An investment in the Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the Shares. The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the Shares could decline and you may lose all or part of your investment. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business depends significantly on market recognition of our "*Luyuan*" (綠源) brand, and any damage to our brand, trademarks or reputation, or failure to effectively promote our brand, could materially and adversely impact our business and results of operations.

Brand image is a key factor in consumer purchase decisions. According to Frost & Sullivan, many consumers can hardly feel the product difference such as performance parameters of electric two-wheeled vehicles among different brands, especially in friendly and steady road conditions. Therefore, brand recognition becomes the critical decision factor for consumers, especially new consumers, to choose electric two-wheeled vehicle. Brands build reputation usually based on years of high-quality product and service offerings, which brings market visibility and good word-of-mouth effect and translates into repurchase of existing customers and attraction to new customers with minimal selling and marketing spending. We believe our success depends substantially on the popularity of our "*Luyu*an" brand that we use for marketing and promotion, and our reputation for electric two-wheeled vehicles. Our *Luyuan* brand was recognized as a well-known trademark of China (中國馳名商標) and famous trademark of Zhejiang Province (浙江省著名商標). Therefore, maintaining and enhancing the recognition and image of our brand are critical to our ability to differentiate our products and to compete effectively. Our brand and reputation may be harmed by product defects, ineffective customer services, product liability claims, consumer complaints, intellectual property infringement or negative publicity or media reports. Any complaint, claim or negative publicity against us or our products, even if meritless or immaterial to our operations, could damage our brand and reputation and may divert our management's attention and other resources from day-to-day business operation, which may adversely affect our business, results of operations and financial condition.

Furthermore, as we continue to grow in size, expand our product offerings, extend the geographic reach of our distribution network, maintaining product quality and consistency may be more difficult and we cannot assure you that we can maintain the end users' confidence in our brand name. If end users perceive or experience a reduction in the quality of our products, or consider in any way that we fail to deliver consistently high quality products, our brand value could suffer, which could have a material and adverse effect on our business.

We have registered the Chinese and English characters as well as the logos of our "*Luyuan*" trademark in China. However, we may from time to time be involved in lawsuits brought against us by third parties for trademark infringement. We may have to incur significant expenses and divert substantial management time and resources to respond to those cases. Such legal proceedings may materially and adversely affect our brand image and damage our brand value, regardless of their merits. We consider our trademarks and brand name to be material to our business. If we are unable to adequately protect these intellectual property rights, we may lose these rights, our brand image may be harmed, and our competitive position and business may suffer.

Moreover, under our agreements with our distributors, we authorized them to display our brand name or trademarks at their retail outlets or when marketing our products. Despite the scope of authorization as detailed in the agreements, there is no assurance that our distributors will not infringe our trademarks or any other intellectual property rights. Any unauthorized use of our intellectual property rights will materially and adversely harm our reputation and brand image, thereby causing a decline in our financial performance, reduction in our market share as well as an increase in the amount of resources we need to devote to detection and prosecution of unauthorized use of our trademarks or imitation of our products. See "– We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business" below.

Any negative publicity involving us, our products, our Company, Directors, our management team, employees, spokespersons, our competitors, or our industry regardless of its veracity, could adversely affect our business.

We are in an industry that is closely related to road safety and is particularly sensitive to concerns over safety or product quality issues. Any negative publicity regarding our industry, regardless of its veracity and whether it targets us in particular or not, could materially harm our business and results of operations. Negative publicity regarding the safety, price-level or quality of our products and negative publicity about any regulatory or legal action against us, even if unfounded or immaterial to our operations, may damage our reputation and brand image, undermine our end users' confidence in us and reduce long-term demand for our products. In the past, there have been such negative publicity regarding us and our industry in general, and there can be no assurance that we will not experience the same in the future. When faced with such negative publicity, we cannot assure you that we can promptly take effective clarification or rectification measures, and any clarification or rectification measures may divert our management's attention and other resources from day-to-day business operation. As a result, our business, financial condition, results of operations, reputation and prospects may be adversely and negatively affected.

We may not be able to launch and diversify new products to adapt to changing consumer demand, preferences and spending patterns in a timely manner.

We have consistently devoted our efforts to developing new product series and models in order to not only adapt to evolving consumer needs and preferences, but also influence market trends. In light of the highly competitive environment, our future growth depends on our ability to continue to introduce products that are welcomed by the market.

