,615.5 million, RMB2,059.2 million and RMB2,789.3 million for the years ended December 31, 2023, 2024, and 2025, respectively, representing 61.0%, 51.0% and 55.1% of our total purchases for the corresponding periods, respectively. We maintain long-term relationships with our major rare earth suppliers and entered into annual supply agreements with them. However, these agreements do not lock prices and we cannot assure you that our relationship with our rare earth suppliers will continue to be stable, or supply from them will not experience any disruptions in the future. For details on our suppliers, see "Business — Suppliers".

In China, rare earth production is subject to government policies and there are only a limited number of rare earth producers. Accordingly, it would be difficult for us to further diversify our rare earth procurement sources. We expect to continue to rely on a limited number of rare earth suppliers in the foreseeable future. Our major rare earth suppliers may cease to supply us for a variety of reasons such as competition, disputes, failure to reach agreement on commercial terms, and suppliers' own operational or financial difficulties. In the event that a supplier ceases supplying us, and we are unable to procure such raw materials from alternative suppliers on acceptable commercial terms and in a timely manner, our business, financial condition and results of operations may be materially and adversely affected.

Our sales to overseas countries are subject to China's export policies on rare earth substances, which may have a material and adverse impact on our business.

Our overseas sales are affected by China's export policies on rare earth substances, including but not limited to licensing requirements, tariff regulations, and restrictions on specific destination countries or regions. These policies are formulated and adjusted by relevant Chinese governmental authorities and may change from time to time without prior notice. Any tightening of these export policies could affect our ability to fulfill overseas sales, delay deliveries or increase our export costs. As a result, changes in policies that affect exports to certain countries or regions where we have significant customers may directly reduce our overseas sales volume and market share, resulting in finished goods overstock. Furthermore, compliance with evolving export policies requires us to invest additional resources in trade regulatory tracking and internal controls, which could increase our operational expenses.

In addition, global market demand for our products may fluctuate in response to China's export policies, as overseas customers may adjust their purchasing strategies or seek alternative suppliers due to concerns about supply stability. Thus, China's export policies on rare earth substances could have a material and adverse impact on our business.

Our price adjustment mechanism has an impact on our results of operations and may not enable us to promptly respond to the raw material price increase.

We place strong emphasis on establishing long term and solid business relationship with our customers. In order to establish a close cooperation relationship and enhance mutual benefit between our customers and us, we may adopt price adjustment mechanism. Pursuant to this price adjustment mechanism, we are able to adjust the unit price of our products on annual, semi-annual, quarterly or monthly basis, as the case may be. Our price adjustment mechanism varies for customers in different downstream sectors. For details of our price adjustment mechanism, see "Business — Pricing".

Moreover, there is no assurance that our customers will continue to accept our price adjustment mechanism or cooperate with us in a price adjustment mechanism that is favorable to us. If our customers choose not to accept our price adjustment mechanism, we may not be able to pass the risk of raw material price increase or at all to our customers in a timely manner. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Our customer concentration is high, and a loss of our major customers may adversely affect our business operations and financial results.

The percentage of our total revenue attributable to our five largest customers for each year during the Track Record Period combined amounted to RMB2,165.7 million, RMB2,251.7 million and RMB2,119.6 million for the years ended December 31, 2023, 2024, and 2025, representing 40.6%, 45.0% and 39.2% of our total revenue for the same periods, respectively. We cannot assure you that the aforementioned major customers will continue to place orders with us or we can continue to be able to meet the standard required by our major customers. If there is a reduction or cessation of purchase orders from our major customers for whatever reasons, such as failure to maintain their existing market share, and we are unable to obtain purchase orders of a comparable size and terms in substitution or our plan to diversify or expand our customer base does not succeed, our business, financial condition and results of operations may be materially and adversely affected.

There is no assurance that we will be able to retain our customers, renew our existing contracts or secure new contracts upon expiry of the contract period or that they will maintain their current level of business with us in the future. As such, any loss of our major customers or significant decrease in the number or size of contracts with our major customers may materially and adversely affect our financial condition and operating results. Besides, if any of our five largest customers experience any liquidity issues, it may result in a delay or default in settling progress payments to us, which in turn will have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be able to diversify our customer base by securing contracts with new customers or expand our cooperation with other customers.

New legislations or changes in the PRC and global regulatory requirements and policies regarding the end markets of our products may affect our business operations and prospects.

At present, both in China and globally, our main business segment, as well as our downstream sectors including NEVs, consumer electronics, and industrial motors and others are generally promoted and supported by the government. However, there is no guarantee that the relevant policy environment will continue to be positive of the same level in the future. New legislation or changes in the PRC and global regulatory requirements that are less favorable or any retreats in subsidies could adversely affect our business, results of operations and prospects. Adjustments to policies governing our downstream industries may disrupt market demand for our products. For example, shifts in policy priorities related to industrial development could lead to changes in support measures for key sectors, which may influence downstream customers' production plans and procurement needs. Changes to regulations concerning raw material sourcing or environmental management could also affect our business by altering our supply chain costs, which may be passed along to downstream customers and suppress demand for our products. Additionally, updates to industry technical standards may require us to adjust our product designs or manufacturing processes to remain compliant.

Globally, evolving regulatory frameworks in major jurisdictions pose similar uncertainties to our business. For example, environmental and sustainability regulations are a growing area of focus. Many jurisdictions are introducing stricter requirements for product lifecycle management, supply chain transparency, or emission controls, which may require us to invest in process improvements or supply chain tracing systems. Failure to meet these new standards in a timely manner could restrict our access to certain markets or increase the cost of serving overseas customers. Trade policies also present risks, for example, changes to import related regulatory measures, tariff structures or technical barriers to trade could raise the cost of our products in international markets or delay cross-border shipments.

Therefore, we cannot guarantee that we will be able to identify, adapt to or comply with all new legislations or changes in the PRC and global regulatory requirements and policies regarding the end markets of our products. The costs of compliance resulting from such changes could materially harm our business operations and prospects.

Our business, financial condition and results of operations are subject to changes in customer preference, consumer sentiment and spending power in respective downstream markets and general economic conditions.

Our products are the raw materials for the downstream manufacture of many products, such as NEVs, consumer electronics, industrial motors and others. By nature of this upstream positioning, demand for our products is dependent on the demand for these downstream products. Changes in customer preferences, consumer sentiment, and spending power within these downstream markets, or downturns in the global or regional economy, could materially and adversely affect our business, financial condition, and results of operations. For example, in terms of NdFeB PMs applied in main drive motors, they are tied to market demand for NEVs, which are influenced by consumer preferences and spending power. Any pullback in consumer willingness to purchase NEVs would lower orders placed from our customers such as domestic and international automakers or automative part manufacturers. Likewise, weakened demand for consumer electronic devices or slowdown in capital expenditure by manufacturers of industrial motors will also affected procurement volumes for our products.

Any further significant slowdown in economic growth in the PRC and fluctuations in our downstream industries may reduce the demand for our products and materially and adversely affect our business, financial condition, results of operations and profitability. In addition, factors such as general economic conditions, interest rates, inflation and unemployment rates as well as GDP growth in the PRC and the global market will also affect the growth of industries where our products are widely used and applied. As a result, a downturn in the relevant industries in the PRC or in the overseas markets could impact our sales, resulting in downward pressure on the prices, volume and profit margins, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We may not be able to grow or maintain our revenue or business.

