An investment in our Shares involves various risks. You should carefully consider all the information in this prospectus and, in particular, the risks and uncertainties described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position or prospect. If any of these events occur, the trading price of our Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisers regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Our operations could be materially affected by the volatility in the prices of our major raw materials and we may not be able to secure our principal raw materials on commercially acceptable terms, or at all

The major raw materials used in the production of our principal products include primarily copper materials (comprising mainly copper rods), aluminium materials (comprising mainly aluminium rods) and PVC materials. For FY2017, FY2018 and FY2019, our cost of raw materials for wires and cables accounted for 84.6%, 54.3% and 84.3%, respectively, of our cost of sales. We also purchased aluminium for trading and our cost of purchasing aluminium products accounted for 6.5%, 25.9% and 7.0% of our cost of sales for FY2017, FY2018 and FY2019, respectively. Copper and aluminium are susceptible to market volatility caused by various factors beyond our control. For example, fluctuations in market demands and the overall economic conditions could materially affect the demand and supply balance of these materials. See "Financial Information of our Group — Key Factors Affecting our Results of Operations — Availability and cost of raw materials" in this prospectus for further details. If we are unable to effectively manage the price fluctuations in copper and aluminium or pass the increased costs to our customers, any significant increase in the price of copper and/or aluminium would adversely impact our profit margin, thereby materially and adversely affect our financial position.

As disclosed in "Business — Procurement and Suppliers" in this prospectus, it is not our practice to enter into long-term contracts with our suppliers and we have not conducted any hedging activities. Therefore, we cannot assure you that our suppliers will not significantly increase the prices of raw materials or aluminium products in the future. In addition, although we have maintained a stable business relationship with our major suppliers, we cannot assure you that our major suppliers will continue the business relationship with us and deliver a sufficient quantity of raw materials to us in a timely manner, on commercially acceptable terms, or at all.

For FY2017, FY2018 and FY2019, purchases from our five largest suppliers in aggregate accounted for RMB225.2 million, RMB428.4 million and RMB547.5 million, respectively, accounting for 94.2%, 85.9% and 89.6%, respectively, of our total purchase for the same periods. In the event that we are unable to maintain business relationship with our major suppliers or to obtain a sufficient quantity of raw materials or aluminium products at a reasonable price or in a timely manner from them, or at all, or if the supply of raw materials or aluminium products by these suppliers are terminated, interrupted, or adversely modified, we cannot assure you that we are or will be able to secure alternative sources of raw materials or aluminium products with comparable prices or amounts on terms favourable to us. Any shortage in supply or loss of our major suppliers could result in delay of our production and/or increase in our cost of sales, thereby materially and adversely affecting our business, results of operations and profitability.

Our revenue is mainly derived from sales to customers without long-term contracts, and the demand for our products is significantly dependent on our customers' business and the performance of their respective industry or market

We principally engage in the manufacturing and sale of wires and cables and trading of aluminium products in the PRC. During the Track Record Period, our customers normally entered into contracts or placed purchase orders with us on a needed or project-by-project basis, which were not long term in nature. In most of the cases, we received quotation from potential customers before entering into any contractual relationship with them. On the other hand, some of the contracts entered into with customers (mainly those who operated in public sectors) were awarded through a competitive tendering process in which we were required to submit a bid, walk through the tendering process and enter into the supply contract only if the tendered projects are awarded to us. We submitted seven, 21 and 12 tenders for projects for FY2017, FY2018 and FY2019, respectively, and five, 13 and seven of such tendered projects were awarded to us. Our success rate for tenders submitted for FY2017, FY2018 and FY2019 were 71.4%, 61.9% and 58.3%, respectively. In addition, we may receive orders from a customer for highly customerised products, where we are able to negotiate for a higher selling price compared to other products. Further, most of our five largest customers for FY2017, FY2018 and FY2019 are relatively new, with business relationship with us for not more than three years. These five largest customers in aggregate accounted for 53.1%, 39.5% and 39.4%, respectively, of our total revenue for FY2017, FY2018 and FY2019. We cannot assure you that our customers are committed to continue to make the same or higher level of purchase with us, or at all, or that we are able to charge the same or higher prices for the products sold to a particular customer as each transaction is negotiated on a case-by-case basis, or that we will be able to secure new contracts, through tendering or any other means, from our existing or new customers in future, or that such customers will not engage our competitors for the supply of the same or similar products in the future.

In addition, the level of orders for our products placed by our customers could vary according to their respective financial or business performance and the industry in which they carry on their business. During the Track Record Period, our customers include power companies, manufacturing enterprises, construction and renovation companies, trading companies and walk-in customers. Factors which may impact their financial or business performance or the industry in which they carry on the business include market demand for their products or services, industrial cycle, the relevant PRC governmental regulations and policies, such as the capital expenditure budget for power generators and state grids and infrastructure developments and overall economic climate, which would affect the demand for our products and are beyond our control. If any event occurs which would materially and adversely affect the financial or business performance of our major customers or the respective industries in which they are operating, our financial position and prospect would be materially and adversely affected.

We recorded net current liabilities as at 31 December 2017 and 2018 and relatively high gearing ratio as at 31 December 2017, 2018 and 2019

Our business requires significant working capital for our day-to-day production activities and operations. In addition, our capital expenditures may increase as a result of our further acquisition or upgrade of production facilities and expansion of our operation scales, which may result in increases in our borrowing needs. Our working capital requirements may further increase if we are required to offer our customers more favourable payment terms in order to secure contracts or to compete successfully. For our trading of aluminium products, as we normally provide a credit period up to seven days to our customers and our suppliers generally require payment upon delivery, the resulting mismatch of credit terms requires us to maintain sufficient cash to meet our purchase requirement.

As at 31 December 2017 and 2018, we had net current liabilities of RMB69.4 million and RMB39.9 million respectively, of which RMB56.0 million and RMB91.6 million respectively, were secured interest-bearing borrowings which were mainly used for purchases of raw materials as at the relevant dates. We recorded net current assets of RMB17.3 million as at 31 December 2019. We had incurred significant indebtedness to finance our operations. To finance our expanding business, we incurred indebtedness in the amount of RMB71.6 million, RMB94.1 million, RMB99.7 million and RMB107.1 million, respectively, as at 31 December 2017, 2018, 2019 and 30 April 2020. Our gearing ratio was 123.5%, 107.7% and 71.5%, respectively, as at 31 December 2017, 2018 and 2019. For details, see "Financial Information of our Group — Key Financial Ratios" in this prospectus. Should our funding requirements exceed our available financial resources, we may be required to seek additional financing to fund our capital expenditures to support our business and/or refinance existing debt obligations.