Consumers' willingness to purchase our products may fluctuate as a result of changes in economic conditions, disposable income, technology, lifestyle and publicity of our products or products of our competitors. Additionally, the electric two-wheeled vehicle industry in mainland China is highly competitive and consumers may be tempted to shift their choices and preferences when new products are introduced by various marketing and pricing campaigns of different brands. Any of these factors or our failure to anticipate, identify or adapt to these changes in a timely manner could result in reduced demand for our products. We may not be able to successfully adapt our business strategy, brand image and product portfolio to changes in market trends or shifts in consumer preferences and spending patterns, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our efforts in developing and investing in technology may not generate expected outcomes.

We have been devoted to continuously developing electric two-wheeled vehicle related technologies to be used in our products. However, we cannot assure you that our future efforts in developing electric two-wheeled vehicle related technologies will be successful, in which case, our products may lose their competitive advantage. In addition, we also cannot assure you that the electric two-wheeled vehicle related technologies we developed will be well received by the consumers, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

In addition, we rely on technology in many aspects of our operations. For example, we use our ERP system to retrieve and analyze our operational data to support decision-making and increase productivity and profitability and use our MES system to support our production processes. See "Business – Information Technology Systems" for details. We also use automated welding robots and other automated production equipment in our production facilities. Although we continuously upgrade our technologies to stay abreast with the latest industry developments, we cannot assure you that our investment on technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

We may not be successful in implementing our future business plans and strategies, and if we are unable to execute them effectively and efficiently, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

We strive to achieve sustainable growth and further strengthen our competitiveness in the electric two-wheeled vehicle industry by implementing our business strategies. See "Business – Strategies" for details. Nonetheless, our business plans and strategies are based on assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities or remain competitive in the industry. Furthermore, even if we implement our business plans and strategies effectively and efficiently, there may be other unexpected events or factors that prevent us from achieving the desirable and profitable results. Our business, financial conditions, results of operations and prospects may be materially and adversely affected if our future business plans and strategies fail to achieve positive results.

For example, in response to the increasing demands, we plan to seek expansions of our production capacities, and we may undertake further expansion plans based on our future business needs. See "Business – Production – Production Expansion Plan" for further details. However, the success of our future expansion plans depends on a number of factors that are beyond our control, such as the construction progress of the third-party constructors, changes in local laws and regulations and government policies, the availability of low-cost skilled labor and changes in consumer demands. In addition, the integration of new facilities into our existing operation may be subject to unforeseeable delays, which may, among other things, increase our operation costs, strain our production capacity, cause delays in delivery of customer orders and decrease our production efficiency. Accordingly, we may not be able to achieve the expected expansion of our operations or manage our growth in a timely or cost-effective manner.

We operate in a competitive industry and if we are unable to compete effectively, our business, financial condition, results of operations and prospects would be materially and adversely affected.

According to Frost & Sullivan, the electric two-wheeled vehicle industry is highly competitive and concentrated. As of December 31, 2022, there were around 100 electric two-wheeled vehicle manufacturers in mainland China and the top nine manufacturers accounted for approximately 80.8% of the market share. According to Frost & Sullivan, we ranked fifth in mainland China in terms of total revenue in 2022, accounting for 4.2% of the market share. We compete on the basis of price, product innovation, product quality, brand awareness and loyalty, sales and distribution network, effectiveness of marketing, promotional activity and our ability to tailor our products to consumer preferences and market trends. Some competitors may have greater financial and research and development resources, wider distribution networks, and deeper industry insights than we have. We cannot assure you that our current or potential competitors will not provide products comparable or superior to those we provide or adapt more quickly than we do to the evolving industry trends or changing market requirements. In order to compete effectively, we may need to increase our marketing expenses from time to time, which may materially and adversely affect our financial condition and results of operations. If we fail to compete effectively or cost-efficiently against our competitors in the future, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors. Actions taken by our distributors in violation of the distribution agreements or taken by the distributors with whom we had not entered into distribution agreements could materially and adversely affect our business, prospects and reputation.

We rely on third-party distributors to sell our products. As of December 31, 2022, our distribution and sales network in mainland China consisted of 1,236 offline distributors in mainland China. Purchases by distributors accounted for the substantial majority of our sales. In 2020, 2021 and 2022, revenue generated from offline channels accounted for 70.7%, 82.4% and 89.8% of our revenue, respectively. As we mainly sell and distribute our products through distributors, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancelation of orders from one or more of our distributors;

- selection or increased sales by our distributors of our competitors' products;

- failure to renew distribution agreements and maintain relationships with our existing distributors;

- failure to establish relationships with new distributors on favorable terms; and

- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide their distributors with more favorable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favorable arrangements with such distributors and may result in the termination of our relationships with other distributors. In addition, we may not be able to successfully manage our distribution network and the cost of any consolidation or further expansion of our distribution and sales network may exceed the revenue generated from these efforts. If the sales volumes of our products to consumers are not maintained at a satisfactory level or if distributor orders fail to track consumers demand, our distributors may not place orders for new products from us, or decrease the quantity of their usual orders. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