Our ability to grow our revenue depends on a number of factors, such as our ability to continue to grow our core businesses as well as expand our business in emerging industries such as embodied intelligence robots and low-altitude aircraft industries. We are exploring and will continue to explore in the future new business initiatives, including in industries and markets in which we have limited or no experience, as well as new business models, that may be untested. Developing new businesses, initiatives and models requires significant investments of time and resources, and may present new and difficult technological, operational and compliance challenges. Many of these challenges may be specific to business areas we do not have sufficient experience in. We may encounter difficulties or setbacks in the execution of various growth strategies, which we expect to be an important driver of our future growth, and the growth strategies may not generate the returns we expect within the timeframe we anticipate, or at all.

Our business performance is dependent on the general positive development of our downstream industries and our customers. Our downstream industries are generally promoted by a series of favorable policies at home and abroad. For example, as China has pledged to reach carbon neutrality by 2060 and many developed countries, such as U.S., Japan and UK, aim to achieve such goal by 2050, relevant supportive policies have been promulgated. Any slowdown or reverse in relevant international and national policies or the "double carbon" target may impact the development of our downstream industries, causing fluctuation in demands for NdFeB PMs from our customers.

In addition, our revenue growth may slow, or our revenue may decline for other reasons, including changes in the geopolitical landscape, government policies or general economic conditions. As our revenue grows to a higher base level, our revenue growth rate may slow in the future. Furthermore, due to the size and scale we have achieved, our customer base may not continue to grow as quickly or at all.

If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

We face competitions from global competitors. According to CIC, the global NdFeB PM value chain is seeking, or gradually building localized capabilities in aspects such as raw material supply, magnet production and technology R&D. It may exert certain competitive pressure on our overseas business in the future. Existing and new competitors may leverage their established platforms or market positions to introduce innovative business models, to launch highly-engaging products or services that may attract customers and achieve rapid growth, which may materially and adversely affect our business expansion and results of operations. We compete with international players operating in their local markets. These international players benefit from established relationships with local downstream resources and may leverage their local market familiarity to limit our access to these markets. If we are unable to compete effectively, the level of our overseas customer's loyalty may decrease and our market share and profitability may be negatively affected. Our competitors may employ price undercutting as well to prevent us from competing effectively without making losses. The aforementioned competition could materially and adversely affect our business, financial condition and results of operations, as well as our reputation and brand.

Our business, financial conditions and results of operations may be adversely affected if we are unable to enhance our production capacities.

We believe that our future success, in part, depends on our ability to enhance our production capabilities, which include increasing our production utilization rate, improving our production efficiency, acquiring and upgrading equipment and production facilities and modifying our existing production processes. In order to meet demand for our products and achieve a desired level of economies of scale in our operation and to deliver high quality products at a competitive cost level, we may continue to expand our existing production capacity. We are in the process of further expanding our production capacity. For example, we have advanced the construction and commissioning of the "Baotou Yunsheng Technology Development Co., Ltd. Annual Production 15,000 Tons High-Performance Rare Earth Permanent Magnet Materials Intelligent Manufacturing Project."

We intend to fund such expansions by using cash generated from our operations, the net [REDACTED] from the [REDACTED] and/or debt and/or equity financing in the future. However, adverse changes in market, economic, or political conditions, or in our financial position, could hinder our access to financing on reasonable terms. If we cannot fund equipment or construction, we may fail to expand capacity to meet demand, limiting growth. We cannot guarantee successful, on-time, or on-budget implementation, or that expected benefits will materialize. Demand may also decline due to economic conditions or competition. Weaker demand could cause overcapacity and underutilization of resources, adversely affecting our business, financial condition, and results of operations.

Any failure to maintain an effective quality control system could have material adverse effect on our reputation, business, financial condition and results of operations.

As the quality of our products is essential to the success of our businesses, we must maintain an effective quality control system for our production and other operational activities. The effectiveness of our quality control system depends significantly on a number of factors, including the design of the system and the related training programs, as well as our ability to ensure that our employees adhere to our quality control policies and guidelines. Any failure or deterioration of our quality control systems could result in defects in our projects or products, which in turn may subject us to contractual, product liability, warranty and other claims. Any such claims, regardless of whether they are ultimately successful, could cause us to incur significant costs, harm our business reputation and result in significant disruption to our operations. A number of factors, many of which are beyond our control, may adversely affect our productivity and increase our cost of production, including technological difficulties, supply disruptions and defects in raw materials or equipment. We cannot assure you that we will be able to maintain a proper utilization rate of our production facilities that will allow us to achieve cost-effective production in the future. If we fail to maintain or improve our production efficiency, our business operations, competitiveness, and financial conditions may be materially and adversely affected. Although we have established quality control systems and processes to prevent and reduce quality risks, the adverse impacts of potential quality deficiencies on our brand, reputation, and marketing capabilities cannot be completely eliminated.

We may fail to effectively manage our distributors. Actions taken by our distributors could materially and adversely affect our business, prospects and reputation.

We have distributors (including Contracted Distributors and traders) to distribute our NdFeB products. See "Business — Sales and marketing — Distributors" for further details. However, we do not have complete control over our distributors. Distributors may fail to distribute our products in the manner contemplated, or traders may resell in ways that do not align with our expectations. See "Business — Sales and marketing — Distributors" for further details. There is no assurance that our existing distributors will continue to place orders with us at historical levels, or that we will be able to secure comparable levels of business from other distributors to offset any loss resulting from losing one or more of these distributors. Further, there is no assurance that we will be able to successfully secure new distributors to capture potential market growth and broaden our distribution channels. If we lose any major distributors, the distribution of our products may be interrupted, as a result of which our sales volumes and business prospects could be adversely affected.

If we fail to effectively manage our inventory or estimate accurately based on the demand for our products, our business, financial condition and results of operations may be materially and adversely affected.

Maintaining an optimal level of inventory is important to our business. We plan our purchase of raw materials and production based on our customers' purchase orders. If we over-stock our inventories, our required working capital will increase and we may incur additional finance costs. Conversely, if we under-stock our inventories, we may be unable to meet customers' demand and consequently, our operating results may be adversely affected. If we fail to anticipate, identify or respond to changes in consumer preferences in a timely manner, we may experience a reduced demand for our products, a lower level of revenue and an increased level of inventory turnover days. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB1,676.4 million, RMB1,401.0 million and RMB1,940.2 million, respectively. Our average inventory turnover days were 161 days, 125 days and 133 days for the years ended December 31, 2023, 2024, and 2025, respectively. See "Business — Inventory management" for further details.

During the Track Record Period, to reduce average cost of rare earth, we also maintained a safety inventory of rare earth with competitive price based on our anticipation of increases in market price of rare earth. Some of our upstream suppliers deliver rare earth materials according to a predetermined schedule, regardless of fluctuations in rare earth market prices. If the customer orders cannot be executed, our estimation of market price of rare earth is inaccurate, or the market demand changes unfavorably, we may not be able to sell the products. If the customers' orders cannot be executed, we may be subject to a heightened risk of a decline in inventory values, and inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross profit margins or a loss. High inventory levels may increase our inventory holding costs, preventing us from using that capital for other important purposes. As such, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to risks associated with our debt financing terms which may limit or otherwise adversely affect our business, financial condition, results of operations and prospects.