We cannot assure you that we will not record net current liabilities again in the future. Having significant net current liabilities and indebtedness could expose us to liquidity risks, constrain our operational flexibility, increase our vulnerability to adverse developments in general economic or industry conditions, and adversely affect our ability to expand our business and fulfil our payment obligation under our borrowings. Our significant amount of external borrowing increased our exposure to finance cost. Our finance cost amounted to RMB4.3 million, RMB6.5 million and RMB7.9 million for FY2017, FY2018 and FY2019, respectively. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated as well as to fulfil our payment obligations, we may need to rely on additional external borrowings for funding. We cannot assure you that additional financing, either on a short-term or long-term basis, will be made available on terms favourable to us, or at all. If adequate funds are not available, whether on commercially acceptable terms, or at all, we will be subject to liquidity risk and be forced to liquidate our assets to pay off our debt and to delay or abandon our expansion plans, and our business, financial position and results of operations could be materially and adversely affected.

In addition, if we obtain additional financing through incurring debt obligations, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or to obtain further funding. If we fail to comply with any such covenants or are in default of any such debt obligations, this may have an adverse impact on our liquidity and financial position, thereby materially and adversely affecting our business, financial position and prospects.

Our significant growth in revenue for FY2018 was partly contributed by our trading segment which may not be recurring in nature

For FY2018, our revenue from trading of aluminium products amounted to RMB138.6 million, representing an increase of RMB122.5 million from RMB16.1 million for FY2017. The significant growth in our trading segment was mainly because we commenced trading of aluminium products through Guangyuan Saftower since November 2017. Nonetheless, our Directors expect that we may not be able to record the same or higher level of revenue from this segment because (i) we plan to allocate more resources to our manufacturing segment for better utilisation of our working capital; and (ii) some trading income may not be recurring. For FY2018 and FY2019, our revenue from trading of aluminium products amounted to RMB138.6 million and RMB45.3 million, respectively.

We had net operating cash outflows for FY2018

For FY2018, we recorded negative cash flow from our operating activities of RMB21.7 million, which was largely due to cash outflow from change in working capital resulting from the aggregate effect of the increase in prepayments, deposits and other receivables and the increase in trade and bill receivables. For detailed discussion on our cash position, see "Financial Information of our Group — Liquidity and Capital Resources" in this prospectus.

We cannot assure you that we will not experience net operating cash outflow in the future. Our liquidity and financial position may be materially and adversely affected should our future operating cash flow remains negative. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain financing on terms acceptable to us or at all. Our working capital, our ability to make necessary capital expenditures and to fulfill our payment obligations may be constrained, and our business, financial position and results of operations could be materially and adversely affected.

Our business operations may be affected by the outbreak of COVID-19 originated from Wuhan City, Hubei Province, China

There has been an outbreak of a respiratory disease COVID-19 which first emerged in Wuhan City, Hubei Province, China in late 2019. The new strain of COVID-19 is considered highly contagious and may pose a serious public health threat. On 23 January 2020, the PRC government announced the lockdown of Wuhan City in an attempt to quarantine the city. Since then, draconian measures including travel restrictions had been imposed in other major cities in the PRC in an effort to contain the COVID-19 outbreak. The World Health Organization ("**WHO**") has been closely monitoring and evaluating the situation. On 30 January 2020, the WHO declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). As at the Latest Practicable Date, the virus had spread across the PRC where most deaths were in Hubei Province and globally, and death toll and number of infected cases continued to rise. Various countries and territories have also imposed travel restrictions, such as denial of entry and mandatory quarantine for people entering the boarders.

The continuous spread of COVID-19 is likely to have an adverse impact on the livelihood of the people in and the economy of the PRC. The wires and cables industry may be adversely affected due to the postponed resumption of productions and transportation, and therefore our business operation and our financial performance may be adversely affected.

We are uncertain as to when the outbreak of COVID-19 will be fully contained. If the outbreak of COVID-19 is not alleviated or is worsened unexpectedly in the foreseeable future, as with the other industries in the PRC, our business and financial condition may be materially and adversely affected as a result of the changes in the landscape of the wires and cables market, any slowdown in economic growth, negative business sentiment or other unanticipated factors. In addition, in case any of our employees contracted or is suspected to have contracted with COVID-19, they could be required to be quarantined and/or our production facilities to be disinfected, which could disrupt our business operation. Any prolonged disruption or suspension of our facilities will materially and adversely affect our business and financial performance.

The PRC preferential tax treatment and government subsidies we currently enjoy may be unfavourably changed or discontinued

For FY2017, FY2018 and FY2019, we received certain government grants and subsidies amounting to, in aggregate, RMB5.4 million, RMB3.9 million, and RMB15.0 million, respectively, in relation to the support of our Group's operations, purchase of plant and machinery, the reward (by preferential tax treatment and tax refund) of the employment of disabled people in the PRC, and the reward for our application for the Listing. These grants and subsidies were subject to the discretions of local governments.

Further, as at the Latest Practicable Date, our subsidiaries were entitled to enjoy various preferential tax treatment and tax refund. On 9 May 2016, we have been awarded Social Welfare Enterprise Certificate (社會福利企業證書) from Pidu District Civil Affair Bureau in the PRC. Under the relevant rules, such as Circular on Preferential Valued-Added Tax Policies for Promoting Employment of the Disabled People (關於促進殘疾人就業增值稅優惠政策的通知) (Cai Shui [2016] No.52), a social welfare enterprise is entitled to preferential tax treatment and tax refund. Further, Sichuan Saftower, our operating subsidiary in the PRC, was approved as High and New Technology Enterprise, and accordingly, such entity was subject to a preferential corporate income tax of 15% for FY2018 and FY2019. Guangyuan Tongchuang, our subsidiary since 16 April 2019, is subject to 15% income tax concession due to preferential tax policy of the development of the western region fulfilled in FY2019. According to "Circular on Issues Concerning Relevant Tax Policies in Deepening the Implementation of the Western Development Strategy" (《關於深入實施西部大開發戰略有關稅收政策問題的通知》) (Cai Shui [2011] No. 58) (財稅[2011]58號), from 1 January 2011 to 31 December 2020, the enterprise income tax imposed upon any enterprise established in western regions and included among the encouraged industries shall be collected at the reduced rate of 15%.

We cannot assure you that we will continue to receive such government grants, subsidies, preferential tax treatment and tax refund, and our financial position may be materially and adversely affected if we fail to obtain such government grant, subsidies and preferential tax treatments in the future. We also cannot assure you that our relevant subsidiaries can continue to enjoy the preferential tax treatment and tax refund to the status of a social welfare enterprise or High and New Technology Enterprise (as the case may be). If any of the above preferential policies previously applicable to us is changed unfavourably or discontinued or we are unable to successfully renew our entitlement to such policies, our net profit and hence our financial position would be materially and adversely affected.

