

RISK FACTORS

An [REDACTED] in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before deciding to make any [REDACTED] in our H Shares. Our business, financial condition, or results of operations could be materially and adversely affected by any of these risks and uncertainties. The market [REDACTED] of the H Shares could decline significantly due to any of these risks and uncertainties, and you may lose all or part of your investment.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our growth is subject to the market demand for green shipping equipment and systems.

We offer a portfolio of green shipping equipment and systems designed to support our customers’ efforts to enhance operating efficiency and sustainability. Our future growth is dependent on the market acceptance and adoption of such equipment and systems, which may occur more slowly or to a lesser extent than we currently anticipate. The green shipping equipment and system industry is subject to rapid technological developments, intense pricing pressure, evolving regulatory, and industry standards, and changing customer needs and preferences, any of which may adversely affect demand for our offerings.

Factors that may influence customer demand for our green shipping equipment and systems include:

- the development and cyclical conditions of the shipbuilding and shipping industries, which may affect shipbuilders’ and shipowners’ investment decisions, fleet planning, and willingness to adopt green shipping equipment and systems;
- the perceived and actual price differential between high-sulfur fuel and low-sulfur fuel, as a wider spread generally enhances the economic attractiveness of using green shipping equipment and systems as an alternative to low-sulfur fuel;
- the level of environmental awareness and sustainability considerations among our existing and potential customers, as well as broader public perceptions of environmental protection;
- customer perceptions of the cost, quality, design, safety, performance, and lifecycle of equipment and products incorporated into our green shipping equipment and systems;
- the overall penetration rate and adoption pace within the green shipping equipment and system industry;
- government policies and incentives for downstream industries, as demand for our green shipping equipment and systems may decrease if more vessels have completed energy efficiency upgrades in response to the IMO’s decarbonization targets or other applicable regulatory requirements;
- the availability, accessibility, and quality of repair, maintenance, and technical support for green shipping equipment and systems;
- the development and adoption of alternative propulsion technologies and non-oil-powered vessels, including those using nuclear power, electricity, or other energy sources that may fall outside the primary scope of our current green shipping equipment and systems;
- the occurrence of, or market perception regarding, negative incidents involving our or our competitors’ green shipping equipment and systems, which could result in adverse publicity and adversely affect market confidence in the industry; and
- macroeconomic conditions, including economic growth trends, capital expenditure cycles, and financing availability.

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If any of the foregoing factors, individually or in combination, reduce demand for our green shipping equipment and systems or slow the development of the related market, we may be unable to retain existing clients or attract new clients, which could have a material adverse effect on our prospects, business, financial condition, and results of operations.

Our business is subject to uncertainties arising from changes and developments in global regulatory policies supporting the green transition of the shipping industry.

The green shipping equipment and systems industry in which we operate has benefited from various international and regional initiatives aiming at promoting the green transition of the global shipping industry. Customer demand for our products is significantly influenced by regulatory developments relating to vessel emissions, energy efficiency, and decarbonization.

In recent years, various regulatory developments and related technical and operating requirements have encouraged shipowners to adopt emission control, energy-efficient, and decarbonization products. These include, among others, the global sulfur cap implemented in 2020 by International Maritime Organization, the EEXI and CII measures effective from 2023, and regional initiatives such as the inclusion of shipping in the European Union Emissions Trading System from 2024 and the upcoming Fuel EU Maritime framework. In July 2023, the International Maritime Organization further revised its greenhouse gas emission reduction strategy, setting a target to achieve net-zero emissions by or around 2050, together with indicative interim targets.

However, the regulatory framework underpinning the green transition of the global shipping industry remains complex, evolving, and subject to significant uncertainty. The formulation, adoption, and implementation of future policies, including detailed market-based measures for the IMO’s proposed net-zero emissions target, are still under discussion. In particular, the formal voting on certain key elements of the IMO net-zero framework, including the global pricing mechanism for shipping industry, has been postponed, reflecting the ongoing divergence of views among member states regarding the pace, mechanisms, and economic impact of decarbonization measures. Such delays or adjustments may affect the timing, scope, and effectiveness of future regulatory requirements and incentives.

Our ability to respond to these evolving policies depends on our capacity to timely develop and commercialize compliant maritime equipment and systems, which often requires substantial investment and research and development efforts. We cannot assure you that we will be able to successfully adapt to regulatory changes or that such changes will continue to support customer demand for our equipment and systems. Any material delay, adjustment, or withdrawal of relevant policies or incentives could adversely affect our business, financial condition, and results of operations.

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

The green shipping equipment and systems market in which we operate is highly competitive and continues to evolve. International competitors continue to maintain a leading position, supported by their mature product portfolios, advanced technologies, and extensive global project experience in areas such as multi-fuel propulsion systems, emission control equipment, and intelligent shipping systems. Domestic Chinese players have accelerated their expansion into energy-efficient and intelligent maritime systems, leveraging growing manufacturing capabilities, and system integration expertise to strengthen their presence in energy-efficiency enhancement retrofitting and equipment manufacturing. Our primary competitors include large-scale global shipping equipment and system providers.

Our future performance is largely dependent on our ability to compete successfully against our existing and future competitors. Some of our competitors may possess advantages over us, including larger operating scale, stronger brand recognition, longer operating histories, more

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financial and human resources, and access to more sophisticated technologies. In addition, our competitors may expand their product portfolios through acquisitions, strategic alliances, and organic development, thereby strengthening their market position. Furthermore, established companies serving other market segments may introduce equipment and systems that compete directly with our offerings or acquire businesses operating in our target markets. Our competitors may also collaborate with each other or with third parties to enhance their technological offerings or consolidate resources, further strengthening their competitive edge. As a result, our competitors may be able to secure superior talent, introduce innovative products more rapidly, and anticipate market dynamics more accurately, any of which could erode our competitive position.

If our competitors’ green shipping equipment and systems are introduced to the market faster, achieve broader market acceptance, or offer better functionality relative to ours, our revenues, market share, and growth prospects may be adversely impacted. Furthermore, aggressive pricing strategies by our competitors could enable them to quickly expand their customer bases and sales networks, placing additional pressure on our ability to achieve desired pricing levels. If we are unable to maintain competitive pricing or attract new customers, we may experience lower sales volumes, compressed profit margins, or operating losses, any of which could adversely affect our business, financial condition, and results of operations.