Our business and operations require intensive capital investment. We have entered into a number of loan agreements with banks. We are subject to the fluctuations in debt interest rates. In case of any default under any of these loan agreements, the lenders may be entitled to accelerate payment of all or any part of the loans under such loan agreements. If we delay or default on our payments, we may have to incur additional legal costs which in turn may adversely affect our financial position and profitability. During the Track Record Period, we have not breached any financial covenants relating to bank loans and other borrowings. For more details of our bank loans and other borrowings, see "Financial Information — Indebtedness — Interest-bearing borrowings".

The timing of our payment to suppliers may not match our receipt of payment from customers.

To remain competitive in the market, we need to retain adequate level of working capital to guarantee smooth business operation and support the growth of our business. Most of our purchase orders require us to commit a certain amount of cash and/or other resources, such as raw materials prior to receiving any payments from our customers.

We generally grant credit term ranging from 30 to 120 days to our major customers and are therefore subject to credit risks of our customers. Our liquidity depends on our customers making prompt payments to us. For more details of the trade and bills receivables, see "Financial Information — Description of major line items in our consolidated statements of financial position — Trade and bills receivables".

We recorded trade and bills receivables of RMB2,221.3 million, RMB2,324.0 million and RMB2,767.4 million as of December 31, 2023, 2024 and 2025, respectively. Our trade and bills receivables turnover days for the years ended December 31, 2023, 2024, and 2025 were 152 days, 164 days and 169 days, respectively. If our customers delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity may be adversely affected. This may in turn materially and adversely affect our business, financial condition and results of operations.

The credit term offered by our major suppliers to us generally ranges from 30 days, which is generally shorter than the credit term offered to customers by us. As of December 31, 2023, 2024 and 2025, our trade and bills payables amounted to approximately RMB942.3 million, RMB1,617.3 million and RMB2,524.4 million, respectively. Our trade and bills payables turnover days for the years ended December 31, 2023, 2024 and 2025 were 73 days, 104 days and 165 days, respectively. With our revenue continuously growing, any mismatch between trade and bills receivables turnover days and trade and bills payables turnover days would raise our liquidity risk. The gap between trade and bills receivables turnover days and trade and bills payables turnover days can result in high gearing ratio when we rely on bank borrowings to ease the pressure of our cash flow. Moreover, any default or delay in payment by our customers or our failure to collect trade and bills receivables from them may broaden our cash flow mismatch, which may result in significant cash flow shortcomings in the future and adversely affect our cash position and results of operations. Even where we are able to recover any losses incurred, the process of such recovery is usually time-consuming and requires financial and other resources to settle the disputes. Furthermore, there can be no assurance that any outcome will be in our favor or that any dispute will be resolved in a timely manner. Failure to secure adequate payments in time or to manage bad debt effectively could have a material adverse effect on our business, financial position, results of operations and prospects.

We have recorded decreased net cash flows generated from operating activities, and there can be no assurance that we will not experience net operating cash outflows in the future.

For the years ended December 31, 2023, 2024 and 2025, our net cash flows from operating activities recorded successive declines, while our cash and cash equivalents balance reduced continuously each year. See "Financial Information — Liquidity and capital resources" for further details. We cannot assure that our prospective business activities or other factors beyond our control, such as market competition and macroeconomic fluctuations, will not adversely impact our operating cash flow or accelerate its downward trend or eventually result in net operating cash outflows. If we incur prolonged, sustained net operating cash outflows, we may face a shortfall in working capital to cover our operating expenses, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

We are subject to credit risks from our customers, and our inability to collect on our trade and bills receivables from our customers may materially and adversely affect our cash flows, business, financial condition and results of operations.

Our trade and bills receivables are in relation to our sales of products to customers. Our customers may fail to settle trade and bills receivables in a timely manner, or at all, and we may not properly assess and respond in a timely manner to changes in their credit profiles and financial condition. As of December 31, 2023, 2024 and 2025, we incurred impairment of trade and bills receivables of RMB24.9 million, RMB58.4 million and RMB58.1 million. Adverse changes in our customers' financial condition may negatively affect the time to collect associated trade and bills receivables measured at amortized cost or reduce the likelihood of ultimate collection, which would in turn materially and adversely affect our business, financial condition and results of operations. As we grow our business, the amount of trade and bills receivables may increase, which may negatively impact our cash flow.

We are subject to various risks relating to third-party payment arrangements.

During the Track Record Period, certain customers settled payments with us through third-party payers in the absence of clear contractual arrangements authorizing such third-party payments ("**Third-Party Payment Arrangements**"). The Third-Party Payment Arrangements primarily involved settlements by the entities within the same group of the relevant customers, or between parties with related party relationships ("**Relevant Customers**"). For the years ended December 31, 2024 and 2025, there was one Relevant Customer in each year, with the aggregate amount of Third-Party Payment Arrangements amounting to RMB48,384 and RMB950, respectively, representing less than 0.001% of our total revenue in each year.

As of the Latest Practicable Date, we had ceased all Third-Party Payment Arrangements and all payments made under the ceased Arrangements had been fully settled. We may be subject to risks relating to such Third-Party Payment Arrangements, including possible claims from third-party payers for the return of funds, which could adversely affect our business, financial condition, results of operations and prospects. See "Business — Customers — Third party payment arrangements" for further details.

If we fail to fulfill our obligations in respect of contract liabilities, we could be exposed to legal liability, loss of reputation, reduced revenue, or liquidity challenges.

During the Track Record Period, our contract liabilities represented obligations to transfer goods to customers for which we have received advances. Such contract liabilities are recognized as revenue when we perform such obligations to customers. See "Financial Information — Description of major line items in our consolidated statements of financial position" for further details. As of December 31, 2023, 2024 and 2025, we had contract liabilities of approximately RMB25.6 million, RMB22.9 million and RMB12.8 million, respectively. If we fail to honor our obligations in respect of our contract liabilities, customers may exercise their rights to terminate a contract, exposing us to legal liability, damage to our reputation, reduced revenue or liquidity challenges.

Our operations depend on our R&D capabilities, which may not always produce positive results.

Our ability to improve production capabilities, upgrade existing products and meet evolving downstream demands depends largely on our R&D capabilities. The NdFeB PM industry is technologically dynamic in which customers increasingly demand advanced materials to improve the performance of their end products. To retain our market position and competitiveness, we need to continuously design and implement new production methods, develop NdFeB products, and advance core technologies to keep pace with these higher demands from our customers.

Accordingly, we have devoted resources to our R&D efforts. For the years ended December 31, 2023, 2024, and 2025, our R&D expenses were RMB313.7 million, RMB205.6 million and RMB275.9 million, respectively. However, we cannot assure you that our R&D efforts can be completed in the anticipated time frame and lead to new technology that is commercially successful. Even if such efforts are successful, we may be unable to apply our newly developed technologies to our products in ways that are accepted by our customers. If we are unable to maintain or enhance our research and development capabilities, we may encounter delays in production development and technology integration. If we fail to meet changing market demands, if we fail to successfully introduce new and competitive products to the market, or if our R&D results and technologies fail to keep in line with or meet the changes in customers' demands in a timely manner and if our competitors respond more rapidly with innovative products than we do, our competitiveness may be undermined and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to foreign currency exchange fluctuations.