We are exposed to the credit risk of our customers and operate in a relatively thin margin

Our financial condition and profitability are dependent on the creditworthiness of our customers. For FY2017, FY2018 and FY2019, our trade and bills receivables amounted to RMB27.9 million, RMB66.9 million and RMB148.0 million, respectively. Generally, for wires and cables, credit period of trade and bills receivables granted to our customers could be up to 90 days. For aluminium products, credit period granted to our customers could be up to seven days. Our trade receivables turnover days for FY2017, FY2018 and FY2019 were 34 days, 32 days and 57 days, respectively. The allowance for expected credit loss for FY2017, FY2018 and FY2019 was RMB2.7 million, RMB3.3 million and RMB2.2 million, respectively. Further, our gross profit margin was 5.5%, 6.9% and 7.9%, respectively, for FY2017, FY2018 and FY2019 as we operate in a relatively thin margin and rely on external financings to support our operation, any delay and/or failure of payment by our customers would expose us to liquidity issue and adversely affect our normal operation.

We cannot assure you that we will be able to recover our trade and bill receivables as well as other receivables fully from our customers or that our customers will settle our trade and bill receivables as well as other receivables in a timely manner. If our customers to whom credit terms are granted delay or default in their payments, we may incur impairment losses and our business operations may be significantly interrupted. Our business and financial position may be materially and adversely affected.

We are subject to a potential claim from Guizhou Galuminium relating to our purchase of aluminium oxide under the Agency Service Arrangements

On 14 December 2018, Guangyuan Saftower entered into a supply agreement with Guizhou Galuminium, the designated supplier from whom we purchased aluminium oxide for Aostar under the Agency Service Arrangements, under which the terms of supply contained, among others, the total target purchase amount of 60,000 tonnes per year by Guangyuan Saftower for 2019. In March 2020, Guizhou Galuminium filed a civil claim against Guangyuan Saftower, in which Guangyuan Saftower was alleged to have breached the contract for the failure to fulfil in full the total target purchase for 2019 under the supply agreement dated 14 December 2018 (as supplemented by the supplemental supply agreement dated 1 April 2019) entered into between Guangyuan Saftower and Guizhou Galuminium, and Guizhou Galuminium claimed for damages in the sum of RMB6.4 million, which represented the alleged shortfall of the total target purchase for 2019. For details, see "Business — Agency Service Arrangements" and "Business — Compliance and Litigation — Litigation" in this prospectus. As at the Latest Practicable Date, we had engaged legal advisers in connection with the claim and were in the process of negotiation with Guizhou Galuminium. Despite the risk that we will be ultimately held liable in respect of the claim is remote, to safeguard our Group's interest from such potential litigation for any legal consequences (if any) in respect of the claim, we had requested Aostar, the principal to the Agency Service Arrangement, to arrange for an indemnity to cover such legal consequences (if any). On 25 May 2020, Hong Sheng (acting on behalf of Aostar) pledged its aluminium products in favour of Guangyuan Saftower at the value of RMB6.4 million and agreed to indemnify Guangyuan Saftower for any shortfall where the value of such pledged assets would be insufficient to cover such liabilities (if any). For details see "Business — Compliance and Litigation — Litigation" in this prospectus.

As we were at the stage of negotiation with Guizhou Galuminium as at the Latest Practicable Date, we cannot assure you that we will be able to reach settlement with Guizhou Galuminium on favourable terms or at all, or if Guizhou Galuminium proceeds with the legal proceedings against us, we will obtain the judgement of the court in our favour. Any legal proceeding against us, regardless of its merits or eventual outcomes, could result in significant legal costs, diversion of our management's resources and reputational damage to us. In the event that the claim of Guizhou Galuminium is successful and we are held liable to compensate Guizhou Galuminium for significant amount, our business and financial position would be materially and adversely affected.

Our business activities are concentrated in Sichuan Province and we sell our products in the domestic market only. Therefore, we are exposed to any adverse economic or social conditions in the region

As at the Latest Practicable Date, our business activities were carried out mainly in Sichuan Province of the PRC. Our major suppliers and customers for the Track Record Period and our production facilities were concentrated in the same province or neighbouring regions. We are therefore exposed to any deterioration in the economic, social and/or political conditions as well as the outbreak of natural disasters, terrorist attacks, political or social unrests, strike, riot, civil disturbance or disobedience, epidemics, any unfavourable state or provincial policies applicable to this region or other events beyond our control in this region. For example, there were incidents of earthquake and aftershocks which hit Sichuan Province in 2008, 2017 and 2019, resulting in loss of life and injury, as well as destruction of infrastructure in the region. The occurrence of any such event could result in damage to our properties, production facilities, interruption in our business operations, shortage in the supply of raw materials as well as labour force for our business operations and adversely impact the demand for our products, which could have a material adverse effect on our business, financial position and prospects.

In addition, we derived all of our revenue from the PRC during the Track Record Period. We expect that the PRC will continue to be our major market. In the event that there is any material unfavourable change in the PRC market which in turn affects the demand for and prices of our principal products, we may not be able to respond promptly. In such event, our business, financial position and prospects could be materially and adversely affected.

We have business relationship with local players in the power system construction industry, the prospect of which may vary from time to time

During FY2017, FY2018 and FY2019, we sold products to 12 companies under Customer A which operated in the power system construction industry in the PRC. In recent years, we have been actively seeking strategic cooperation with players in the power system construction industry which we believe, could extend our business presence and generate potential sales opportunities. For example, in October 2018, we entered into a five-year framework cooperation agreement on power system construction and materials supply with Litai Energy, a subsidiary of Customer A, being a provincial state-owned power company. Our revenue derived from players of the power system construction industry accounted for 2.3%, 7.5% and 8.2% of our total revenue, respectively, for FY2017, FY2018 and FY2019. The development of the power system construction industry itself is affected by a number of factors, including but not limited to, the PRC government policy and the demand for electricity. Our customers in the power system construction industry are subject to various PRC governmental regulations and policies that are constantly reforming, and their businesses could be adversely affected by any such reform. Such uncertainty may adversely affect our business, financial position and results of operations, should there be any decline in the power system construction industry.

We are subject to risks relating to the operation of our production facilities

Our ability to efficiently produce our products is critical to our success. During the Track Record Period and up to the Latest Practicable Date, we produced wires and cables in our production plants situated in Chengdu and Guangyuan of Sichuan Province. For details, see "Business — Production Facilities" in this prospectus. Any damage or disruption to the operations of any of our production plants or production facilities could materially and adversely affect our business and prospects. Damage or disruption to the operations of our production plants may result from a number of factors which may be beyond our control, including:

(i) utility supply disturbances, power failure, machine breakdown or malfunction, major accidents, terrorism, strikes or other *force majeure* events, as well as other events which will lead to forced closing or suspension of our production facilities;

(ii) severe weather conditions;

(iii) interruption of our information technology systems that facilitate the management of our production/processing facilities; and

(iv) other limitations to production/processing capacity due to regulatory requirements, changes in the types of equipment produced or physical limitations that could impact continuous supply.