If we fail to innovate or effectively respond to the rapidly evolving market dynamics, our business, financial condition, and results of operations would be adversely affected.

The green shipping equipment and system market in which we operate is characterized by rapid technological evolution and continued innovation. To remain competitive, we must continually enhance and upgrade the functionality, performance, reliability, design, security, and scalability of our products in response to changing customer requirements and industry standards. In particular, our product development and upgrade efforts involve the adoption and integration of emerging technologies.

However, innovation and technological integration are inherently complex, time-consuming, and resource-intensive. We may encounter technical challenges, integration difficulties, or delays in incorporating new technologies into our existing equipment and systems, and such efforts may not achieve the expected performance or commercial outcomes. These uncertainties could delay or hinder the development, launch, or implementation of new products or enhancements.

In addition, we are required to make substantial investments in research and development to maintain the competitiveness. We cannot assure you that such investments will result in successful innovation, improved market acceptance, or increased market share. If we are unable to innovate on a timely basis or effectively respond to evolving market dynamics and customer needs, we may lose existing customers or fail to attract new customers, which could materially and adversely affect our business, financial condition, and results of operations.

The concentration of our revenue in certain of our business lines and from a limited number of customers may affect our revenue and profitability.

From 2023 to 2025, we primarily sold vessel exhaust gas emission control and cleaning systems. For the five months ended May 31, 2026, our revenue was primarily generated from our vessel exhaust gas emission control and cleaning systems, vessel energy efficiency enhancement systems, and vessel retrofit and servicing. Our major customers primarily include shipping companies. Our revenue and profitability are significantly dependent on the sales performance of our major revenue-generating business lines and the sales to a limited number of customers. Historically, a significant portion of our revenue was derived from a limited number of customers during each period of the Track Record Period. Our five largest customers contributed to 84.7%, 69.5%, 77.0%, 71.6%, and 88.1% of our total revenue in 2023, 2024, and 2025 and for the five months ended May 31, 2025 and 2026, respectively. In particular, revenue from our largest customer in 2023, 2024, and 2025 and for the five months ended May 31, 2025 and 2026 accounted for 36.9%, 57.3%, 66.0%, 57.6%, and 68.1% of our total revenue, respectively. Customer A was our largest customer in each applicable period during the Track Record Period, and a considerable

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portion of our revenue was generated from Customer A. Our sales to Customer A also covered multiple business lines during the Track Record Period, including vessel exhaust gas emission control and cleaning systems, vessel energy efficiency enhancement systems, vessel retrofit and servicing, intelligent vessel operating and maintenance systems, and new energy vessel systems. As a result, any material reduction, delay, or cancellation of orders from Customer A, or any material adverse change in our relationship with Customer A, could have an adverse impact on our revenue, cash flow, and business prospects. For further details on our relationship with our top five customers, see the section “Business — Customers and Suppliers — Our Customers.”

We cannot assure you that we will be able to maintain the current level of orders for the major revenue-generating business lines or successfully secure comparable orders for our other products and new products as we continue to diversify our product portfolio. Additionally, our relationship with our top five customers is not secured by long-term contracts or purchase commitments, and they are not exclusively reliant on us, which could expose us to pricing and volume risks. If our prices are not competitive or our quality does not meet expectations, these customers may reduce or cease purchases, potentially negotiating lower prices. This could force us to lower prices to maintain relationships with them, thereby impacting our profit margins and financial conditions. Furthermore, we cannot assure you that we will maintain our relationships with these customers or successfully diversify our customer base. Loss of business from any major customer, particularly our largest customer, without securing new ones in a timely manner could adversely affect our business, financial condition, and results of operation.

We may experience occasional delays in project delivery or implementation and may also face risks of order deferrals or cancellations due to changes in customers’ fleet planning.

We may from time to time experience delays due to objective and operational factors beyond our control. For example, certain projects involve tight shipping or logistics schedules, and unexpected changes in vessel availability or shipping timetables may shorten the originally anticipated delivery timeframe, which could make it challenging to complete delivery as initially planned.

In addition to logistics-related delays, our project implementation may also be subject to other execution risks, including, among others, (i) shortages of experienced personnel or qualified management capable of completing installation work on a timely basis or in strict compliance with applicable installation requirements, (ii) unforeseen engineering, design, or environmental issues and unexpected increases in project costs, and (iii) strikes, labor disputes, or workforce disruptions. Any of the foregoing circumstances may result in our inability to meet key project milestones as agreed under relevant contracts and may lead to delays in the target completion dates of the affected projects.

Further, our customers’ decisions to place orders are often made in the context of their broader fleet deployment, retrofit schedules, and capital expenditure planning, which may be adjusted from time to time in response to market conditions, regulatory developments, or operational considerations. As a result, certain customers may defer, modify, or cancel orders after placement.

Moreover, extreme weather conditions, natural disasters, and other operational hazards may cause damage to projects under implementation, requiring additional time and costs for remediation or repair. Any delays, deferrals, or cancellations of projects arising from changes in customers’ fleet planning or from causes other than force majeure events could impair our ability to perform our contractual obligations, expose us to claims for damages, or lead to order cancellations by customers. If we fail to complete projects within the agreed timeframe, we may be required to compensate customers for losses incurred, and delays in achieving key milestones or completing projects may also result in deferred, reduced, or withheld payments under the relevant contracts. Any of the foregoing could materially and adversely affect our reputation, business operations, financial condition, and results of operations.

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Fluctuations in exchange rates could have a material adverse effect on our business, financial condition, and results of operations.

A substantial portion of our cost of revenue is denominated in Renminbi. However, as a significant portion of our revenues is derived overseas, we are subject to risks associated with foreign currency exchange fluctuations. We incurred foreign exchange rate gains of RMB11.2 million, RMB39.7 million, and RMB16.8 million in 2023 and 2024 and for the five months ended May 31, 2025, respectively. However, we incurred foreign exchange rate losses of RMB17.8 million and RMB59.3 million in 2025 and for the five months ended May 31, 2026, respectively. See “Financial Information — Description of Major Components of Our Results of Operations — Other Income and Gains.” We cannot assure you that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

Changes in the value of foreign currencies could increase our Renminbi costs for, or reduce our Renminbi revenues from, our overseas operations. The fluctuation of foreign exchange rates also affects the value of our monetary and other assets and liabilities denominated in foreign currencies. We cannot assure you that future fluctuations of exchange rates would not have a material adverse impact on our financial condition and results of operations.