Furthermore, we rely on the distribution agreements, policies and measures we have in place to manage our distributors. See "Business – Sales and Distribution – Offline Channels – Distribution Agreements with Offline Distributors" and "Business – Sales and Distribution – Offline Channels – Management of Offline Distributors" for details. There can be no assurance that we will be successful in managing our distributors, or that our distributors would not breach our agreements and policies. Any violation or alleged violation by our distributors of the distribution agreements, our policies or any applicable laws and regulations could result in, among other things, a decrease in the market value of our brand and an unfavorable public perception about the quality of our products, resulting in a material adverse effect on our business, financial condition, results of operations and prospects. We started to require all distributors to enter into standard distribution agreements with us since November 2021. While we have entered into distribution agreements with all of our distributors in mainland China as of December 31, 2022, historically we did not enter into written distribution agreements or other relevant agreements with every distributor we cooperated with. As a result, their legal obligation to us and our legal recourse against them are limited.

In line with industry practice, most of our distributors further sold our products to their sub-distributors. In general, we do not enter into contracts with such sub-distributors, thus having no control over sales activities of such sub-distributors. See "Business – Sales and Distribution – Offline Channels – Sub-distributors." We cannot assure you that the sub-distributors will at all times comply with our sales policies or that they will not compete with each other for market share in respect of our products. If any of the sub-distributors fail to distribute our products to their customers in a timely manner, overstock, or carry out actions which are inconsistent with our business strategy, it may affect our future sales. This may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Any quality issues related to our products or the electric two-wheeled vehicle industry could result in a loss of customers and sales and, if related to our products, may subject us to product liability claims.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. Maintaining consistent product quality depends significantly on the effectiveness of our quality control systems, which in turn depends on a number of factors, including the design of our quality control systems and our ability to ensure that our employees and other third parties involved in our operations adhere to those quality control policies and guidelines. Although we implement certain quality control standards and measures throughout our entire manufacturing process (see "Business – Quality Control" for details), we cannot assure you that our quality control systems will prove to be effective at all times, or that we can identify any defects in our quality control systems in a timely manner. If the quality of any of our products deteriorates for any reason, or if the consumers do not perceive our products to be effective, reliable or safe as they claim to be, we may be faced with returns or cancellations of orders and customer complaints.

Additionally, if any defect of our products or electric two-wheeled vehicles in general results in property damage or personal injury, we may suffer from product liability claims or product recalls, resulting in financial and reputational damages. These legal claims may be expensive for us to defend even if we prevail in the end. Although we have purchased product liability insurance, coverage may be insufficient. See "– We have limited insurance to cover our potential losses and claims" for details. Furthermore, if there is a pattern of quality issues in the electric two-wheeled vehicle industry in general, consumers' perception of, and willingness to purchase, our products may also be negatively affected, regardless of whether such quality issues relate to us. Any quality issues related to our products or the electric two-wheeled vehicle industry, actual or perceived, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Changes in supply, quality and costs of raw materials, energy, transportation and other necessary supplies or services may impact our business, financial condition and results of operations.

Our key raw materials, parts and components for our operations primarily include batteries, including lead-acid batteries and lithium-ion batteries, motors, frames and iron spare parts, plastic parts, shock absorbers and tires. Raw materials and consumables used represents a substantial portion of our total cost of sales. In 2020, 2021 and 2022, raw materials and consumables used attributable to our cost of sales represented 91.8%, 91.6% and 92.0%, respectively of our total cost of sales. We are subject to fluctuation in the prices of raw materials, parts, components and packaging materials, as well as energy, transportation and other necessary supplies or services, due to factors beyond our control, such as inflation, fluctuations in currency exchange rates, changes in weather or changes in the supply and demand for such related raw materials. For example, the price of battery grade Li_2CO_3, which is the key raw material of producing lithium-ion batteries increased significantly in recent years primarily due to the shortage of lithium supply and booming demand of lithium from both NEV and power storage sectors. We may not be able to offset price increases by raising the prices of our products, in which case our profit margin will decrease, and our financial condition and results of operations may be materially and adversely affected. For details on the fluctuation impact of costs of raw materials and consumables used on our profit before income tax, see "Financial Information – Description of Key Components of Our Results of Operations – Cost of Sales." Additionally, we may lose our competitive advantage if the prices of our products rise significantly. This in turn could result in loss of sales and customers. In both cases, our business, financial condition and results of operations may be materially and adversely affected.