We cannot assure you that the events mentioned above will not happen in the future. If we fail to take adequate steps to mitigate the likelihood or potential impact of these events, or to effectively respond to these events if they occur, we may not be able to complete our customer's orders on time and may lose customer loyalty and confidence. In such event, our business and financial position could be materially and adversely affected.

We may be subject to liability in connection with industrial accidents happened during our production process

As our production activities inevitably involve the operation of tools, equipment and machinery, industrial accidents resulting in employee injuries or even deaths may occur. We cannot assure you that these industrial accidents, whether due to failure of our employees to follow the operational procedures, malfunctions of such tools, equipment or machinery or other reasons, will not occur in the future. In such event, we may be liable for personal injury or death and monetary losses suffered by our employees, fines or penalties or other legal liabilities arising from violation of applicable PRC laws and regulations. We may also be subject to business interruptions caused by equipment shutdowns for government investigations or implementation of production safety measures. Any enhanced safety measures imposed by the PRC government authorities from time to time in the future could have a material adverse effect on the manner in which we conduct our operations, thereby adversely impacting our business.

If any of our principal products fails to meet the business and technical needs of our customers, our business and financial position could be materially and adversely affected

Our principal products are wires and cables. Revenue derived from our sale of wires and cables in aggregate represented 93.8%, 72.4% and 93.3%, respectively, of our total revenue for FY2017, FY2018 and FY2019. For FY2017, FY2018 and FY2019, we had over 500, 500 and 350 customers, some of them were power companies, manufacturing enterprises, construction and renovation companies as well as trading companies who purchased products from onward sales. The industries in which our customers operate are subject to technological changes which may cause existing product obsolescence. Entities within the wire and cable industry are also continuously developing new products and new models with improved performance and functionality in order to stay competitive. Technological changes will lead to the introduction of new products or new models using technology or materials different from those offered by ours. We cannot assure you that there will not be any technology advancement which may result in our production techniques or products becoming obsolete, and our failure to anticipate such advancement and successfully respond and adapt to such change in a timely manner would materially and adversely affect our business, financial position and prospects.

In addition, although we have committed time, effort and resources to the research and development of new products to meet the changing market demands, rapid changes in market demand could render our efforts obsolete and we cannot assure you that the results of our research and development efforts will gain market acceptance or that such efforts will be commercially successful.

Some of our major customers are state-owned or state-invested companies. As a result, they have stringent requirements on supplier selection, technical competence, product quality and timing of delivery. There is no assurance that we will be successful in continuing to meet their selection criteria, fulfil the required technical standards, maintain our product quality to their satisfaction or to deliver our products in accordance with the agreed delivery schedule. Our competitors may develop production techniques which are better than ours in terms of costs, production lead time and product quality, and would render our products non-competitive. If any of these factors materialises, we may lose our customers and business opportunities, and our business, financial position and prospects would be materially and adversely affected.

We may not be able to successfully implement our business strategies and deliver the expected results

The successful implementation of our business strategies and future plans may be hindered by risks set out in this section and is subject to numerous factors, including:

- the availability of favourable government policies that foster our business as well as the development of wire and cable industry;
- our ability to maintain our major suppliers and major customers, and negotiate favourable terms with them;
- our ability to adapt to changing market and technological trends;
- our ability to hire and retain skilled personnel to manage and operate our business; and
- our ability to manage increase in costs of operation.

In addition to organic growth, we plan to implement various initiatives as disclosed in "Business — Business Strategies" in this prospectus. Such initiatives include: (i) expanding our production facilities and production plant; (ii) repaying part of our existing loan to improve our capital base; (iii) capital injection to Guangyuan Shuneng to enhance the vertical expansion of our production capacity; (iv) increasing sales and marketing activities to promote our products and corporate profile; and (v) enhancing corporate management efficiency. We cannot assure you that we will be able to successfully implement our business strategies or future plans or such strategies or plans will result in increase in revenue or profits as expected. In addition, our expansion plans may place substantial demands on our management and our operational, technological, financial and other resources. We cannot assure you that we will be able to manage any future growth effectively and efficiently, and our ability to capitalise on new business opportunities may be adversely affected if we fail to do so, which would in turn adversely affect our business, financial position and prospects.

We are subject to product liability risks that could damage our reputation and may cause us to incur substantial costs

Our business is inherent to the risk of product liability claims as our products are generally subject to prescribed industry technical standards and specifications. Although we have in place well-established quality control measures, we cannot assure you that our products will be defect-free. Any defect or malfunction in our products or any failure of our products to meet customers' specifications could result in damages or losses of customers. We may be subject to product liability claims for compensation and may have to incur a significant amount of resources and legal costs to defend the claims instituted against us regardless of the outcome of any such claim.

The quality of our products is highly dependent on the quality of the raw materials we obtain from our suppliers which is out of our control. We cannot assure you that our supply contracts will contain sufficient provisions such that we could be completely and adequately indemnified by third-party suppliers or could make a claim against them for any loss so incurred. In addition to monetary losses, defective products could also result in negative publicity, which may materially and adversely affect our brand name and reputations. Additional time, effort and expenditures may be required to rectify the problems and build up our customers' confidence and any successful product liability claim against us may have a material and adverse effect on our business, financial position and prospects.

Further, the industry standards and specifications we are required to adhere may change from time to time and we may need to incur additional costs and investments in upgrading our product, our production facilities and recruiting more experienced technical personnel for complying with these new standards.

Failure to manage our inventory levels could cause us to lose sales or face excessive inventory risks and holding costs

Our inventory comprises mainly raw materials, work-in-progress and finished goods. We are required to maintain a certain level of inventory of raw materials as well as finished goods in order to operate our business efficiently and to successfully meet our customers' demands and expectations. To maintain our inventory of raw materials at an appropriate level, we need to adjust our procurement activities from time to time based on our procurement and production plans, taking into account the lead time required for each type of raw materials and the actual or forecasted purchase orders that we receive. As at 31 December 2017, 2018 and 2019, our inventory amounted to RMB15.2 million, RMB8.5 million and RMB20.8 million respectively and our inventory turnover days were 23 days, nine days and nine days for the same periods.

As forecasts are subject to uncertainties or variations, our failure to effectively manage our inventory and/or production plan could result in under- or over-stocking of inventory. If the actual purchase orders are higher than the forecasted demands, we may not be able to maintain an adequate inventory level to fulfil customers' order in a timely manner and may lose sales and market share to our competitors. On the other hand, excessive inventory of raw materials or finished goods may also increase inventory risks as there will be risk of inventory obsolescence, decline in inventory values, and inventory write-downs or write-offs. Any of the above may adversely affect our business and financial position.