During the Track Record Period, we generated significant revenue overseas, which was generally denominated in U.S. dollar and Euro. For the years ended December 31, 2023, 2024, and 2025, our revenue generated overseas amounted to RMB1,228.6 million, RMB1,435.7 million and RMB1,440.1 million, respectively, representing 23.1%, 28.7% and 26.6% of our total revenue, respectively. In addition, certain line items in our financial statements such as cash and cash equivalents and trade and bills receivables are denominated in foreign currency including U.S. dollar and Euro, subjecting us to foreign currency risk. Such mismatch could lead to fluctuations in our results of operations due to fluctuations in exchange rates.

The Renminbi has fluctuated against foreign currencies, sometimes significantly and unpredictably. The value of Renminbi against foreign currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against foreign currencies in the future. It is difficult to predict how market forces or PRC or the foreign government policies may impact the exchange rate between Renminbi and foreign currencies in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our H Shares in foreign currency. For example, to the extent that we need to convert Hong Kong dollars we receive from the [REDACTED] into Renminbi to pay our operating expenses, appreciation of Renminbi against the Hong Kong dollars would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against Hong Kong dollars may significantly reduce Hong Kong dollars equivalent of our earnings, which in turn could adversely affect the price of our H Shares.

In order to effectively hedge against and manage the risks related to foreign currency exchange, we have entered into agreements with commercial banks for trading foreign exchange derivatives. We recorded other gains on fair value changes of forward exchange agreements of a loss of RMB30.3 million, a gain of RMB0.7 million and a loss of RMB0.9 million for the years ended December 31, 2023, 2024, and 2025, respectively. However, we cannot assure you of the availability and effectiveness of our forward foreign exchange agreements and we may not be able to adequately hedge our exposure.

We face risks associated with our international sales and operations.

We operate overseas subsidiaries in jurisdictions under different legal frameworks and government policies. Our international business exposes our business operations to a variety of risks, including unfavorable regulatory environments, political instability, currency fluctuations, taxation challenges and labor conditions, which could materially and adversely affect our business, prospects, results of operations, and financial condition. Operating in international markets requires the compliance with diverse legal, political, regulatory, and societal requirements, as well as adapting to varying economic conditions within these jurisdictions.

Moreover, international operation or its expansion demand extensive coordination across various jurisdictions and time zones, placing significant requirements on our management resources. We will be subject to numerous risks associated with international business activities that may increase costs, affect our capacity to market and sell our solutions, and require substantial managerial attention, including but not limited to:

- exposure to risks associated with changes in international, regional and local economic, trade, financial conditions;
- exposure to risks associated with changes in political, geopolitical and regulatory policies;
- exposure to different legal standards and limitation on ability to enforce contracts in some jurisdictions;
- control of foreign exchange and fluctuations in foreign exchange rate;
- developments in labor law and increase in staff cost;
- failure to negotiate the collective labor agreements on satisfactory terms with trade unions;
- restrictions or requirements relating to foreign investments;
- limitations on repatriation of earnings, including withholding and other taxes on remittances and other payments by subsidiaries;
- compliance with the requirements of applicable sanctions, anti-bribery and related laws and regulations;
- exposure to risk of government enforcement actions, civil or criminal penalties, loss of business, or other adverse effects as a result of failure to comply with, or becoming targeted by, sanctions;
- exposure to tax duty and import restrictions in countries we operate in;
- additional tax duty on imported goods;
- various foreign trade regulation measures, including anti-dumping, anti-subsidy and other related restrictive measures imposed on us;
- encumbrances on our foreign assets;
- failure to protect our reputation from negative publicity against us; and
- limitation on ability of non-nationals to reside and work in such countries.

In the event that we fail to manage these risks associated with our international sales and operations, we may experience reduced revenue, higher compliance and operational costs, and reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations.

We depend on key management as well as experienced and capable personnel generally, and any failure to attract, motivate, retain or recruit our staff could severely restrict our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our key management and other key employees, particularly in new business areas we are expanding into. Their industry experience, expertise and contributions are essential to our business operations. We will require an increasing number of experienced and competent employees in the future to implement our expansion plans. However, our various incentive initiatives may not be sufficient to retain or attract our management and employees. We may need to offer better remuneration and other benefits to attract and retain key personnel. However, we cannot assure you that we will have the resources to fully achieve our staffing needs or that our costs and expenses will not increase significantly as a result of increased talent acquisition and retention cost. Our failure to attract and retain competent personnel, and any increase in staffing costs to retain such personnel may have a negative impact on our ability to maintain our competitive position and grow our business. We may not be able to locate suitable or qualified replacements, and may incur additional expenses to recruit and train new staff. If this occurs, our businesses, financial condition and results of operations may be materially and adversely affected.

Failure to obtain, maintain or renew required government permits, licenses and approvals could materially and adversely affect our business, results of operations, financial position and growth prospects.

Our operations require certain government permits, licenses, approvals and certificates. For more details of the permits, licenses, and approvals required for our operations, see "Regulatory Overview". We cannot assure you that we will not encounter delays or difficulties in fulfilling the necessary conditions to obtain and/or renew all necessary permits, licenses and approvals for our operations in a timely manner, or at all. Any failures by us to obtain, renew or abide by, or encounter delays in obtaining or renewing, such approvals may result in enforcement actions against us, including suspension or termination of licenses, approvals, assurances, accreditations, permits, registrations, and certificates, orders issued by the relevant regulatory authorities causing operations to cease, fines and other penalties, and may include corrective measures requiring capital expenditure or remedial actions. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

Our businesses and operations require significant capital resources on an ongoing basis and are subject to uncertainties.

Our business and operations are capital intensive. We have been undertaking, and may undertake in the future, capital intensive projects or businesses as part of our growth strategies, which could be delayed or otherwise adversely affected by a number of risks and uncertainties, including, among other things, those relating to market conditions, policies and regulations of the PRC and other relevant jurisdictions, availability of sufficient funding, disputes with business partners, technology and equipment suppliers and other contractors, employees, and local governments and communities, natural disasters, availability of power and other energy supplies, availability of technical or human resources, adverse changes in the relationships between China and relevant foreign countries, and war or other significant adverse developments in international relations.

There is no assurance that each project or business, either ongoing, planned or to be undertaken, will ultimately be implemented or will generate any profit. Moreover, actual costs for these projects or businesses may exceed the initial budgets due to factors such as delays, changes in scope, increases in funding costs due to foreign exchange and interest rate volatility and increases in raw material, equipment or labor costs. In addition, these projects or businesses may not be able to achieve the anticipated economic results and commercial viability due to various factors, including but not limited to adverse changes in market conditions, low capacity utilization in respect of production and manufacturing facilities, high construction and production costs and decreased demand for and prices of our products. In addition, we require significant capital resources to fund our research and development programs. If any of these projects, businesses or programs is not completed as planned, exceeds our initial budgets or time limits, or fails to achieve the anticipated economic results or commercial viability, our business, financial condition and results of operations could be materially and adversely affected.

We currently fund our operations primarily through proceeds generated from operations, bank loans, the issuance of shares as well as bonds and debt and other borrowings. There is no assurance that the proceeds generated from our existing operations will be sufficient to fund our development and expansion. The availability of external funding is subject to various factors, including governmental approvals, market conditions, credit availability, interest rates and the performance of the businesses we operate. To the extent that additional financing proves to be unavailable or unaffordable when needed for a particular investment or acquisition, we may be compelled to restructure, delay or abandon the transaction and, as a result, our business, financial condition, results of operations, growth prospects and expansion plans may be materially and adversely affected.