Unexpected disruptions or delays in raw material supplies or disputes with our suppliers may cause disruptions and delays in our production, subject us to additional costs.

We currently operate three production facilities located in Zhejiang, Shandong and Guangxi. Natural or man-made disasters, such as adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics, or other unexpected interruptions, including prolonged power or water suspension, may cause significant damage or delay to our production facility or that of suppliers we engage, which could be costly and time-consuming to reinstate and could cause significant disruptions to our operations. We may incur additional costs and may experience a disruption in the supply of products until the affected production facilities become available and operational.

Additionally, we rely on the timely supply of various raw material in order to carry out our production as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to deliver an adequate number of products to the market, causing us to lose business opportunities. Moreover, we may encounter disputes with our suppliers from time to time, including but not limited to the disagreement on quality, quantity or other matters. Such disputes, if cannot be solved in a sound and timely manner, may cause a delay in the supply of the relevant raw materials, or, in severe situation, a termination of the relevant agreement. Any of the above-mentioned natural or man-made disasters or other unanticipated events could also disrupt the operations of our suppliers, or delay the relevant transportation, which in turn, may further impede our ability to manufacture and deliver our products in a timely manner. For instance, we experienced temporary shortage of certain raw materials during the COVID-19 outbreak. Although we have not experienced any major production disruptions during the Track Record Period and as of the Latest Practicable Date, any similar events in the future could have an adverse impact on our ability to produce sufficient quantities of products. For another instance, regional or global trade wars, such as the Sino-U.S. trade war or the recent Russia-Ukraine crisis, will further cast uncertainties on the availability and the prices of the raw materials originated from overseas. In such cases, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Failure to successfully execute our capacity expansion and equipment upgrade plans may have a material adverse effect on our business, financial conditions and results of operations.

Our future success will depend, to a large extent, on our ability to increase our production output and enhance our production efficiency. During the Track Record Period, we have established additional manufacturing facilities and have continued to upgrade our current manufacturing equipment and install additional manufacturing equipment to expand our production capacity and enhance our production efficiency. See the section headed "Business – Production – Production Expansion Plan" for details. We also intend to continue to increase our production capacity and enhance production efficiency through establishing new production facilities and production lines at our existing facilities. See "Future Plans and Use of Proceeds" for details. If we fail to achieve these objectives, we may not be able to attain the desired level of economies of scale in our operations or reduce our marginal manufacturing costs to the level necessary to maintain our pricing and other competitive advantages and achieve our business expansion plan.

Our capacity expansion and equipment upgrade have required and will continue to require substantial capital investment, significant engineering efforts, timely delivery of manufacturing equipment and dedicated management attention, and are subject to the following risks and uncertainties:

- negative effect on the working capital available to us;
- the need to finance our equipment upgrade and capacity expansion through bank or other borrowings, which may not be available on commercially reasonable terms or at all;
- increase in depreciation charges associated with our new equipment and interest expenses associated with our future borrowings for planned upgrade or expansion;
- cost overruns, construction delays, manufacturing equipment problems, including delays in equipment delivery or delivery of equipment that does not meet our specifications, and other operating difficulties;
- failure to improve our operational and financial systems and risk monitoring and management system in line with our upgrade or expansion;
- decrease in the prices of our products, which fail to cover our increased production costs;
- failure to maintain or establish relationships with our existing or prospective customers and suppliers to match our increased production output;
- the failure of our new equipment to perform as expected and lower our manufacturing cost;
- insufficient management resources to properly oversee and manage our planned capacity expansion; and
- delay in or denial of government approvals, permits or documents of similar nature necessary and required for our expansion.

Any of the abovementioned or similar risks or uncertainties could significantly delay or constrain our ability to execute our equipment upgrade and capacity expansion as planned, which may in turn hinder our ability to achieve economies of scale and satisfactory utilization rates. As a result, our business, financial conditions and results of operations may be materially and adversely affected.

Our marketing activities may not be effective in attracting consumers.

We market our brands and products through various channels and methods such as (i) online marketing, including marketing events hosted on social media platforms; (ii) offline marketing, primarily through retail outlets of distributors; (iii) special events, including our sponsorship of variety shows; and (iv) commercial advertisements. These marketing activities may result in significant marketing expenses. In 2020, 2021 and 2022, our selling and marketing costs were RMB121.4 million, RMB192.4 million and RMB259.6 million, respectively. We cannot assure you that our marketing activities will enable us to successfully promote our brand and products or achieve our sales targets. The effectiveness of sales and marketing activities is relatively hard to predict and evaluate. Their effects may be delayed, resulting in a slower revenue growth which may not fully reflect the sales and marketing activities. If the results of our marketing activities fail to meet our expectation, or if we fail to conduct the marketing activities as planned, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our success depends on our ability to retain our core management team and other key personnel.