Our future performance depends on the continued service of our senior management and our ability to attract, train and retain skilled and experienced personnel

Our success depends largely on the continued service of our executive Directors, in particular, Mr. Dang Fei and Mr. Wang, and other senior management and technical staff. Any loss or interruption of the service of any of our executive Directors, members of our senior management or key personnel could significantly impair our ability to manage our operations or to meet our business objectives and strategies. We cannot assure you that we will be able to identify suitable replacements in a timely manner, at acceptable cost or at all. Recruitment and training of replacement personnel could take significant time and require additional expenses, which could further disrupt our business and growth.

Our business relies, to a certain extent, the availability of labour force. Higher staff cost and skilled labour shortage would reduce our competitiveness and profitability

Our operation, to a certain extent, relies on a stable supply of labour. The staff cost of our Group was RMB9.7 million, RMB7.7 million and RMB12.6 million, respectively, for FY2017, FY2018 and FY2019. However, we cannot assure you that our supply of labour and staff cost will continue to be stable. Any significant increase in staff cost could adversely affect our profitability and financial position. Furthermore, competitors may seek to hire away our employees. If we fail to retain our existing labour and/or recruit sufficient labour in a timely manner, we may not be able to cope with a sudden increase in demand for our products or our expansion plans.

We may not be able to protect our intellectual property rights and may be subject to infringement claims

Our ability to obtain and maintain our intellectual property rights and to defend ourselves against third-party infringement claims is critical to our success. As at the Latest Practicable Date, we had obtained 12 registered trademarks in the PRC and Hong Kong, and 58 registered patents in the PRC which were considered as material to our business. Furthermore, as at the Latest Practicable Date, we were in the process of applying for 13 patents in the PRC. See "Statutory and General Information — B. Further Information about the business of our Group — 2. Intellectual Property Rights" in Appendix V to this prospectus for further details.

We cannot assure you that the measures we currently adopt to protect our intellectual property rights are sufficient to prevent any unauthorised use of our intellectual property by third parties. Although we generally rely on trademark and copyright laws in the PRC and Hong Kong to protect our intellectual property rights, we cannot assure you that there will not be any third-party infringement. As the validity, enforceability and scope of protection of intellectual property rights could be uncertain, in the event that we need to resort to litigation or other proceedings to protect our intellectual property rights against third party infringers, this could result in substantial costs incurred, loss of time and diversion of resources. We cannot assure you that we can achieve a favourable outcome in any such litigation or proceeding. In addition, we cannot assure you that we have or will not inadvertently infringed the intellectual property rights of any other third parties where others may institute infringement claims against us.

In the event that we are unable to adequately safeguard our intellectual property rights, or to successfully defend ourselves from infringement claims, we may lose our competitive advantage and our reputation, business, financial position and prospects may be materially and adversely affected.

We may face increasingly stringent environmental protection requirements

Our business operations are subject to general PRC laws and regulations on environmental protection, such as the Environmental Protection Law of the People's Republic of China (中華人民共和國環境保護法), Law of the People's Republic of China on Prevention and Control of Water Pollution (中華人民共和國水污染防治法), Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution (中華人民共和國大氣污染防治法), Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (中華人民共和國環境噪聲污染防治法) and Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (中華人民共和國固體廢物污染環境防治法). Failure to comply with these laws and regulations may result in significant consequences to us, including administrative, civil and criminal penalties, liability for damages and negative publicity. If the breach is serious, the PRC government may suspend or close any operation failing to comply with such laws or regulations. For details, see "Regulatory Overview" and "Business — Environmental and Social Matters — Environmental" in this prospectus.

To comply with environmental protection laws and regulations, we will continue to incur costs to comply with environmental protection laws and regulations. In addition, new environmental issues could arise and lead to unanticipated investigations, assessments and associated costs. We cannot assure you that the PRC government will not amend existing environmental laws or regulations or impose additional or more stringent environmental laws or regulations, the compliance with which may require us to incur significant costs and capital expenditures and as a result materially and adversely affect our financial position.

We may encounter an increase in the depreciation expenses due to the future capital expenditure of our Group for the purchase of equipment and machinery

For FY2017, FY2018 and FY2019, the capital expenditure we incurred on the additions of property, plant and equipment amounted to RMB35.9 million, RMB1.4 million and RMB16.7 million, respectively. We plan to use 55.0% of the net proceeds from the Share Offer to be received by our Company to expand our existing production facilities and production plant after Listing. See "Future Plans and Use of Proceeds" in this prospectus for further details of our expansion plan. Acquisition of new equipment and machinery may increase the depreciation expenses and have a negative impact on the cash level, which may adversely affect our business, financial position and prospects.

We cannot assure you that our relationship with Tongsheng Guochuang will not change significantly in the future

As at the Latest Practicable Date, Tongsheng Guochuang was our joint-venture partner for one of our subsidiaries, namely Guangyuan Tongchuang (which was owned as to 56.7% by us and 43.3% by Tongsheng Guochuang). Further, we have been purchasing aluminium oxide for Aostar since January 2018 with the working capital provided by way of borrowing of RMB10.0 million from Tongsheng Guochuang, which was subsequently fully repaid on 13 May 2020. See "Business — Agency Service Arrangements" in this prospectus for details.

Although our Directors consider that our relationship with Tongsheng Guochuang has been good, we cannot assure you that our relationship with Tongsheng Guochuang, being the substantial shareholder in Guangyuan Tongchuang will continue in the future. If, for any reason, our relationship with Tongsheng Guochuang deteriorates in the future, the prospect and the development of our subsidiary, namely, Guangyuan Tongchuang, may be adversely affected.

We may be unable to detect, deter and prevent all instances of fraud or other misconduct committed by our employees or other third parties

We rely on our employees in handling daily operations and transactions with our suppliers and customers. We were not aware of any instances of fraud, theft and other misconduct involving employees, customers and other third parties that had any material adverse impact on our business and financial position during the Track Record Period and up to the Latest Practicable Date. However, we cannot assure you that there will not be any such instances in the future. We may not be able to prevent, detect or deter all instances of misconduct. Any misconduct committed against our interests, which may include past acts that have gone undetected or future acts, could subject us to financial losses, harm our reputation and may have a material and adverse effect on our business, financial position and prospects.

We had recorded accumulated losses as at 1 January 2017 and 31 December 2017 and our historical financial and operating results may not be indicative of future performance

Our revenue amounted to RMB262.3 million and RMB552.7 million, respectively, for FY2017 and FY2018, representing a year-to-year growth of 110.7%. For the same periods, our gross profit amounted to RMB14.4 million and RMB38.4 million, respectively, representing a year-to-year growth of 166.7%. Nevertheless, we recorded accumulated losses of RMB4.2 million and RMB2.4 million as at 1 January 2017 and 31 December 2017, respectively, arising from prior years' operating loss due to smaller scale of operation of our Group before FY2017. For the detailed discussion on the changes in our revenue and gross profits under each product segment for FY2017, FY2018 and FY2019, see "Financial Information of our Group — Description of Selected Items in Statements of Comprehensive Income" in this prospectus. Our Group's financial performance and result of operation for FY2020 is expected to be adversely affected by the Listing expenses.