It is difficult to predict how external factors may impact the exchange rate of Renminbi to foreign currencies in the future. We cannot assure you that such exchange rate will remain stable against U.S. dollars or other foreign currencies in the market. Any appreciation of Renminbi against foreign currencies may affect our overseas operations. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, any depreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the value of, and any dividends payable on, our H Shares.

Potential unsatisfactory performance or defects in our products may result in repairs or replacements, which could increase our costs, harm our reputation, and adversely affect our sales.

Our green shipping equipment and systems involve complex design, engineering, and manufacturing processes and may contain defects, errors, or deficiencies that are not identified during the design, testing, or production stages. We cannot assure you that our green shipping equipment and systems will be free from defects or will operate without failures throughout their lifecycle. Performance issues or defects may arise after delivery or installation, including during actual operation, which may require us to repair, replace, or recall affected products.

The performance and reliability of our green shipping equipment and systems may also be affected by various factors beyond our control, including operating conditions, environmental factors, improper use, insufficient maintenance, prolonged or extended operation, and the quality or compatibility of third-party components and materials. In addition, certain defects or performance issues associated with advanced or emerging technologies may only become apparent over time, and our historical operating data may be insufficient to fully evaluate long-term performance under all operating scenarios. Furthermore, our operations involve multiple stages of manual handling, testing, delivery, and servicing, where human errors or negligence may occur. Such errors could contribute to performance issues or defects in our products. We cannot assure you that all such risks can be fully eliminated.

If our products experience failures, defects, or deviations from expected performance, clients may request product returns, replacements, repairs, or other remedial actions, which could increase our warranty costs, after-sales service expenses, and operational burden. In some cases, such issues may also lead to delays in project completion, contractual disputes, product liability claims, or regulatory scrutiny, any of which could adversely affect our financial condition and results of operations. Any widespread or recurring product defects, performance issues, or failures could damage our reputation, undermine customer confidence, and adversely affect future sales, which could have a material adverse effect on our prospects, business, financial condition, and results of operations.

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Our business prospect may be shaped by the successful launch of new green shipping equipment and systems and execution of our planned business initiatives, which involve additional uncertainties and risks.

Our future growth and business expansion depend in part on our ability to broaden our portfolio of green shipping equipment and systems, introduce new products and systems, including those incorporating advanced technologies such as artificial intelligence, implement competitive pricing strategies, and secure meaningful market share while maintaining cost efficiency in our design, manufacturing, and delivery processes. The development and commercialization of new green shipping equipment and systems require continuing investment in research and development, product refinement, and sales and marketing, and involve significant technical, operational, and market risks.

We cannot assure you that any new green shipping equipment and systems we introduce, or enhancements to our existing green shipping equipment and systems, will achieve the expected level of market acceptance, adoption, or market share, if any. We may encounter delays or difficulties in launching new green shipping equipment and systems or entering new markets, including delays arising from product development challenges, regulatory or certification requirements, or changes in customer demand and competitive dynamics. In addition, our production and commercialization timelines depend in part on the performance of our suppliers and our business partners.

If new green shipping equipment and systems are delayed, fail to perform as expected, or are not well recognized by the market, we may experience negative market perception regarding our technological capabilities or product offerings, which could materially and adversely affect our growth prospects and our ability to establish or expand our market position. Our experience in executing large-scale or multi-faceted product expansion initiatives remains limited. Any failure to successfully implement our planned business initiatives or to achieve the anticipated benefits therefrom could materially and adversely affect our business, financial condition, and results of operations.

Price fluctuations or supply instability of raw materials may adversely affect our business, financial condition, and results of operations.

We rely on a stable supply of primary raw materials, such as specialty steel, high-grade alloys, and core electrical components. The prices of these materials are subject to significant fluctuations driven by supply and demand conditions in the commodities markets, transportation costs, government regulations and tariffs, geopolitical events, exchange rate movements, the overall economic climate, and other unforeseen factors. Our results of operations could be adversely affected if we are unable to obtain adequate supplies of high-quality raw materials on a timely basis and at reasonable prices, or to make alternative sourcing arrangements, or if significant increases in raw material costs cannot be passed on in full to our customers.

We depend on the timely supply of raw materials to carry out our production plans. Any delays or disruptions in supply may materially affect our ability to meet market demand and deliver our products. Many raw materials, including those available from multiple sources, are from time to time subject to industry-wide shortages and significant commodity price volatility. We cannot assure you that we will be able to extend or renew our supply agreements on similar terms, or at all, and adverse economic or market conditions affecting our suppliers may further impact on our raw material availability. Any of these factors could materially and adversely affect our business, financial condition, and results of operations.

A narrower high-low sulfur fuel prices spread may reduce demand for our EGCS.

The market for vessel exhaust gas emission control and cleaning systems, particularly the EGCS which we provided, has historically benefited from the price spread between high-sulfur fuel and low-sulfur fuel. According to CIC, low-sulfur fuel prices were consistently higher than high-sulfur fuel prices. This price spread has supported the economic rationale for shipowners to install EGCS, as it allows vessels to continue using lower-cost high-sulfur fuel while complying with applicable environmental regulations.

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However, we cannot assure you that the price spread between high-sulfur and low-sulfur fuel will remain at historical levels. If the price differential were to narrow, the economic benefits of using high-sulfur fuel in conjunction EGCS would be reduced, which could in turn diminish the cost-effectiveness and commercial attractiveness of our EGCS. As a result, shipowners may delay, reduce, or cancel investments in such systems, or choose alternative compliance products.

In addition, the increasing availability and adoption of alternative fuels and propulsion products that are capable of meeting environmental and emissions requirements without the use of EGCS, such as liquefied natural gas, methanol, ammonia, or other emerging fuels, may further reduce demand for exhaust gas cleaning systems. Regulatory developments, technological advancements in fuel and propulsion systems, or shifts in industry preferences could accelerate the adoption of such alternatives.