The discontinuation of any preferential tax treatment or government grants currently available to us or other unfavorable changes in relevant laws and regulations may adversely affect our results of operations.

We currently benefit from several preferential tax treatments. The discontinuation of any of the preferential income tax treatments that we currently enjoy could have a material adverse effect on our results of operations. We cannot assure you that we will be able to maintain or lower our current effective tax rate in the future.

Additionally, we have received various government grants, representing subsidies granted by the PRC local government authorities as incentives for our operating activities. Any delay or uncertainty in collection or the discontinuation of these governmental subsidies or the imposition of any additional taxes could adversely affect our results of operations.

We may suffer losses from our finished products stored at third-party warehouses.

During the Track Record Period, we stored some finished products at third-party warehouses designated by certain customers to satisfy their short-term procurement and production needs on a rolling basis and inventory management requirements. Such customers were mainly in NEV sector. Such finished products were generally stored at third-party warehouses at our own risk. We had limited control over the timing of product drawdowns, warehouse storage conditions, and the customers' actual taking of goods and payment schedules. In the event of damage or deterioration caused by factors beyond our control including inadequate storage management or unforeseen incidents like fire or explosion, we may suffer losses that are not compensated in a timely or adequate manner. This could adversely affect our performance and financial position.

Delays in delivery by third-party logistics providers may affect our sales and damage our reputation.

Domestic and international third-party logistics service providers are engaged to deliver raw materials from our suppliers to us and deliver our products to our customers and they may experience interruptions or failures to timely and properly deliver products. These interruptions or failures may be due to events that are beyond the control of us or these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shutdowns. We may not be able to find alternative logistics service providers to provide logistics services in a timely and reliable manner, or at all. If we encounter delays in receiving the raw materials from our suppliers or if the products sold by us are not delivered in proper conditions, on a timely basis or at shipping rates that are commercially acceptable to marketplace participants, our business and prospects, as well as our financial condition and results of operations could be materially and adversely affected.

Work stoppage and other labor related issues may have an adverse effect on our businesses.

We believe that we have a good working relationship with our employees and have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption to our operations and/or incur higher on-going labor costs, which may have an adverse effect on our businesses and results of operations.

In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase. If labor costs in these regions continue to increase, our production costs will increase. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

Future alternatives to our products and our failure to upgrade our technological capabilities in line with technological advances may materially and adversely affect our business growth, operational efficiency and reputation.

Ongoing technological progress in the PM industry such as rare earth iron-nitrogen compounds, manganese-based alloys, or other rare-earth-lean/free alternatives may become suitable for selected applications. If customers adopt these substitute materials to mitigate rare earth dependency, price volatility, and geopolitical risks, demand for our NdFeB products could decline sharply and potentially irreversibly. Failure to anticipate such shifts, invest adequately in R&D, or upgrade our technological capabilities to adapt or compete may lead to product obsolescence, lost market share, reduced operational efficiency, damaged reputation as a reliable supplier, and material adverse effects on our business growth, results of operations, and prospects.

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical assets underpinning our competitiveness in the industry. To prevent unauthorized use of our intellectual property, we have also established a code of conduct for our employees. We enter into confidentiality agreements with our employees and any third parties who may access our proprietary information, and we rigorously control access to our proprietary technology and information. Our management above the supervisory level, core positions or core personnel in the technical and business departments have signed confidentiality agreements at the time of joining us, which are subsequently supplemented by non-compete agreements and post-employment non-competition agreements. Despite rigorous measures we take to protect our core technology, our intellectual property or core technology may be infringed or leaked for reasons that we have little or no control. Confidentiality agreements may be breached by counterparties, and there may not be adequate remedies available to us for these breaches. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in China or elsewhere.

In addition, policing any unauthorized use of our intellectual property is difficult, time-consuming and costly and the steps we have taken may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, this litigation could result in substantial costs and a diversion of our managerial and financial resources. There can be no assurance that we will prevail in any litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors.

As a result, we may lose our competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business, financial condition and results of operations.

We may be subject to intellectual property rights infringement or misappropriation claims by third parties, which may be time-consuming and force us to incur legal expenses and, if determined adversely against us, may materially disrupt our business.

Our success depends on our ability to use, develop and protect our technology and know-how without infringing the intellectual property rights of third parties. We seek to protect our intellectual property rights, trade secrets and proprietary technology and processes. We maintain a combination of patent filings for our invention patents in the PRC and utility model patents. In addition, we maintain trademark registrations and patents in the PRC and may need to make filings with relevant authorities in order to maintain such trademark registrations and annual fees to maintain our authorized patents. Any failure to promptly make such filings or pay such fees may adversely affect our intellectual property rights, which may in turn have an adverse effect on our business, financial condition and operating results.

We may be unable to obtain, maintain and protect our intellectual property rights or prevent third parties from any unauthorized use of our technologies. Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We may face claims or disputes arising from third parties alleging ownership of certain intellectual property rights, trade secrets, or proprietary technologies and processes. As we continue to expand our international markets and gain greater market share, we face a higher risk of being the subject of claims for intellectual property infringement, invalidity or indemnification. Our competitors have made, and will continue to make, substantial investment in developing competing technologies, and have or may obtain patents that may prevent, limit or interfere with our ability to make, use or sell our existing or future products in China or overseas. Legal proceedings may be required to enforce our intellectual property rights, protect our trade secrets and proprietary technologies or processes, or determine the validity and scope of proprietary rights claimed by others, and our competitors and other third parties may, whether rightly or falsely, bring legal claims against us for infringing their patents, copyrights, trademarks or other intellectual property rights. Any action we may take to protect our intellectual property rights could be costly and could absorb a significant amount of our time and attention. If any of the foregoing occurs, we may be unable to execute our business plan. There is no guarantee that we can obtain favorable judgment in all legal cases. An adverse determination in any such litigation or proceedings to which we are a party may subject us to significant liability to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation may also result in our customers or potential customers deferring or limiting their purchase of our products until resolution of such litigations. The failure to protect our intellectual property rights may have an adverse effect on our business, financial condition and operating results.

We may not be successful in executing our business plans and strategies effectively or at all, and our business, financial condition and results of operations could be materially and adversely affected.

Our business growth and value enhancement rely on the effective execution of our business plans and business strategies, which serve as the core support for guiding resource allocation, market expansion and operational optimization. However, strategic execution is subject to multiple uncertainties, and we may face challenges in fully or effectively implementing such plans and strategies, which could have a material adverse impact on our business operations, financial condition, and results of operations. The failure to execute our business strategies effectively may stem from both internal and external factors. Internally, it may involve unreasonable resource allocation and insufficient coordination among functional departments. Externally, sudden changes in the market, adjustments to industry regulatory policies, and intensified competition from peers may all disrupt our business plans.

Therefore, in the event of the failure in executing our business plans and strategies, it could lead to a material and adverse effect on our business, financial condition and results of operations.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding, suppliers or other third parties. Any negative publicity, whether warranted or not, could adversely affect our business and prospects.

We value and rely on our reputation to maintain and grow our business. Our customers, who are particularly in industry segments such as main drive motors, consumer electronics and industrial motors, prioritize high quality and reliable suppliers. We have built our reputation over decades through consistent quality and long-term partnerships with our customers. However, negative publicity associated with our operations could cause loss of business, divert management attention and other resources and incur litigation costs.