We cannot assure you that we will achieve similar growth rate, or that we will be successful in mitigating any negative growth rate, in future. Our historical results, including the historical performance of each business segment, may not be indicative of our future performance. In particular, we cannot assure you that we are able to derive the same or higher level of profit from our sales of the same or similar products, the commercial term of which are negotiated on a case-by-case basis with our customers. Our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of our Shares to decline. Our revenues, expenses and operating results may vary from period to period in response to a variety of factors beyond our control, including general economic conditions, laws and regulations in the PRC and Hong Kong and our ability to control costs. You should not rely on our historical results to predict the future performance of our Shares.

Our insurance coverage may be inadequate to cover the risks related to our business and operations

We have purchased insurances for our buildings, production plants, equipment and machinery, inventory and vehicles. However, we have not taken any insurance on product liability or disruption of operations, which we believe is consistent with the general industry practice in the PRC. There may also be types of losses which we may incur but cannot be insured against or that we believe are not commercially reasonable to insure. We cannot assure you that we will be able to maintain sufficient insurance coverage to cover our potential liabilities, and that premiums will not increase substantially in the future. If we are held liable for uninsured losses, or for amounts exceeding the limits of our insurance coverage, our business and financial position may be adversely affected.

RISKS RELATING TO OUR INDUSTRY

We operate in a highly competitive industry, and we may fail to compete successfully against existing or new competitors

The wire and cable industry in the PRC has steadily developed over the last decades due to high economic growth across the PRC which has stimulated rapid industry expansion. We operate in a highly competitive environment, and our market position largely depends on our ability to compete with other wire and cable manufacturers in the marketplace and we cannot assure you that competition will not become intensified due to various reasons, including incumbents eagerness to gain market share, new entrants and vertical expansion by upstream and/or downstream players. According to the F&S Report, in terms of revenue, we ranked fourth in wire and cable market in Sichuan Province with a market share of 0.97% in 2019. We will face increasing competitive challenges from our competitors, including product variety, product quality and performance, product pricing, customer service, production capacity, timely delivery, marketing and brand recognition.

We cannot assure you that we will be able to compete successfully against current and future competitors, or that we will be able to address the challenges we face. In the event that we fail to maintain or improve our market position or properly respond to increase in competition, our market share, operating margins and brand recognition could be reduced, which may have a material and adverse effect on our business, financial position and prospects.

We may not be able to obtain or renew certain qualifications, licences or permits crucial to our business operations

We are required to obtain certain qualifications, licences or permits issued by the relevant government authorities to conduct our businesses such as national industrial production permit. See "Business — Compliance and Litigation — Certifications" in this prospectus on major qualifications, licences and permits obtained by us. We must comply with certain conditions and restrictions imposed by the relevant government authorities to maintain our qualifications, licences or permits. See "Regulatory Overview" in this prospectus for further details of the PRC laws and regulations regarding qualifications, licences and permits applicable to us.

As these qualifications, licences and permits are necessary for our business operation, obtaining and renewal of these qualifications, licences and permits are crucial to our ability to retain existing clients, attract new customers and maintain our competitiveness. We cannot assure you that we will continue to comply with any of the conditions required to obtain, maintain or renew the relevant qualifications, licences or permits. In the event that our qualifications, licences and permits are cancelled, revoked, or delayed in the renewal, our business and prospects may be materially and adversely affected.

We are operating in an industry which is subject to extensive and evolving laws and regulations, failure to comply with which could subject us to severe penalties

Our products are required to comply with extensive PRC laws, regulations, industrial technical standards and specifications required by our customers, which may change from time to time beyond our control. If any of such laws, regulations or industrial standards are modified or become more stringent beyond our existing technical capacities, we will be required to change our business plan, incur additional costs and resources to enhance our production facilities, upgrade our product design, provide training and recruit more technical personnel to comply with these new requirements and standards, which will increase our cost of production and may adversely affect our profitability. We cannot assure you that we will be able to comply fully with the current and future PRC laws, regulations, industrial technical standards and specifications required by our customers. Failing to meet these prescribed standards might subject ourselves to various penalties, including fines or suspension of our operations. Our business, financial position and prospects may be materially and adversely affected.

We are exposed to risks of general economic downturn and deteriorating market conditions in the PRC

As our business and operations are based in the PRC, our business growth is primarily dependent upon the positive environment of the PRC market as a whole. The market conditions are directly affected by, among other things, the global and local political and economic environments, such as uncertainties about the Sino-U.S. trade conflicts.

Any sudden downturn in the general economic environment or change in political environment in the PRC beyond our control may adversely affect the financial market sentiment in general. Severe fluctuations in market and economic sentiments may also lead to a prolonged period of sluggish market activities, which would in turn lead to a reduction in fund raising and corporate activities. As such, our revenue and profitability may fluctuate and we cannot assure you that we will be able to maintain our historical financial performance in times of difficult or unstable economic conditions.

RISKS RELATING TO DOING BUSINESS IN THE PRC

PRC economic, political and social conditions as well as government policies could affect our business

Our business and operations are located in the PRC. As a result, our business, financial position and prospects may be affected by the economic, political and social conditions as well as government policies in the PRC.

While the PRC government has been pursuing economic reforms to transform its economy from a planned economy to a market economy for more than three decades, a substantial part of the PRC economy is still being operated under various controls by the government. By imposing industrial policies and other economic measures, such as control of foreign exchange, taxation and foreign investment, which fell in negative list the PRC government exerts considerable direct and indirect influence on the development of the PRC economy. Many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. Other political, economic and social factors may also lead to further adjustments of the reform measures. This refining and adjustment process may materially and adversely impact our business, financial position and prospects.

The PRC legal system is in the process of continuous development and has inherent uncertainties that could limit the legal protection available to us in respect of our operations and to our Shareholders

The PRC legal system is based on written statutes and prior court decisions can only be cited as reference. The PRC is geographically large and divided into various provinces and municipalities and as such, different laws, rules, regulations and policies apply in different provinces and may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly for local applications, may be enacted without sufficient prior notice or announcement to the public on a timely basis. The PRC legal system is based in part on government policies and internal rules that may have a retroactive effect. As a result, we may not be aware of a violation of these policies and rules until sometime after the violation. There may be uncertainties regarding the interpretation and application of new laws, rules and regulations.

The interpretation and enforcement of certain PRC laws which govern a portion of our operations involve uncertainties, which could limit the legal protections available to us. For example, the interpretation and application of laws and regulations relating to social insurance and housing provident funds could vary greatly between the local governments and between local government and the central government, and we may be exposed to enforcement risk if the national government takes a different view on the status of our contributions to social insurance and housing provident funds. In particular, agreements which are governed under PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than in countries with more mature legal systems. Even if the agreements generally provide for arbitral proceedings for disputes arising out of the agreements to be in another jurisdiction, it may be difficult for us to obtain effective enforcement in the PRC of an arbitral award obtained in that jurisdiction.