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

During the Track Record Period, our sales covered Germany, Greece, Singapore, Japan, the United States, and other regions. As we plan to continue to expand our business into various regions and countries overseas, we will face various risks and challenges, including, but are not limited to, changes in political environment and economic conditions, increased competition from local players, cultural difference, and the complexity of compliance with laws and regulations in different jurisdictions. In particular, the shipping industry is highly sensitive to global macroeconomic conditions and international relations. Escalating geopolitical tensions, trade-disputes, wars, or the imposition of economic sanctions and tariffs could significantly disrupt global shipping routes and logistics networks. Our business and reputation may be adversely affected if the authorities of any jurisdictions determine that any of our future activities violate applicable sanction-related rules. Any escalation in geopolitical tensions or trade protectionism that disrupts the global shipping industry could therefore adversely affect our and our customers’ business, financial condition, and results of operations. Any failure to handle these risks effectively could result in damage to our reputation, increase in costs, or disruptions to the execution of our business plans and operations. In addition, our plans for overseas business development may require significant investments in sales and marketing, human resources, and research and development, which may not yield the expected return on investment. The timing of our expansion plans may also be affected by factors beyond our control, such as changes in economic conditions, political environment, or delays in obtaining necessary licenses and permits. Furthermore, we may be subject to additional regulatory requirements in foreign countries, which may increase our compliance costs and subject us to legal and regulatory risks. These requirements may also limit our ability to operate in certain regions or countries, which could adversely affect our growth prospects. We may need to allocate significant resources to manage and mitigate these cross-border operating risks, which could increase our expenses and adversely affect our financial performance. If we are unable to manage these risks effectively, our business, financial condition, and results of operations may be materially and adversely affected.

We have a limited track record in extending our products and services beyond vessel exhaust gas emission control and cleaning systems. As a result, our historical results may not be indicative of our future performance.

Historically, we were primarily engaged in the provision of vessel exhaust gas emission control and cleaning systems, particularly the EGCS, and began expanding to the provision of vessel energy efficiency enhancement systems in February 2024. Additionally, we commenced the provision of our intelligent vessel operating and maintenance systems in August 2024. As a result of our limited operating history in the provision of vessel energy efficiency enhancement systems and the provision of our intelligent vessel operating and maintenance systems, our ability to accurately forecast our future results of operations is subject to a number of uncertainties such as our ability to plan for and drive future growth. Our historical results may not provide a meaningful basis for evaluating our business, financial condition, and results of operations, and we may encounter unforeseen expenses, difficulties, delays, and other known and unknown challenges, and may not be able to achieve promising results in future periods. We cannot assure you that we will

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be able to achieve similar results or grow at the same rates as we did in the past. In future periods, our revenue growth may slow down or even decline for a number of reasons, including slowing demand for our products, intensified competition, material changes in technology, declining growth rate of our total addressable market, or our failure to continue to take advantage of growth opportunities. If our assumptions regarding risks and our future revenue growth turn out to be incorrect or if we do not respond effectively to uncertainties and challenges, our operating and financial results could differ from our forecast, and our business, financial condition, and results of operations could be materially and adversely affected.

Our competitive position depends to a great extent on our research and development capabilities and any underperformance in our technology and research and development endeavors may adversely affect our competitiveness and profitability.

As green shipping equipment and systems industry advances, retrofitting existing vessels requires extensive upgrades to propulsion, control, and intelligent systems, imposing high demands on research and development, design, and engineering capabilities. Ultimately, only companies with mature engineering experience, proven technical capabilities, and strong supply-chain coordination are positioned to gain an advantage in this competitive landscape. To be able to compete effectively, we must enhance our research and development capacities.

However, our investments in research and development require significant management time and a high level of financial and other commitments, and we may need to increase expenditure on research and development in response to changes in market demand. Further, we cannot assure you that our investments in research and development resources will yield the desired results. Our business, financial condition, and results of operations may be adversely affected if we fail to successfully anticipate and react in a timely manner to changes in market needs, technological advancements, or industry trends, or if our investments in research and development do not result in successful product introductions.

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

During the Track Record Period, certain of our customers settled their payments with us through third-party payors. In 2023, 2024, and 2025 and for the five months ended May 31, 2025 and 2026, payments received from third-party payors was RMB76.6 million, RMB238.3 million, RMB2.10 billion, RMB617.0 million, and RMB1.10 billion, respectively, accounting for 3.2%, 9.9%, 60.0%, 46.6%, and 44.0% of our total revenue for the same periods, respectively. The amount and proportion of such payments increased significantly during the Track Record Period, and we may not be able to fully cease third-party payments due to factors beyond our control, such as customers’ internal payment and fund management needs. For details, see “Business — Third-Party Payment Arrangements.” We might be subject to various risks relating to such payment arrangements, such as possible claims from such payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors, and potential money laundering risks as we, in certain occasions, may have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend substantial financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payments for the products that we sold or the services that we provided. In addition, such arrangements may also give rise to additional administrative burden and documentation requirements in verifying the commercial rationale, authorization, and fund flow of the relevant payments. Furthermore, if there is any material delay, dispute, or change in the relevant customers’ internal payment arrangements, our customer relationship, revenue collection, or business operations could be adversely affected.

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Any issues or delays in scaling and maintaining production and retrofit at our facilities could adversely affect the delivery of our green shipping equipment and systems.

We currently conduct manufacturing activities for products used in the provision of vessel exhaust gas emission control and cleaning systems and vessel energy efficiency enhancement systems at our Suzhou branch, while the provision of vessel retrofit and servicing are primarily carried out at another subsidiary. In addition, we may consider establishing additional large-scale production and installation facilities in the future. Any difficulty in scaling or maintaining these facilities could adversely affect our delivery capacity and operating efficiency.

The development, upgrading, and expansion of our production and retrofit facilities require significant capital investment and management resources. We cannot assure you that such investments can be completed within budget or on schedule, or that we will be able to achieve the anticipated capacity expansion or recover the related costs through increased production and sales. Delays in construction, equipment installation or commissioning, and cost overruns, may constrain our production or retrofit capacity and adversely affect our business, financial condition, and results of operations.

Our facilities involve the use of heavy machinery, specialized equipment, and complex engineering processes. These operations inherently carry elevated workplace safety and operational risks, including equipment damage, facility shutdowns, and industrial accidents. Such incidents may result in injuries, fatalities, interruptions to production or retrofit activities, property damage, monetary losses, or potential legal liabilities. We cannot assure you that accidents or safety incidents will not occur in the future. Any failure to effectively manage these risks could disrupt our operations and materially and adversely affect our business, financial condition, and results of operations.