We conduct business with a number of counterparties, including customers, suppliers and other business partners. If any of such counterparties, or any of our former employees, is dissatisfied with us, whether or not justified, and raises any complaints or allegations relating to our operations and/or our Directors, employees, branding, suppliers or other third parties, our business may be adversely affected.

In addition, any negative publicity on any form of social media or other online forums following such complaints or allegations, regardless of whether the court has ruled in our favor or otherwise, may also damage our reputation and impact customers' perceptions of our brand. In the fast-paced online environment, such negative publicity can circulate rapidly to reach our customers, investors, and industry stakeholders, which may in turn, materially and adversely affect our business, results of operations and prospects.

We depend on information technology systems and other infrastructure that are exposed to certain risks, including technological failure, cyber security breach or other disruptions, which may adversely impact our business.

The satisfactory performance, reliability and availability of our information technology systems is critical to our business. Any technological failure, cyber security breach or other disruptions in our information technology system due to faulty interaction with systems of other industry players, power outage, software errors, system breakdown, infrastructure upgrades, viruses, unauthorized access, wear and tear, failures on the part of internet service providers or other vendors or other factors could have adverse impact on our business. Our information technology system is also subject to hacking or other cyber attacks. We cannot assure you that our current security mechanisms can successfully block and prevent all hackings or other cyberattacks. As a result, failure to meet our customers' demand or to protect against technological disruptions of our operations or operations of our customers could materially and adversely affect our business.

We are, and may in the future be, subject to legal and regulatory proceedings and/or investigations in the ordinary course of our business.

We are, and may in the future be, subject to legal and regulatory proceedings, arbitrations, and or investigations in the ordinary course of our business, including claims involving customers and suppliers and commercial disputes arising from our contractual arrangements with third parties.

In the ordinary course of business, claims involving customers and suppliers may be brought against us in connection with our contracts. Claims may be brought against us for back charges for alleged defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, delayed payments to our suppliers, late completion or other contractual disputes. The claims and back charges may involve actual damages and contractually agreed upon liquidated sums.

We generally incorporate confidentiality provisions into our agreements with customers and we have adopted rigorous measures and internal guidelines for the protection of the confidential information of our customers. Nevertheless, the efforts that we make to protect our customers' information may not always be sufficient or effective. Any improper handling or leakage of our customers' information as a result of any misconduct by our employees or external factors, such as unauthorized access to our database or cyberattacks, could harm our business reputation and our customers' confidence in us. Such failures to properly protect our customers' confidential information may constitute a breach of law and subject us to litigations.

From time to time, we are involved in commercial disputes and contractual claims arising from our commercial arrangements with third parties. In particular, in Q2 of 2024, an Independent Third Party commenced arbitration proceedings against our Company and several others at the Singapore International Arbitration Centre, claiming outstanding payments of approximately US$11.8 million and damages of approximately US$33.506 million for an alleged breach of certain agreements. As of the Latest Practicable Date, the arbitration proceedings were ongoing. We have made full provisions of RMB181.0 million as of December 31, 2025 in respect of the relevant fees. See "Business — Compliance and legal proceedings — Legal proceedings" for further details.

If we are found liable on any of the claims, we would have to incur a charge against our current earnings to the extent that a reserve had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage. Claims brought by us against third parties may include claims for additional costs incurred in excess of current contract provisions arising out of delays and changes in the initial scope of work. Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from claims brought by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our businesses, financial condition, results of operations and cash flow. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects to secure contracts in the future.

Our insurance coverage strategy may not be adequate to protect us from all business risks and cover all of our potential losses.

We maintain insurance coverage to mitigate certain business risks and potential losses. We face various operational risks in connection with our businesses, including production interruptions caused by operational errors, electricity outages, the failure of equipment and other risks, operating limitations imposed by environmental or other regulatory requirements, social, political and labor unrest, environmental or industrial accidents, catastrophic events such as fires, earthquakes, explosions, floods or other natural disasters.

We may not have adequate or any insurance coverage on the abovementioned operational risks. We have insurance coverage for our plant, machinery and the inventory. We generally purchase insurance for each batch of products to be delivered to our customers. We also maintain product liability insurance. For more details of our insurance, see "Business — Insurance". There can be no assurance that the insurance policies held by us will be sufficient to cover all business risks we encounter in our operations. We maintain endowment insurance, medical insurance, unemployment insurance, work injury insurance and maternity insurance for our employees in China pursuant to the relevant PRC laws and regulations and in line with customary practices in the PRC.

We have established insurance policies to safeguard against risks and unexpected events. Certain kinds of losses cannot be insured at all or insured at a commercially reasonable cost, and our existing insurance policies are subject to liability limits and exclusions. We cannot assure you that we will be able to successfully claim our losses under our current insurance policies on a timely basis or our losses incurred can be compensated in a timely manner. If we incur any loss that is not covered by our insurance policies, the compensated amount is significantly less than our actual loss or the compensation is significantly delayed for factors beyond our control, our business, financial condition and results of operations could be materially and adversely affected. In the event of a successful product liability claim against us, we will be liable for damages and may be ordered to suspend or cease production by the relevant government authorities. This may result in negative publicity and our reputation may be adversely affected, which could lead to a reduction in sales, cancelation of major contracts or cessation of our business. Any claims by consumers, our employees or the government relating to our rare earth permanent magnet products could have a material adverse effect on our reputation with existing and potential customers and on our business, results of operations and financial position.

We may grant share incentives, which may result in increased share-based payment expenses relating to employees.

We have implemented employee shareholding plans to provide incentives to eligible participants, including Directors, senior management and core employees. According to these plans, employees may acquire our shares (treasury shares) at discount to their trading price. We recognize equity-settled share-based payment expenses in connection with these plans. Such expenses have been and may continue to be incurred, increasing our operating expenses. For the years ended December 31, 2023, 2024, and 2025, our share-based payment expenses relating to employees were RMB44.8 million, RMB17.6 million and RMB10.5 million, respectively. To the extent we implement additional employee shareholding plans in the future, we may incur further share-based payment expenses. These expenses could have a material and adverse effect on our financial conditions and results of operations.

Non-compliance with relevant regulations regarding the social insurance fund and/or housing provident fund may result in penalties and have an adverse impact on our business, financial condition, results of operations and prospects.

During the Track Record Period and up to the Latest Practicable Date, 11 subsidiaries of our Group did not open social insurance and housing provident fund accounts as they did not actually employ any employees. See "Business — Employees — Social insurance and housing provident fund contributions" for further details. According to the applicable PRC laws and regulations, the relevant authorities may order us to rectify within a prescribed period. Failure to comply with such rectification order may result in an administrative fine ranging from RMB10,000 to RMB50,000. See "Regulatory Overview — Laws and regulations in relation to employment and social welfare — Social insurance and housing provident fund" for further details. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not impose penalties on us. As a result, our financial condition and results of operations and prospects could be affected.

Failure to obtain building ownership certificates for certain of our self-used buildings may affect our business, financial condition and results of operations.

As of December 31, 2025, we occupied buildings in China with a total GFA of approximately 662,598 sq.m. As of the Latest Practicable Date, we had not obtained the building ownership certificates for buildings with a GFA of approximately 18,370 sq.m. primarily because the full planning application, construction approval and filing procedures were not completed prior to construction. These buildings constitute illegally constructed buildings, which prevented completion of the subsequent application for building ownership certificates.