Our Company is a holding company that relies on dividend payments from our subsidiaries for funding and payment of dividends from our PRC subsidiaries are subject to restrictions under PRC laws and PRC withholding tax

PRC laws require dividends to be paid out of net profit calculated according to PRC accounting principles, which, in many aspects, differ from the generally accepted accounting principles in other jurisdictions. Companies including foreign-invested enterprises, such as our PRC subsidiaries, are also required to set aside part of their net profits as statutory reserves, which are not available for distribution as cash dividends. In addition, such dividends are also subject to PRC withholding tax.

Our Company is a holding company registered in the Cayman Islands and our business and operations are conducted through our PRC subsidiaries. The availability of funds to pay distributions to Shareholders depends on dividends received from these subsidiaries. If our PRC subsidiaries incur any debts or losses or otherwise there are insufficient retained after-tax profits after deducting statutory reserves, the amount of dividends that our PRC subsidiaries can declare will be limited and as a result, our ability to pay dividends and other distributions to Shareholders will be restricted.

The PRC government's control over the conversion of foreign exchange and fluctuations in the value of RMB may affect our financial position and ability to pay dividends

Our operations are primarily conducted in the PRC and all of our revenue is denominated in RMB. The value of RMB against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in the political and economic conditions in the PRC as well as internationally and the fiscal and foreign exchange policies prescribed by the PRC government. There is no assurance that the value of RMB will remain at the current level against the U.S. dollar or any other foreign currency. Should RMB appreciate or depreciate against the U.S. dollar or any other foreign currency, it will have mixed effects on our business and there is no assurance that the overall effect on our business will be positive.

RMB is not currently a freely convertible currency. Conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Pursuant to the existing foreign exchange regulations in the PRC, we are allowed to carry out current account foreign exchange transactions (including dividend payment) without submitting the relevant documentary evidence of such transactions to the SAFE for approval in advance as long as they are processed by banks designated for foreign exchange trading. However, foreign exchange transactions for capital account purposes may require the prior approval or registration with the SAFE. If we fail to obtain the SAFE's approval to convert RMB into foreign currencies for foreign exchange transactions or there are changes in the foreign exchange regulations or policies, our capital expenditure plans, business operations, financial position and our ability to pay dividends may be materially and adversely affected.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of the Share Offer to make loans or additional capital contributions to our PRC subsidiaries

In utilising the proceeds from the Share Offer or any further offering, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital injection to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries in the PRC to finance their activities cannot exceed statutory limits in respect of the balance between the loan and the registered capital of such PRC subsidiaries and must be registered with the SAFE or its local counterpart. We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions shall be filed through the Foreign Investment Comprehensive Management Information System of the Ministry of Commerce of the PRC (中華人民共和國商務部). We cannot assure you that we will be able to obtain these government registrations or filing document on a timely basis, if at all, with respect to future loans or capital injection by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or filing documents, our ability to use the proceeds of the Share Offer and to capitalise our PRC operations may be negatively affected, which may materially and adversely affect our liquidity and our ability to fund and expand our business in the PRC.

We may be treated as a resident enterprise for PRC tax purposes and be subject to PRC taxation on our worldwide income, which could result in unfavourable tax consequences to us and our non-PRC Shareholders

Under the EIT Law, an enterprise incorporated in a foreign country or region may be classified as either a "non-resident enterprise" or a "resident enterprise". If an enterprise incorporated in a foreign country or region has its "de facto management bodies" located within the PRC, such enterprise will be considered a PRC tax resident enterprise and will normally be subject to the enterprise income tax of 25% on its worldwide income. See "Regulatory Overview — Regulations on Taxation — Enterprise Income Tax" in this prospectus for further details.

It is unclear how the PRC tax authorities will determine whether an offshore entity is a non-PRC resident enterprise. We cannot assure you that PRC tax authorities will not consider us to be a "resident enterprise". If the PRC tax authorities subsequently determine that we or our offshore holding companies are deemed to be or should be classified as "resident enterprises", such entity or entities may be subject to enterprise income tax at a rate of 25% on their worldwide income, which may have an impact on our effective tax rate and materially and adversely affect our business, financial position and prospects.

In addition, under the EIT Law, to the extent dividends from earnings derived since 1 January 2008 are sourced within the PRC and if we were considered a "resident enterprise" in the PRC, PRC income tax at the rate of 10% (or a lower rate pursuant to an applicable tax treaty) may be required to be withheld from dividends on our Shares payable by us to investors that are "non-resident enterprises" so long as such "non-resident enterprise" investors do not have an establishment or place of business in the PRC or if, despite the existence of such establishment or place of business in the PRC, the relevant income is not effectively connected with such establishment or place of business in the PRC. Furthermore, any gains realised on the transfer of our Shares by such "non-resident enterprise" investors would be subject to PRC income tax at a rate of 10% if such gains were deemed income derived from sources within the PRC and if we were considered a "resident enterprise" in the PRC. It is unclear whether, if we are considered a PRC "resident enterprise", holders of our Shares may be able to claim the benefit of income tax treaties or agreements entered into between the PRC and other countries or areas. If we are required under the EIT Law or other related regulations to withhold PRC income tax on our dividends payable to foreign holders of our Shares which are "non-resident enterprises", or if our Shareholders are required to pay PRC income tax on the transfer of our Shares under PRC tax laws, the value of an investment in our Shares may be materially and adversely affected.

There are uncertainties with respect to indirect transfers of assets (including equity interests) of our PRC subsidiaries

In February 2015, the SAT issued the Announcement on Certain Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises Enterprises* (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) or Circular 7. Circular 7 was partly amended by the Announcement of the State Administration of Taxation on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises (SAT Announcement [2017] No. 37)《關於非居民企業所得稅源泉扣繳有關問題的公告》(37號公告). The regulations stipulated above provides comprehensive guidelines relating to, and also heightens the PRC tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise ("**PRC Taxable Assets**").

Circular 7 specifies that the PRC tax authorities are entitled to reclassify the nature of an indirect transfer of PRC Taxable Assets when a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets by disregarding the existence of such overseas holding company and considering the transaction to be a direct transfer of PRC Taxable Assets if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions, it remains unclear whether any exemption under Circular 7 will be applicable to the transfer of our Shares on a public market by our non-resident enterprise Shareholders or to any future acquisition by us outside of the PRC involving PRC Taxable Assets. As a result, the PRC tax authorities may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of the PRC involving PRC Taxable Assets to be subject to the foregoing regulations, which may subject our Shareholders or us to additional PRC tax reporting obligations or tax liabilities.