Furthermore, the construction, operation, and expansion of production and retrofit facilities in China are subject to extensive regulatory oversight and approval requirements. These may include project filings or approvals, land use and planning permissions, environmental impact assessments, fire safety approvals, and inspections by relevant government authorities. In particular, the environmental impact assessment process may impact our construction timelines and approval process, potentially causing delays to our expansion plans. In addition, the applicable requirements relating to occupational disease prevention facility under PRC laws may affect our production plans and business operations. These uncertainties, delays, or changes in administrative approval processes, could result in fines, rectification orders, suspension of construction, or operational restrictions. Any such regulatory challenges could delay our facility expansion plans, increase compliance costs, and adversely affect our ability to scale and maintain our production and retrofit capabilities in a timely manner.

If we are unable to effectively manage, operate, and expand our facilities as planned, or if our facilities experience operational disruptions or regulatory constraints, our ability to deliver our green shipping equipment and systems on time and at the required quality level may be impaired, which could materially and adversely affect our business, financial condition, and results of operations.

We cooperate with third parties for certain aspects of our operations, and any failure by such third parties to deliver quality work on time may adversely affect our business.

We rely on third parties in certain aspects of our business, particularly for the outsourced processing and fabrication of certain components, structures, and systems used in our projects, including EGCSs, wind shields, spherical shells or hulls, and pre-shrouded vanes. We adopt two outsourcing arrangements. Under the first arrangement, these third parties are responsible for both the processing work and the sourcing of necessary materials in accordance with agreed

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specifications. Under the second arrangement, we provide key materials or inputs, while these third parties perform processing, fabrication, or assembly services based on our technical requirements. In both cases, we remain responsible for overall project delivery, quality control, and contractual performance to our clients.

Our cooperation with outsourced partners exposes us to various operational risks. Their performance may be adversely affected by factors beyond our control, including equipment failures, capacity constraints, labor shortages, operating inefficiencies, commercial disputes, regulatory non-compliance, natural disasters, or other unforeseen economic, environmental, public health, or social events. Any such disruptions could impair their ability to deliver products or services to us on time or at the required quality level. Delays, defects, or non-conforming products delivered by these third parties may disrupt our production schedules, delay project delivery, or require rework, remediation, or replacement, resulting in additional costs and potential contractual liabilities. Given the often time-sensitive nature of our business, such issues could adversely affect our ability to meet client deadlines, our reputation, and client relationships.

In addition, identifying and engaging alternative third-party partners, particularly for customized or technically complex components or products, can be time-consuming and costly. Replacement partners may require additional time to familiarize themselves with our technical specifications, quality standards, and project requirements, which may lead to transitional inefficiencies, delays, or increased costs. We cannot assure you that suitable alternative third-party partners can be identified and engaged on acceptable terms, within a reasonable timeframe, or at all.

If we experience a significant increase in project volume, encounter capacity constraints among our existing third-party partners, or are required to replace one or more outsourced partners, we may not be able to secure sufficient and satisfactory external processing capacity to meet our delivery schedules. Any failure by third-party partners to allocate adequate resources or prioritize our projects could result in delayed deliveries, loss of business opportunities, contractual penalties, or client claims. Any of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

Inadequacies or delays in our after-sales services, including the handling of repairs and warranty claims, may result in additional costs and expenses that adversely affect our business, financial condition, and results of operations.

Although after-sales services constitute an important competitive advantage of our business, we may not be able to maintain the same level of service quality or responsiveness as our operations expand. Our products and systems are subject to classification society inspections prior to delivery, and we endeavor to ensure that they meet applicable technical and quality standards. However, defects, performance issues, or other quality-related problems may still arise after delivery due to factors such as client usage conditions, operating environments, or unforeseen technical issues. In such cases, we are required to provide timely maintenance, repair, and warranty services to fulfill our contractual and commercial obligations.

Providing effective after-sales services requires skilled personnel with technical expertise in marine electrical, marine engineering, and thermodynamics. As our business expands and our installed base grows, we may face increasing workload and resource constraints. Short-term surges in service demand, unexpected technical issues, or more intensive client usage than anticipated may result in higher maintenance and repair costs, longer response times, or service delays. If we are unable to scale our service capabilities efficiently, manage our relationship with local service providers effectively, or manage service quality consistently, customer satisfaction may decline, and our reputation and competitive position may be adversely affected. In addition, certain customers are located outside our principal operating markets. Providing maintenance and repair services across different jurisdictions may increase costs and complexity, including expenses relating to logistics, spare parts delivery, personnel dispatch, and coordination with local service providers. Differences in language, business practices, and regulatory requirements may further complicate service delivery and increase the risk of disputes or claims. Failure to effectively manage these challenges could result in increased expenses and reduced service efficiency.

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We make warranty provision of RMB31.4 million, RMB26.0 million, RMB36.3 million, RMB10.6 million, and RMB6.8 million in 2023, 2024, and 2025 and for the five months ended May 31, 2025 and 2026, respectively. The provision is made for estimated warranty settlements under our sales agreements, representing management’s best estimate of future liabilities associated with products still under warranty. The decrease in warranty provision from 2023 to 2024, the increase from 2024 to 2025, and the decrease from the five months ended May 31, 2025 to the same period in 2026 reflected ongoing adjustments based on actual warranty costs incurred. We cannot assure you that these provisions will be sufficient to cover future claims. In the future, we may face significant unexpected warranty claims, resulting in substantial expenses that could in turn materially and adversely affect our business, financial condition, and results of operations.

We are exposed to credit risk from our customers, and any failure to collect our trade receivables in a timely manner may adversely affect our financial condition and results of operations.

We record trade receivables in the ordinary course of business. As of December 31, 2023, 2024, and 2025 and May 31, 2026, our trade receivables (on a net basis) were RMB917.9 million, RMB1.03 billion, RMB729.1 million, and RMB947.4 million, respectively. Our trade receivables turnover days were 103 days, 148 days, 92 days, and 50 days for the years ended December 31, 2023, 2024, and 2025 and the five months ended May 31, 2026, respectively. We cannot assure you that our customers will fulfill their payment obligations to us in the future. Various factors beyond our control, such as economic downturns and customer insolvency, may hinder or prevent us from collecting our trade receivables in a timely manner, or at all. Failure to effectively manage the credit risk associated with our trade receivables and collect payments in a timely manner could materially and adversely affect our business, financial condition, results of operations, and cash flows.