Our current business performance and continued success substantially depends on the continued service and performance of our senior management members, including our founders, all Executive Directors and other key personnel with industry experience, know-how or experience in areas such as research and development, manufacturing, sales, marketing, financial management, human resources and risk management. If any member of our senior management is unable or ceases to serve in his or her present position, we may not be able to find replacement in a timely basis due to local conditions. As a result, our business may be disrupted, our management quality may deteriorate and our results of operations may be materially and adversely affected. In addition, if any member of our senior management team joins a competitor or forms a competing business, we may lose trade secrets and business know-how as a result. Competition for experienced management in our industry is intense, and the pool of qualified candidates is limited. We may not be able to retain the services of our senior management or attract and retain additional high quality senior executives in the future.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

Maintaining optimal inventory levels is critical to our financial health. As of December 31, 2020, 2021 and 2022, the balance of our inventory amounted to RMB208.5 million, RMB388.1 million and RMB 445.7 million, respectively, and accounted for approximately 21.5%, 22.8% and 21.2%, respectively, of our total current assets for the same years. In 2020, 2021 and 2022, our inventory turnover days were 30.0 days, 35.9 days and 36.0 days, respectively. We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and preferences and launches of competing products. Moreover, for stocking purposes, we generally forecast demand for the products we sell ahead of the actual time of sale. We cannot assure you that we can accurately predict these trends and events and maintain adequate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive or obsolescent inventory, which in turn may materially and adversely affect our financial condition and results of operations. On the other hand, inventory under-stock may cause us to lose sales and our business, financial condition, results of operations and prospects may also be materially and adversely affected.

If our logistics service providers fail to provide reliable and timely logistics services, our business, financial condition and results of operations may be materially and adversely affected.

We primarily rely on independent third-party logistics service providers to fulfill and deliver our orders. Interruptions to or failures in these third parties' logistics services could prevent the timely or proper delivery of products to customers, which would harm the businesses we operate. These interruptions or failures may be due to events that are beyond our control or the control of any of these logistics service providers, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shut-downs. We may not be able to find alternative service providers to provide logistics services in a timely and reliable manner, or at all.

We are subject to risks relating to the warehousing of the products we sell.

Before delivery of products to our third-party distributors or other customers and end consumers, we temporarily store them in warehouses owned or leased by ourselves or our third party logistics service providers. We maintain property-related insurance that covers financial losses we may sustain as a result of accidents, including fires. However, if such accidents, including fires, were to occur, causing damages to the products we sell or our warehouses, our ability to supply products to our third-party distributors and other customers could be adversely affected. The occurrence of any of these incidents could also require us to make significant unanticipated capital expenditures and delay our delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in delivery may not be recoverable under our existing insurance policies, and prolonged business disruptions could result in a loss of end customers. If any one or more of the above risks were to materialize, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The global shortage in the supply of battery packs may disrupt our operations and adversely affect our business, results of operations, and financial condition.

Some of our vehicles currently use lithium-ion batteries, which we purchase from third-party suppliers. The prices for the batteries fluctuate, and their available supply may be unstable, depending on market conditions and global demand for the batteries and the materials used in the batteries, such as lithium, nickel, cobalt, and manganese. There is a looming shortage of battery packs since mid-2020 as a result of an increase in global demand due to increased production of electronic vehicles, rising demand for raw material of batteries, and the disruption in the supply chain due to the COVID-19 pandemic. Although as of the Latest Practicable Date, we had not experienced any disruption in the manufacture of our vehicles due to a shortage in the supply of lithium-ion battery packs, we cannot assure you that we will be able to continue to obtain sufficient amount of battery packs at a reasonable cost. Our business is dependent on the continued supply of battery packs used in our vehicles. Any disruption in the supply of battery packs could disrupt production of our vehicles until such time as we find an alternative supplier. There can be no assurance that we would be able to successfully retain alternative suppliers on a timely basis, on acceptable terms or at all. If we fail to find alternative suppliers in time, our production and deliveries could be materially disrupted, which may materially and adversely affect our business, results of operations, and financial condition.

Our financial performance and results of operation are subject to seasonal fluctuations.