The buildings without ownership certificates carry the risk of being identified as illegal constructions, which may lead to orders for demolition and imposition of penalties. In addition, seven of these buildings without ownership certificates have been leased to third parties, and the relevant lease agreements may be deemed invalid, which could result in disputes or other adverse consequences. See "Business — Properties" for further details. While we have not yet received any demolition or penalty orders, the lack of ownership certificates for these buildings exposes us to potential enforcement actions, including fines, forced relocation, or lease invalidation for the affected properties. As a result, our business, financial condition and results of operation could be affected.

We may face penalties for the non-registration of our lease agreements in China.

As of December 31, 2025, we leased one property in China for our production facilities and entered into a lease agreement. In addition, we leased out 17 properties to third parties and entered into lease agreements with those tenants. As of the Latest Practicable Date, seven of those we leased out to third parties in China have not been registered with the relevant PRC housing administration authorities. Although the failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties, it could result in the imposition of the fines ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. See "Business — Properties" for further details. As of the Latest Practicable Date, we had not been ordered by any PRC government authorities to register the relevant leases. However, if we are fined by relevant government authorities for our failure to complete the lease registration within the time limit, we may be unable to require the other parties to reimburse us and our financial condition and results of operations may be adversely affected.

Our business operations are subject to risks relating to potential accidents arising from our operations and failure to comply with safety measures and procedures. For instance, our workers may be subject to risks of serious injury caused by the use of machinery, production equipment or tools.

We rely on our production machinery and equipment to achieve mass production. Any mechanical failure or breakdown may materially disrupt our production and cause us to incur additional costs to repair or replace the affected systems. We cannot assure you that our production facilities will be foolproof, or that we will be able to address such problems or obtain replacements in a timely manner. Problems with key production facilities at one or more of our plants may affect our ability to produce our products or cause us to incur significant expense. For certain damage, facilities may need to be transported to the original supplier for repair, which may take several months. Furthermore, our workers may be subject to risks of serious injury caused by the use of machinery or equipment. The operation of our production facilities also depends on stable and continuous supply of utilities such as electricity. Any disruption to electricity supply may disrupt our production or cause deterioration or loss of our inventories or products. We cannot predict whether the government will continue to impose such restrictions. If power outages deteriorate or restrictions continue, our business, financial condition, and results of operations may be materially and adversely affected.

We are subject to various environmental, occupational health and safety laws and regulations, which may result in potential costs for compliance, as well as monetary damages, fines, liabilities, and reputational harm in the event of non-compliance.

We are subject to stringent environmental, occupational health and safety laws and regulations and may incur substantial costs in complying with such laws and regulations and resolving relevant risks.

Our production generates sewage and other industrial waste at different stages of the production process. As a result, our operations are subject to various environmental, occupational health and safety laws and regulations. The environmental, occupational health and safety laws and regulations impose stringent standards on our production operations, which cover aspects such as our handling and disposal of waste and emission of sewage, regular safety inspections and maintenance of production machinery, mandates for providing personal protective equipment. If we fail to comply with any of the regulations or to satisfy any of the conditions required for the maintenance of our licenses and certificates, such licenses and certificates could be temporarily suspended or revoked upon renewal or delayed for renewal upon expiry of their original terms. This could materially and adversely affect our business, financial condition and results of operations. Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may cost substantial financial and other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or 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, termination of government contracts or suspension of their operations. Such events could impact on our results of operations, financial condition and reputation, all of which could adversely affect our ability to stay profitable and attract new customers.

In addition, the environmental, chemical manufacturing, health and safety laws and regulations, administrative adjudications and court decisions in China and other jurisdictions which we are subject to continue to evolve, which may lead to stricter standards and enforcement trends, increased fines and penalties for non-compliance and remedial measures, as well as increased liability exposure for us and our officers, directors and employees. Any changes or amendments to such laws or regulations may cause us to incur additional capital expenditures, costs that may not be able to be passed on to our customers, or other obligations or liabilities, which could decrease our capital and our ability to pursue developments in other areas.

Shutdown of our operations to curtail pollution may also be ordered by authorities and such actions will result in unexpected business interruptions or suspension of our operations at our production facilities and may lead to significant financial and reputational loss if we cannot find suitable alternatives to fulfill orders in time. It could result in material and adverse impact on our business, financial condition and results of operations.

There can be no assurance that we will be able to comply with the relevant environmental, occupational health and safety laws or able to maintain or renew our existing licenses and certificates or obtain future licenses and certificates required for our continued operations on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary licenses or certificates, our qualification to conduct our various businesses may be adversely affected, which may adversely affect our business, financial condition and results of operations.

We face risks related to health epidemics, natural disaster, terrorist activities, political unrest, financial or economic crisis and other force majeure events, which could significantly disrupt our operations.

Outbreaks of health epidemics or pandemics could affect our business, financial condition, results of operations, prospects, and cash flows through mobility restrictions, disrupted operations, reduced economic activity, and increased costs. Our business could be materially and adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, or other events, such as wars, acts of terrorism, environmental accidents, power shortage or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic illness or other adverse public health developments in the countries and regions where we have operations could materially disrupt our business and operations. Such events could also significantly affect our industries and cause a temporary closure of the facilities we use for our operations, which would severely disrupt our operations and have a material and adverse effect on our business, results of operations, financial conditions and prospects.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations. With a deteriorating worldwide economy, consumer spendings and consumption of non-essential items may diminish, which in turn will affect the demand for our sales. It is unclear whether these challenges will be contained and what effects they each may have. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that have been adopted by the central banks and financial authorities of some of the economies where we operate our businesses, include China. To the extent any fluctuations in the global economy significantly and adversely affect consumers' demand for our solutions, our business, results of operations, financial conditions and prospects may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS IN WHICH WE OPERATE

Changes in the economic, political and legal conditions, as well as the interpretation and implementation of relevant laws, regulations and government policies, may affect our business, prospects, results of operations, financial condition, and cash flows.

The Chinese economy differs from the economies of most developed countries in many respects, including the structure of the economy, level of government involvement, level of development, growth rate, control of capital investment, control of foreign exchange and allocation of resources. The Chinese economy has been undergoing transformation.

For the past four decades, the PRC government has implemented economic reform measures to emphasize the utilization of market forces in economic development. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country. As a result, we may not continue to benefit from all, or any, of these measures. In addition, we cannot predict whether changes in China's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, financial condition and results of operations.

We cannot assure you that the PRC economy will continue to grow, or that if there is growth, such growth will be steady and uniform. Moreover, even if macroeconomic measures and monetary policies adopted by the PRC Government are effective in improving economic growth, such measures could materially and adversely affect us if they reduce demand for our products.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Trial Measures") along with five relevant guidelines, which became effective on March 31, 2023. The Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, shall file the required documents with the CSRC within three business days after its application for overseas listing is submitted. We will file with CSRC within a specific time limit as required by the Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed [REDACTED] and have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, prospects, results of operations, financial condition, and cash flows. See "Regulatory Overview — Laws and regulations in relation to overseas securities offering and listing by domestic enterprises" for further details.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this [REDACTED] or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the [REDACTED] from the [REDACTED] into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

Changes in international trade policies and relationships between the PRC and other countries, may adversely impact our business and operating results.