Our inventories may be obsolete and thus subject to write-down.

During the Track Record Period, our inventories consisted of work in progress and raw materials. As our systems are made on demand according to the requirements of our customers, our work in progress are attributable to applicable customers. As of December 31, 2023, 2024, and 2025 and May 31, 2026, we had inventories of RMB391.1 million, RMB395.4 million, RMB949.0 million, and RMB793.1 million, respectively. We had inventory write-down of RMB4.5 million, RMB4.8 million, RMB4.1 million, and RMB1.6 million as of December 31, 2023, 2024, and 2025 and May 31, 2026, respectively. Our work in progress is subject to write-down mainly due to unexpected cancellation of projects. In case orders are canceled, we will attempt to reconfigure or disassemble the work in progress and recycle the parts for use in other systems to the extent feasible. Our management will assess when it is unfeasible for the remaining parts to be recycled, and when to write down any remaining parts. As such, any unexpected change in storage conditions or significant technological developments may render our inventories obsolete. In addition, we cannot assure you that in case orders are canceled, we will be able to recycle the parts for use in other products, which may adversely affect our financial condition and results of operations.

Our long cash conversion cycle could adversely affect our liquidity.

We had long cash conversion cycle during the Track Record Period. Cash conversion cycle is a cycle where we purchase inventories, sell the inventories on credit, and collect the trade receivables and turn them into cash. Cash conversion cycle is calculated as the sum of trade receivables turnover days and inventory turnover days, less trade payables turnover days. In 2023, 2024, and 2025 and for the five months ended May 31, 2026, our cash conversion cycle was 101, 130, 111, and 74 days, respectively. Long cash conversion cycle means that we need a long period of time to turn our initial cash investment in inventories back into cash. If we fail to maintain our cash conversion cycle at a reasonable level, our liquidity could be adversely affected.

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Any future acquisitions of, or investments in, complementary businesses may have a material adverse effect on our business, reputation, financial condition, and results of operations.

We may in the future pursue acquisitions of, or investments in, additional businesses or assets that are complementary to our existing business, with the aim of enhancing our green shipping equipment manufacturing capabilities and vessel retrofit and servicing and shortening capacity build-up cycles. Such acquisitions or investments are subject to valuation risks where target businesses or assets may be overvalued resulting in overpayment and reduced return on investment, which could materially and adversely affect our financial condition and results of operations. In addition, subsequent integration of new businesses or assets into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could adversely affect our business. Moreover, we may not be able to achieve or realize the intended financial or strategic benefits, synergies, cost savings, or efficiencies, regardless of whether we successfully integrate the newly acquired business or manage a larger business. Furthermore, acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the incurrence of debt, the incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. If any of the foregoing risks materialize, our existing operations could be disrupted, and our business, reputation, financial condition, and results of operations could be materially and adversely affected.

Our brands are integral to our success. If we fail to effectively maintain, promote, and enhance our brand image, our business and competitive advantages may be harmed.

We believe that maintaining, promoting, and enhancing our brand, ZEME, is critical to our business. Maintaining and enhancing our brands depends largely on our ability to continue to provide high-quality, well-designed, useful, reliable, and innovative products, which we cannot assure you we will do successfully. We believe that the importance of brands recognition will increase as competition in our market further intensifies. In addition to our ability to provide reliable and useful products at competitive prices, successful promotion of our brands will also depend on the effectiveness of our marketing efforts. We market our products through our direct sales force and word-of-mouth referrals from our customers. Our efforts to market our brands have incurred significant costs and expenses and we intend to continue such efforts. We cannot assure you, however, that our selling and marketing expenses will lead to increases in revenue, and even if they do, such increases in revenue may not be sufficient to offset the expenses incurred. If we fail to effectively maintain, promote, and enhance our brand image, our business and competitive advantages may be harmed.

If we are unable to attract and retain competent talents who support our existing operations and future growth, our business may be materially and adversely affected.

We operate in a talent-intensive industry, requiring a significant and continued influx of specialized professionals to sustain growth. Our success depends substantially on the continued efforts of our key employees and qualified personnel, such as our key management, engineers, and other research and development personnel. Professionals with sufficient training in the green shipping equipment and systems industry may be difficult to hire, and we will need to expend significant time and expenses training our existing and prospective employees. If any of our key employees or qualified personnel becomes unable or unwilling to continue to contribute their services to us, we may not be able to replace them easily, or at all. As a result, our business may be severely disrupted, and our financial condition and results of operations may be materially and adversely affected.

Our existing operations and future growth also depend on our ability to attract, recruit, and train a large number of qualified employees and retain existing key employees. In particular, we rely on our top-notch research and development team to develop our advanced technologies, and our experienced sales personnel to maintain relationships with our customers. To compete for talents,

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we may need to offer higher compensation, better training, more attractive career opportunities, and other benefits to our employees, which may be costly and burdensome. We cannot assure you that we will be able to attract or retain qualified workforce necessary to support our existing operations and future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert managerial and financial resources, adversely affect staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues relating to our workforce may materially and adversely affect our business operations and future growth.

We may not be able to obtain additional capital when desired, on favorable terms, or at all.

We may make investments from time to time in technologies, facilities, equipment, or other projects to remain competitive. Due to the unpredictable nature of the capital markets and our industry, we cannot assure you that we will be able to raise additional capital on terms favorable to us, when required, especially if we experience disappointing results of operations. If adequate capital is not available to us as required, our ability to fund our operations, take advantage of unanticipated opportunities, develop or enhance our infrastructure, or respond to competitive pressures could be significantly limited. If we do raise additional funds through the issuance of equity or convertible debt securities, the ownership interests of our shareholders could be significantly diluted. These newly issued securities may have rights, preferences, or privileges senior to those of existing shareholders.

If we fail to obtain, maintain, or renew the licenses, approvals, qualifications, certifications, or registrations required for our operations, our business, financial condition, and results of operations may be adversely affected.

We are required to obtain and maintain the requisite licenses and approvals required in jurisdictions where we operate our business. We cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all our present or future business. The interpretation and implementation of existing and future laws and regulations governing our business activities may change from time to time in the future. If we fail to complete, obtain, or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, such as confiscation of the revenue that was generated through the affected operations, the imposition of fines, and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, financial condition, and results of operations.