Our financial performance and results of operation are subject to seasonal fluctuations. There are seasonal patterns for electric two-wheeled vehicle purchases in mainland China. Historically, we have experienced higher sales in March of each year, primarily in connection with distributors' restocking demands after the Spring Festival holiday, and July, August and September of each year which are months that straddle summer holidays and school opening seasons when students and parents typically have strong transportation mobility needs. Sales of our products can also fluctuate throughout the year for other reasons, including the timing of new product launches and the timing of promotional campaigns. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our products in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

We have relatively thin profit margins during the Track Record Period

In 2020, 2021 and 2022, our gross profit margins were 11.2%, 9.9% and 10.7%, respectively, and our net profit margins were 1.7%, 1.7% and 2.5%, respectively. The sustainability of our profit margin depends on many factors, including the product mix sold, the sales volume of our different models at different price levels, selling prices of our products, maintaining and attracting new distributors and our cost and expenses. We cannot guarantee that we will be able to maintain or improve our profit margins. If we are unable to successfully offset increased costs and expenses with an appropriate increase in our revenue and margins, our financial condition and results of operations may be materially and adversely affected. See "Financial Information – Sensitivity analysis" for a detailed illustration of the impact of hypothetical fluctuation in the cost of raw materials and consumables used on our profitability. In addition, our pricing strategy and policy may not be effective in maintaining our financial performance and any unfavorable changes of market conditions may have a material adverse effect on our sales, operations, financial condition, profitability and cash flows. See "Business – Pricing Policy" for details of our pricing policy. For details of our growth strategies, see "Financial Information – Description of Key Components of Our Results of Operations – Profit for the Year".

Our distributors may accumulate excess or obsolete inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors.

We sell a significant amount of our products to distributors, who maintain their own inventories of our products. Our distributors in turn distribute our products to end customers through their own retail outlets or sub-distributors and their retail outlets. We monitor the inventory information of our offline distributors and their sub-distributors by, among others, conducting site visits and reviewing sales records through our distributor management system. However, we may not be able to accurately track the inventory level of our sales and distribution partners or to identify any excessive inventory build-up at various levels of our sales and distribution network. Our distributors may be unable to sell an adequate amount of their inventories of our products in a given period, which may result in a build-up of inventory at our distributors. In such an event, these distributors likely would reduce future orders until their inventory levels realign with demand. As such, any excessive build-up of inventory by our distributors could reduce the volume of future orders that we receive from our distributors and thus may have a material adverse impact on our sales to them and, accordingly, our business, financial condition, results of operations and prospects.

We may not be successful in maintaining the growth and profitability of our business.

Our revenue increased from RMB2,378.3 million in 2020 to RMB4,783.0 million in 2022 and our net profit increased from RMB40.3 million in 2020 to RMB118.0 million in 2022. See "Financial Information – Summary of Results of Operations During the Track Record Period" for details. However, we cannot assure you that we will be able to maintain our historical growth rates in future periods. Our revenue and profit growth may slow down or our revenue and profit may decline for a number of possible reasons, including decreasing consumer spending, increasing competition from other domestic and international manufacturers of electric two-wheeled vehicles, slower growth in mainland China's electric two-wheeled vehicles industry, potential decrease in needs for vehicle replacement after the New National Standard has been fully implemented, supply chain and logistical bottlenecks, increase in the cost of raw materials, the slowdown in mainland China's economic growth and other changes in government policies or general economic conditions. According to Frost & Sullivan, since the implementation of the New National Standards in April 2019, electric two-wheeled vehicles that do not meet the New National Standards and were purchased before April 2019 are expected to be replaced in five years. We cannot assure you that our business will keep growing at the same rate as that in the Track Record Period or at all after the transition period passes. If our growth rate declines, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline. In addition, our profitability depends on our ability to secure new business opportunities and to control costs and operating expenses, which are subject to certain factors that are beyond our control, such as the effects of the COVID-19 pandemic. See "Financial Information – Significant Factors Affecting Our Results of Operations – Cost of Raw Materials" for details. If we fail to increase sales, or if our cost of sales and operating expenses grow faster than our sales, our business, financial condition and results of operations may be negatively affected.

Our net current liabilities may expose us to certain liquidity risks and could restrain our operational flexibility as well as affect our ability to expand our business.

As of December 31, 2020, 2021 and 2022, we recorded net current liabilities of RMB81.4 million, RMB234.2 million and RMB17.2 million, respectively. See "Financial Information – Working Capital" for details.

Net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility as well as adversely affect our ability to expand our business. Our future liquidity will primarily depend on our ability to maintain adequate cash inflows from our operating activities and adequate external financing, which will be affected by our future operating performance, prevailing economic conditions, our financial condition and other factors, many of which are beyond our control. If we do not have sufficient working capital to meet future financial needs, we may need to resort to external funding. Our inability to obtain additional external funding on a timely basis or on acceptable terms, or at all, may also force us to abandon our development and expansion plans, and our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks related to our trade, notes and lease receivables, other receivables and prepayments.