Unfavorable government policies related to international trade, including capital controls or tariffs, or adverse shifts in diplomatic relations between China and foreign countries or regions, have the potential to impact the sales of our solutions, in international markets. These factors may also affect our ability to recruit engineers and other R&D personnel and influence the import or export of raw materials essential to our international expansion efforts. The implementation of new tariffs, changes in legislation and regulations, or the renegotiation of existing trade agreements could result in a material adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

We are subject to the currency exchange regulatory system.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Therefore, shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations.

Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the [REDACTED], do not require prior approval from SAFE, but we are required to comply with certain procedural requirements regarding such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licenses to carry out such foreign exchange business and other procedural requirements. Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we could not rule out the possibility that the PRC government may, at its own discretion, take measures to restrict relevant foreign exchange policies regarding payment of dividends in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to our Shareholders or to satisfy any other foreign exchange requirements. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

Our operations are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

Holders of H Shares may be subject to PRC income taxes.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to taxes with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments.

Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if we know the identity of the individual shareholder and the tax rate applicable thereto. There is uncertainty as to whether gains realized upon disposition of Shares [REDACTED] on an overseas stock exchange by non-PRC individuals are subject to PRC individual income tax.

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

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

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

While this may also apply to other jurisdictions, there might be difficulties in affecting service of legal process, enforcing foreign judgments against us or our Directors and senior management in the PRC.

Most of our assets are in China. All of our executive Directors and senior management reside in China. Therefore, there is no assurance that you will be able to effect service of process within Hong Kong or elsewhere outside of China upon us or our management.

On July 14, 2006, the Supreme People's Court of the PRC and the Hong Kong government signed 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 Pursuant to Choice of Court Agreements between Parties Concerned (《最高人民法院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 "Arrangement"). Under such Arrangement, where any designated people's court of the PRC or any designated 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 in writing by the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong or PRC court is expressly designated as the court having sole jurisdiction for the dispute. It may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

On January 18, 2019, China and Hong Kong signed 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 "New Arrangement"). The New Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the two places.

The New Arrangement will be implemented by local legislation in Hong Kong. It will take effect after both China and Hong Kong have completed the necessary procedures to enable implementation and will apply to judgments made on or after the commencement date. The Arrangement will be abolished upon the effectiveness of the New Arrangement.

However, it is unclear as to when the implementation of the New Arrangement in both places will be completed. To the extent that the Arrangement is still in force, it remains difficult or impossible for [REDACTED] to enforce a Hong Kong court judgment against our assets or our Directors or senior management who reside in China.

Moreover, China has not entered into treaties for the reciprocal recognition and enforcement of court judgments with Japan, the United Kingdom, the United States and many other countries. Hence, recognition and enforcement in China of a court judgment obtained in any of these jurisdictions in relation to matters that are not subject to a binding arbitration provision may be difficult or impossible.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to PRC and Hong Kong [REDACTED] and regulatory requirements.

As we are listed on the Shanghai Stock Exchange and will be [REDACTED] on the Main Board of the Hong Kong Stock Exchange, 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 A Share and H Share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [REDACTED] on the Main Board of the Stock Exchange. Under the current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no direct [REDACTED] or settlement between the H Share and A Share markets. With different [REDACTED] characteristics, the H Share and A Share markets have divergent [REDACTED] volumes, liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [REDACTED] of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our H Shares.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in Chinese mainland. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on the regulatory requirements of the securities authorities, industry standards and market practices in Chinese mainland, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange 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 [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

Prior to the [REDACTED], no [REDACTED] for the H Shares existed. We cannot assure you that a [REDACTED] for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. The initial [REDACTED] for our H Shares to the public will be the result of negotiations, and the [REDACTED] may differ significantly from the [REDACTED] of the H Shares following the [REDACTED].

We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]). However, the [REDACTED] on the Stock Exchange does not guarantee that an active and liquid [REDACTED] market for our H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the [REDACTED] of the H Shares will not decline following the [REDACTED]. If an active [REDACTED] for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares could be materially and adversely affected.

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

The [REDACTED] and [REDACTED] of our H Shares may be highly volatile and could fluctuate widely in response to factors beyond our control. Factors impacting the [REDACTED] and [REDACTED] of our H Shares include, but are not limited to, actual or anticipated fluctuations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, potential strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, fluctuations in the selling prices and demand for our products, public perception or negative news about our products, unexpected business disruptions resulting from natural disasters or power shortages, our inability to obtain or maintain regulatory approval for our operations, litigation, government investigation or other legal or regulatory proceeding, or political, economic, financial and social developments in China, Hong Kong and elsewhere in the world. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the [REDACTED] of our H Shares. Moreover, shares of other companies [REDACTED] on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in [REDACTED] not directly related to our performance.

Potential [REDACTED] will experience immediate and substantial dilution and may experience further dilution in the future.

The [REDACTED] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, [REDACTED] of our H Shares in the [REDACTED] will experience a substantial immediate dilution. There can be no assurance that if we were to immediately liquidate after the [REDACTED], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider [REDACTED] and [REDACTED] additional H Shares in the future. [REDACTED] of the H Shares may experience dilution in the net tangible asset value per H Share of their H Shares if we [REDACTED] additional H Shares in the future at a [REDACTED] which is lower than the net tangible asset value per H Share at that time.

Actual or perceived sale or availability for sale of substantial amounts of our Shares could adversely affect the [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [REDACTED] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Certain amounts of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which our Shares are [REDACTED] on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares, we cannot assure you that they will not dispose of any Shares they may own now or in the future. In addition, certain existing Shareholders of our Shares are not subject to lock-up agreements. [REDACTED] of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our Shares.

Certain facts, forecasts and statistics obtained from official government sources in this document may not be fully reliable.

Certain facts, statistics and data contained in this document in and outside China have been derived from various official government publications. Nevertheless, the information from official government sources has not been independently verified by us or any other party involved in the [REDACTED] and no representation is given as to its accuracy. We cannot guarantee that it is presented or compiled on the same basis, with the same level of accuracy, or in a manner consistent with similar statistics elsewhere. The information may also be incomplete or outdated. You should therefore not place undue reliance on such information.

Our historical dividends may not be indicative of our future dividend policy, and there is no assurance whether and when we will declare and pay dividends in the future, which is subject to restrictions under PRC law.

We declared and paid dividends during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. See "Financial Information — Dividends and dividend policy" for details of our distribution of dividends during the Track Record Period and the relevant laws and regulations regarding declaration and payment of dividends of our Company. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRSs. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRSs. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future, and there can be no assurance whether and when we will pay dividends in the future.

The interests of our Controlling Shareholder Group may not be aligned with the interests of our other Shareholders.

Immediately following completion of the [REDACTED] and assuming the [REDACTED] is not exercised, our Controlling Shareholder Group will hold approximately [REDACTED]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares in the course of a sale of our Company and might reduce the [REDACTED] of our H Shares. The aforementioned potential events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholder Group may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder Group may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Forward-looking statements contained in this document are subject to risks and uncertainties, which may not represent our overall performance for periods of time to which such statements relate.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative forms of these terms and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [REDACTED] should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Hong Kong Stock Exchange, 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.

You should read this entire document carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [REDACTED], there may have been or may be press and media coverage regarding us, our business, our industry and the [REDACTED]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We do not have sufficient control over the press and media coverage, and analysts might issue negative views or recommendations on us, which could have an adverse effect on the [REDACTED] of H Shares. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective [REDACTED] should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to [REDACTED] in our [REDACTED]. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [REDACTED], and any formal announcements made by us in Hong Kong in relation to our [REDACTED].