In particular, we are required to obtain the permit for discharging wastewater into urban drainage facilities under PRC laws. While we are in the process of applying for the permit and currently do not anticipate encountering material difficulties in obtaining the permit, we cannot assure you that we can obtain the permit timely, or at all. Failure to obtain the permit may disrupt our business operations.

We may not be able to adequately protect our intellectual property rights, and we may be exposed to intellectual property infringement or misappropriation claims.

We may become an attractive target to counterfeiting and intellectual property theft activity because of our brand recognition. Our intellectual property rights could be challenged, invalidated, circumvented, or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages. In addition, we cannot assure you that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable.

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It is often difficult to register, maintain, and enforce intellectual property rights. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently due to the lack of clear guidance on statutory interpretation. Confidentiality, invention assignment, and non-compete agreements may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights. Policing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the infringement or misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources, and could put our intellectual property at risk of being invalidated or narrowed in scope. We cannot assure you that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting, or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition, and results of operations.

Various other issues may arise with respect to our intellectual property portfolio. We may not have sufficient intellectual property rights in all countries and regions where unauthorized third-party copying or use of our proprietary technology may occur and the scope of our intellectual property might be more limited in certain countries and regions. Our existing and future patents may not be sufficient to protect our products, technologies, or designs, and may not prevent others from developing competing products, technologies, or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty.

We may be involved in lawsuits, claims, regulatory investigations, or legal proceedings in our ordinary course of business, which could materially and adversely affect our reputation, business, financial condition, and results of operations.

We have been and may continue to be subject to or involved in or mentioned in various lawsuits, claims, regulatory investigations, or legal proceedings. Claims, arbitration, lawsuits, and litigations are subject to inherent uncertainties, and we are uncertain whether existing or new claims against us or which mention us would develop into lawsuits, damages or regulatory penalties, and other disciplinary actions that may be material to our business in the future. Lawsuits, litigations, arbitration, and regulatory actions may cause us to incur substantial costs or fines, utilize a significant portion of our resources and divert management’s attention from our day-to-day operations, or materially modify or suspend our business operations, any of which could materially and adversely affect our business, financial condition, and results of operations.

Responding to or defending litigations or other claims, disputes, or complaints against us is costly and can impose a significant burden on our management and employees or adversely affect our reputation, and we cannot guarantee favorable final outcomes in all cases. In addition, we cannot guarantee success in the claims we pursue against other parties. Any resulting liability, losses or expenses, or changes required to our businesses to reduce the risk of future liability, may adversely affect our business, financial condition, and results of operations. The interpretation of PRC laws in different jurisdictions may be subject to change, and an adverse outcome of a single claim against us in one jurisdiction regarding our business practices may result in significant negative publicity and heightened scrutiny by regulators and courts of our business and operations across the country, potential penalties, or other regulatory actions against us. Any of such outcomes may cause significant disruptions to our operations and materially and adversely affect our business, financial condition, and results of operations.

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We may have limited insurance coverage and may be subject to liabilities resulting from potential operational risks and losses that may not be covered by our insurance policies.

We maintain insurance coverage in respect of areas where we consider our business to be exposed to significant risks, including employer’s liability insurance and property insurance for our key facilities and assets. We cannot assure you that our insurance coverage will be adequate to cover all potential losses. Additionally, we do not carry insurance in respect of certain risks that we believe are not insured under customary industry practice in China or other jurisdictions where we operate, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism, and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages, and liabilities. We cannot guarantee that our insurance coverage is sufficient to cover potential losses. Furthermore, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our business, financial condition, and results of operations.

Failure to protect our leasehold interests could adversely affect our business operations.

If the landlords of our leased properties fail to perform their obligations under their lease agreements with us due to any reason, including demolition or any other unforeseeable events, we may be unable to continue using such properties. We may be forced to relocate the affected office premises or production facilities and incur additional expenses accordingly. If we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business and results of operations could be adversely affected. See “Business — Properties” for details.

Our business growth, financial condition, and prospects may be affected by any future occurrence of force majeure events, such as changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, social disruption, acts of war, and other outbreaks.

Our business growth could be adversely affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, social disruption, and other outbreaks. For instance, outbreaks of any severe epidemic disease, such as COVID-19, could cripple the productivity of our workforce and adversely affect our business operations. Outbreaks of infectious diseases, natural disasters, or other disruptive events could interrupt our production, disrupt our supply chain and logistics, or reduce customer demand. Events such as floods, earthquakes, typhoons, or fire may damage our facilities or delay manufacturing and delivery schedules. Social disruptions, acts of war, terrorism, or other force majeure events may further impact our operations. Any such events could materially and adversely affect our business, financial condition, and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Developments in social and economic policies, as well as the interpretation and enforcement of laws, rules, and regulations, may affect our business, financial condition, results of operations, and prospects.

As we conduct our business operations in China and certain overseas markets, our business, financial condition, results of operations, and prospects could be affected by local economic, social, and legal policies. In addition, with the social development, the relevant laws, rules, and regulations may be amended from time to time, and their interpretation and implementation will be determined accordingly. Any of the foregoing, including non-compliance with any existing or new laws, rules, and regulations, would materially and adversely affect our business, financial condition, results of operations.

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Regulatory control over capital inflow or outflow, currency conversion, and fluctuations in exchange rates may affect the value of your investment, result in investment losses, and limit our ability to utilize our cash effectively.

We receive a significant portion of payments from our overseas operations in U.S. dollars and may need to convert such funds into other currencies for purposes including the payment of dividends, if any, to our shareholders and the funding of our operations outside China. The convertibility of U.S. dollars into other currencies and, in certain cases, the remittance of foreign currencies out of China are subject to regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to meet dividend payments or other obligations denominated in foreign currencies.

Under currently effective PRC foreign exchange regulations, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches, through licensed banks for foreign exchange business, by complying with certain procedural requirements. However, prior registration and other procedures with competent government authorities are required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Any existing and future requirements on foreign exchange may limit our ability to fund any future business activities that are conducted in foreign currencies.

We could be subject to changes in our tax rates, the adoption of new tax legislation, or exposure to additional tax liabilities.