We enter into a wide variety of contractual arrangements with different counterparties in the ordinary course of our business. During the Track Record Period, our sales to most of our distributors were made on a payment-before-delivery basis. On a case-by-case basis, we provide credit limits to certain creditworthy distributors, distributors with whom we have long-term relationships or distributors with a relatively larger scale. See "Business – Sales and Distribution – Offline Channels – Credit Policies and Financial Assistance to Distributors" for details. As of December 31, 2020, 2021 and 2022, our trade, notes and lease receivables were RMB137.9 million, RMB157.9 million and RMB304.8 million, respectively. Our senior management regularly reviews the recoverability of overdue balances for trade and notes receivables and may provide for impairment when appropriate. As of December 31, 2020, 2021 and 2022, we recorded provision for impairment of trade and notes receivables of RMB30.4 million, RMB22.2 million and RMB22.6 million, respectively. As there is limited financial or public information on many of our counterparties, we cannot assure you that all of our counterparties are creditworthy and reputable and will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfil their obligations to us under our contracts.

In addition, the turnover days of our trade and notes receivables were 21.7 days, 15.8 days and 16.9 days in 2020, 2021 and 2022, respectively. As we plan to continue expanding the scale of our business, we cannot guarantee that they will not continue to increase in the future, which will make it more challenging for us to manage our working capital effectively, and our results of operations, financial condition and liquidity may be materially and adversely affected.

Furthermore, our prepayments may involve significant uncertainties. During the Track Record Period, we made prepayments primarily for construction and equipment and raw materials. As of December 31, 2020, 2021 and 2022, the balance of our other receivables and prepayments was RMB195.9 million, RMB408.6 million and RMB248.7 million, respectively. However, there is no guarantee that the suppliers and service providers will perform their obligations in a timely manner. If our suppliers fail to provide raw materials and services to us in a timely manner or at all, we may be exposed to prepayment default and impairment loss risk in relation to the prepayments, which may in turn materially and adversely affect our business and financial position. While we did not experience any material impairment loss in relation to our other receivables and prepayments during the Track Record Period, we cannot assure you that we will not incur any material impairment losses in relation to our other receivables and prepayments in the future.

We may not be able to effectively manage any overlap or potential competition among our different sales channels.

During the Track Record Period, we sold our products through various channels including offline distributors, our self-operated online stores and e-commerce platforms. We also sold our products to corporate and institutional customers and overseas distributors. Our success depends highly on our ability to maintain and expand these channels and distribution network. Although we have implemented measures to manage overlap or potential competition among our sales channels, such as prohibiting cross-region sales in distributor agreements, restricting delivery of products sold through our self-operated online stores to certain regions and setting relatively higher prices for online channels compared to offline channels, we cannot assure you that these measures will be effective. As a result, the expansion of our sales network may not lead to proportionate expansion of our sales revenue. Furthermore, adverse competition and cannibalization among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

We may not be able to adequately protect our intellectual property, which could harm the value of our brand and adversely affect our business.

We rely heavily on a combination of patents, trademarks, domain name registrations and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of trade secrets in relation to our electric two-wheeled vehicle technologies and production processes, which we believe are material to our operations and which are not covered by patents. We rely on various protective measures to safeguard such unpatented proprietary information, such as regularly monitoring our intellectual property rights through our legal department and entering into confidentiality agreements with our relevant employees and third parties. See "Business – Intellectual Property" for details. However, we cannot assure you that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorized use, misappropriation or disclosure. We cannot guarantee that there will not be further infringements on our intellectual property rights in future. We also cannot guarantee that we will be successful in enforcing confidentiality provisions or undertaking legal proceedings in the event that there is any unauthorized use of our intellectual property. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Third parties may assert or claim that we have infringed their intellectual property rights.

Intellectual property rights, such as trademarks and patents, are important in the electric two-wheeled vehicle industry as they protect brand images, product technologies and other valuable rights. Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. If any trademark or patent infringement or other intellectual property claims against us are successful, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights. We may be legally required to expend significant resources to redesign or redevelop our products so that they do not infringe third parties' intellectual property rights or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of images, fonts or music in our advertising and promotional activities, as well as computer software. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

Some of our distributors have been subject to penalties for making unauthorized alterations to our products, which could adversely affect our reputation, business, financial condition, results of operations and prospects.