It may be difficult to effect service of process, enforce foreign judgments and arbitral awards or bring original actions in the PRC against us or our Directors and senior management

Our Company is registered under the laws of the Cayman Islands, but a substantial portion of our operations and assets and most of our Directors and senior management are located in the PRC. It may be difficult or impossible for investors to effect service of process on us or those persons in the PRC. Moreover, the PRC does not have treaties with most of the other jurisdictions that provide for the reciprocal recognition and enforcement of judicial rulings and awards. As a result, recognition and enforcement in the PRC of the judgment of a non-PRC court in relation to any matter not subject to a binding arbitration provision may be difficult or impossible. Final judgments for civil and commercial cases and arbitral awards obtained in a recognised Hong Kong court or Hong Kong arbitral tribunal may be enforced in the PRC, provided that certain conditions are satisfied. However, there are uncertainties as to the outcome of any applications to recognise and enforce such judgments and arbitral awards in the PRC.

Furthermore, an original action may be brought in the PRC against us or our Directors and senior management only if the actions are not required to be arbitrated by PRC law and upon satisfaction of the conditions for commencing a cause of action pursuant to the PRC civil procedure law. As a result of the conditions set forth in the PRC civil procedure law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, it is uncertain whether investors will be able to bring an original action in the PRC in this manner.

RISKS RELATING TO THE SHARE OFFER

There is no existing public market for our Shares and their liquidity and market price may fluctuate

Prior to the Share Offer, there has not been a public market for our Shares. We have applied for the listing of and dealing in our Shares on GEM. However, even if approved, we cannot assure you that an active and liquid public trading market for our Shares will develop following the Share Offer, or, if it does develop, it will be sustained. The financial market in Hong Kong and other countries have in the past experienced significant price and volume fluctuations. Volatility in the price of our Shares may be caused by factors outside our control and may be unrelated or disproportionate to our operating results. Accordingly, we cannot assure you that the liquidity and market price of our Shares will not fluctuate.

The Offer Price range for our Shares and the final Offer Price will be the result of the negotiations among us and the Joint Bookrunners on behalf of the Underwriters and may not be indicative of prices that will prevail in the trading market after the Share Offer. Therefore, our Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares purchased in the Share Offer.

Our Controlling Shareholders may exert substantial influence over our operation and their interests may not be aligned with those of our other Shareholders

Immediately following the Share Offer, Mr Dang Fei, Mr Dang Jun and Red Fly, our Controlling Shareholders, will be entitled to exercise and control 43.91% of our issued share capital, without taking into account of the Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or any option that may be granted under the Share Option Scheme. Therefore, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any shareholder action or approval requiring a majority vote except where they are required by the relevant rules to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group that would otherwise benefit our Shareholders such as offering the opportunities to receive premiums for your Shares. The interests of our Controlling Shareholders may not always align with our Company or your best interests. If the interests of our Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if our Controlling Shareholders chooses to cause our business to pursue strategic objectives that conflict with the interests of our Company or other Shareholders, our Company or those other Shareholders, including you, may be left in a disadvantaged position.

Future sales or issuances or perceived sales or issuances of our Shares could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital

The market price of our Shares could decline as a result of future sales or issuances of a substantial number of our Shares or other securities in the public market, or the perception that such sales or issuances may occur. Moreover, such future sales or issuances or perceived sales or issuances may also adversely affect the prevailing market price of our Shares and our ability to raise capital in the future at a favourable time and price.

Our Shares held by our Controlling Shareholders are subject to lock-up from the date on which trading in our Shares commences on GEM. Further, Xseven Investment, Bonyer Investment, Rocky Base Investment, Bigroad Investment, Hisky Investment, Dibell Investment, Gun Wealth Investment, ZH Fortune Investment, Lockxy Investment, and Ms. Zhao Qi (the "**Other Shareholders**") have voluntarily undertaken to each of our Company, the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) that certain Shares held by them (the "**Lock-up Shares**") will be subject to lock-up for a certain period after the Listing. Such voluntary lock-up undertaking may be waived by the prior written consent of the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and our Company. Please refer to the section headed "Underwriting — Underwriting Arrangements and Expenses — Undertakings by our existing Shareholders other than our Controlling Shareholders (the "Other Shareholders")" in this prospectus for details. If such voluntary lock-up undertaking is waived by the Sole Sponsor, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and our Company (for which we are not required to obtain the recommendation or approval of our independent non-executive

Directors or the independent Shareholders in such regard), the Lock-up Shares held by the Other Shareholders will be tradable in the market. There is no assurance that our Controlling Shareholders and the Other Shareholders will not dispose of the Shares held by them following the expiration of their respective lock-up periods. We cannot predict the effect, if any, of any future sales of our Shares by any of the Other Shareholders, or the availability of our Shares for sale by any of the Other Shareholders may have on the market price of our Shares. Any major disposal of our Shares by any of such Controlling Shareholders upon expiry of the relevant lock-up periods (or the perception that such disposals may occur) may cause the prevailing market price of our Shares to fall, which could negatively impact our ability to raise equity capital in the future.

There can be no assurance if and when we will pay dividends in the future

Distribution of dividends shall be formulated by our Board and will be subject to Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. See "Financial Information of our Group — Dividend" in this prospectus for further details.

You should read the entire prospectus and we strongly caution you not to place any reliance on any information contained in the press articles, other media and/or research analyst reports regarding us, our business, our industry and the Share Offer

There may be, subsequent to the date of this prospectus but prior to the completion of the Share Offer, press, media, and/or research analyst coverage regarding us, our business, our industry and the Share Offer. You should rely solely upon the information contained in this prospectus in making your investment decisions regarding our Shares and we do not accept any responsibility for the accuracy or completeness of the information contained in such press articles, other media and/or research analyst reports nor the fairness or the appropriateness of any forecasts, views or opinions expressed by the press, other media and/or research analyst regarding the Shares, the Share Offer, our business, our industry or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information, forecasts, views or opinions expressed or any such publications. To the extent that such information, forecasts, views or opinions are inconsistent or in conflict with the information contained in this prospectus, we disclaim them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of information contained in this prospectus only and should not rely on any other information.

We cannot assure you the accuracy of certain facts and statistics contained in this prospectus

Certain facts and statistics in this prospectus have been derived from various official government and other publications generally believed to be reliable. We believe that the sources of such 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 in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Joint Bookrunners, Sole Sponsor, the Underwriters or any of our or their respective directors, officers, advisers or representatives or any other person involved in the Share Offer (which, for the purpose of the section headed "Industry Overview", excludes Frost & Sullivan) and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy (as the case may be) in other jurisdictions. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

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

This prospectus contains certain statements which are "forward-looking" and use forward looking terminology such as "anticipate", "estimate", "believe", "expect", "may", "plan", "consider", "ought to", "should", "would", and "will". These statements include the discussion of our growth strategy and the expectations of our future operation, liquidity and capital resources. Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above.

In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.