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) imposes a tax rate of 25% on business enterprises. Our Company is entitled to preferential tax treatment. For example, our Company was qualified as high and new technology enterprises, and was entitled to a preferential income tax rate of 15% during the Track Record Period. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC government may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to PRC tax laws and regulations and tax penalties or fines could affect our businesses, financial condition, and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. Because the tax environments in different jurisdictions vary and the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to invest more managerial and financial resources, which in turn could affect our business, financial condition, and results of operations.

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC law.

Under applicable PRC tax laws, regulations, and statutory documents, non-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-resident individuals are generally subject to individual income tax under the PRC Individual Income Tax Law (《中華人民共和國個

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人所得稅法》) with respect to the aforesaid 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%. Where, under the circumstance of withholding at source or designated withholding, non-resident taxpayers determine through self-assessment that they are eligible for and need to claim treaty benefits, they must fill out an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits and submit it to their withholding agents. If a non-resident taxpayer fails to submit an Information Reporting Form for Non-resident Taxpayers Claiming Treaty Benefits to the withholding agent or the information entered is incomplete, the withholding agent will withhold taxes in accordance with the provisions of domestic tax laws.

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

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares. Entitlement to treaty benefits for non-resident taxpayers will be handled by means of “self-judgment of eligibility, declaration of entitlement, and retention of relevant materials for future reference.” Non-PRC resident taxpayers and withholding agents need to cooperate with PRC tax authorities in the follow-up administration and investigation of non-resident taxpayers’ entitlement to treaty benefits.

Notwithstanding the above, PRC tax authorities determine whether and how individual income tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected in accordance with applicable laws and regulations in China. Non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC tax on the dividends received from us and gains realized through sales or transfers by other means of the H Shares.

Our offshore subsidiaries may be treated as a resident enterprise for PRC tax purposes.

Our offshore subsidiaries may be treated as a resident enterprise for PRC tax purposes. Under the PRC Enterprise Income Tax Law and its Regulation on the Implementation (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside of China with “de facto management bodies” located in China may be considered PRC resident enterprises for tax purposes and may be subject to the tax rate of 25% on their global income. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (Guo Shui Fa [2009] No. 82), or STA Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated by enterprises or enterprise groups within China as major controlling shareholders under the laws of foreign countries (regions) will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation, and management are located mainly within China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in China; (iii) primary properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings are located or kept within China; and (iv) at least half of the directors with voting rights or senior management reside within China. The STA has subsequently provided further guidance on the implementation of STA Circular 82.

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As our Company is a PRC enterprise, our offshore subsidiaries may be questioned by the competent regulatory authorities, and if our offshore subsidiaries are deemed PRC resident enterprises, they will be subject to the tax rate of 25% on such our offshore subsidiaries’ global income, except that the dividends they receive from our PRC subsidiaries, if any, may be exempt from the EIT to the extent such dividend income constitutes “dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise.” Nonetheless, it remains subject to future interpretation as to what type of enterprise would be deemed a “PRC resident enterprise” for such purposes. The corporate income tax on our subsidiaries’ global income could significantly increase our tax burden and affect our cash flows and profitability.

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

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the PRC Individual Income Tax Law and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (財政部、國家稅務總局關於個人所得稅若干政策問題的通知) (Cai Shui Zi [1994] No. 020) issued by the Ministry of Finance and the State Taxation Administration on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by the Ministry of Finance and the State Taxation Administration on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that individual income tax shall be levied on non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, relevant laws and regulations and the related practices may be changed, which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are subject to PRC enterprise income tax at a 10% rate. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知) (Guo Shui Han [2008] No. 897) issued by STA on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [REDACTED]). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities’ approval.

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Despite the arrangements mentioned above, the PRC tax laws and regulations may change, and the interpretation and application of applicable PRC tax laws and regulations may also change accordingly, which may adversely affect the value of your investment in our H Shares.

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

We are a company incorporated under the PRC law and most of our assets are located in China. In addition, most of our directors and senior management reside in China. As a result, it may be difficult for investors outside of China to effect service of process upon or to enforce judgments obtained against us or our management in courts outside China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in China of judgments of a court in these jurisdictions may consequently be difficult or impossible.

On July 14, 2006, the Supreme People’s Court and the Hong Kong Government signed the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), under which, where any designated court of the Chinese Mainland or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of the Chinese Mainland or Hong Kong court for recognition and enforcement of the judgment. The 2008 arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 18, 2019, the Supreme People’s Court 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 (《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》), which took effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the Chinese Mainland. The 2019 arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the 2019 arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the Chinese Mainland even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the Chinese Mainland, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the 2019 arrangement.

RISKS RELATING TO THE [REDACTED]

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

Prior to the completion of the [REDACTED], there has been no [REDACTED] market for our H Shares. There can be no guarantee that an active [REDACTED] market for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the [REDACTED] (for itself and on behalf of other [REDACTED] and the [REDACTED]), which may not be indicative of the [REDACTED] at which our H Shares will be traded following completion of the [REDACTED]. The [REDACTED] of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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The price and trading volume of our H Shares may be volatile, which could result in substantial losses to [REDACTED].

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. In particular, the business, performance, and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, relationships with our business partners, movements or activities of key personnel, actions taken by competitors, or regulatory developments. Moreover, shares of other companies listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our business performance.

Our Controlling Shareholders have significant influence over our Company, and their interests may not be aligned with the interest of our other shareholders.

Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay, or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the H Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Future sales or perceived sales of our H Shares in the [REDACTED] market could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future or may result in dilution of your shareholding.

The [REDACTED] of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be adversely affected as a result of future sales of our H Shares or other securities relating to our H Shares in the [REDACTED] market by our shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue shares pursuant to any future share option incentive schemes, which would further dilute our shareholders’ interests in our Company. New shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by H Shares. Market sales of shares by such Shareholders and the availability of these shares for future sales may adversely affect the [REDACTED] of our H Shares.

In addition, while [REDACTED] shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they [REDACTED], they may have existing arrangements or agreements to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED]. Any sale of the H Shares by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our H Shares and any sizeable sale could cause substantial volatility in the trading volume of our H Shares.

RISK FACTORS

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

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

Certain facts, forecasts, and other statistics in this document obtained from official government sources have not been independently verified and may not be reliable.

Certain facts, forecast, and other statistics in this document are derived from various official government sources. We believe that the sources of said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, [REDACTED], the [REDACTED], or any other party involved in the [REDACTED] and no representation is given as to its accuracy.

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

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