Administrative agencies in mainland China, including local branches of the SAMR, conduct periodic inspections of products in the market, including electric two-wheeled vehicles. During the Track Record Period and up to the Latest Practicable Date, we have noticed that a number of our distributors and their sub-distributors were subject to administrative penalty decisions (行政處罰) due to sales of nonconforming vehicles without our prior approval or authorization. For further details, see "Business – Unauthorized Alterations of Our Products by Distributors." Although as advised by our PRC Legal Advisors that we have no legal liability for the above administrative penalty decisions imposed by relevant administrative authorities in mainland China on our third-party distributors and their sub-distributors. We cannot assure you that this will not have any adverse effect on our Group's reputation or operation. We may fail to prove, in administrative, legal or other proceedings that alleged product non-conformity were due to unauthorized alterations. Consumers of our products may not distinguish where legal liability lies or whether we, our distributors or their sub-distributors conducted were responsible, and instead may associate such negative publicity with poor product quality of our products. If these occur, we may be subject to administrative penalties or legal liabilites, our brand and our reputation may be tarnished, and the demand for our products may decline, and as a result, our business, operating results and growth prospects may be adversely affected.

We have implemented enhanced internal control measures to address issues of unauthorized alterations of our products by distributors. However, there can be no assurance that these measures we take will be effective or sufficient to prevent distributors or their sub-distributors from modifying our products in the future. Any future failure to detect or prevent such alterations by distributors or their sub-distributors may cause our products to be removed from the electric two-wheeled vehicles catalogues of the relevant administrative authorities and result in suspension or prohibition of sales of our products, which would have a material adverse effect on our reputation, business, financial condition, results of operations and prospects.

Our performance depends on favorable labor relations with our employees, and any deterioration in labor relations, shortage of labor or material increase in wages may have an adverse effect on our results of operation.

Our success depends on our ability to hire, train, retain and motivate our employees. We consider favorable labor relations as a significant factor that can affect our performance, and any deterioration of our labor relations could cause labor disputes, which could result in disruption of production and operations.

Since the reform and opening up, mainland China has experienced rapid economic growth, which has resulted in significantly increased labor costs. Average labor wages are expected to increase. In addition, we may need to increase our total compensations to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labor costs may have an adverse effect on our results of operations.

Our employees are subject to risks of serious injury or death caused by the use of manufacturing equipment and machinery.

We use heavy machinery and equipment in our productions, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Safety trainings we provide to our employees may not be effective to prevent accidents. Any significant accidents caused by the use of equipment or machinery could interrupt our production, damage our corporate image and result in legal and regulatory liabilities. Although we have in place work-related injury insurance and medical insurance, the insurance coverage may be inadequate to offset losses arising from claims related to such accidents. In addition, potential industrial accidents leading to significant property loss, personal injury or death may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families, as well as fines or penalties. As a result, our reputation, brand, business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to detect or prevent fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties. If our employees, customers or other third parties engage in fraud, bribery, corruption or other misconduct, we may be subject to liability and our reputation and business could be harmed.

We may be exposed to fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. For details of our anti-corruption and anti-bribery policy, see "Business – Sales and Distribution – Anti-corruption and Anti-bribery." Although our internal control procedures are designed to monitor our operations and ensure overall compliance, our internal control procedures may be unable to identify all non-compliances, suspicious transactions, fraud, corruption or bribery in a timely manner. If such misconduct occurs, we may be subject to claims, fines or suspension of our operations and may suffer from negative publicity and reputation damages.

We may become subject to product liability claims, which could harm our financial condition and liquidity if we are not able to successfully defend or insure against such claims.

We may become subject to product liability claims, which could harm our business, financial condition, results of operations, and prospects. The electric two-wheeled vehicle industry experiences significant product liability claims and we face inherent risk of exposure to claims in the event our vehicles do not perform as expected or malfunction resulting in property damage, personal injury, or death. A successful product liability claim against us could require us to pay substantial monetary compensation. Moreover, a product liability claim could generate substantial negative publicity about our vehicles and business and inhibit or prevent commercialization of our future vehicles, which would materially and adversely affect our brand, business, prospects, and results of operations. Any insurance coverage might not be sufficient to cover all potential product liability claims. Any lawsuit seeking significant monetary damages may materially and adversely affect our reputation, business, financial condition, and results of operations.

We may be compelled to undertake product recalls or other actions, and our warranty reserves may be insufficient to cover future warranty claims which could adversely affect our brand image, financial condition, results of operations, and growth prospects.

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any product recalls. However, there can be no assurance that we will not be subject to adverse publicity, damage to our brand, and costs for recalls of our vehicles in the future.

We face an inherent business risk of exposure to warranty claims if our products actually or allegedly fail to perform as expected. In 2020, 2021 and 2022, our warranty expenses amounted to RMB3.3 million, RMB5.1 million and RMB6.6 million, respectively. There can be no assurance that our quality control and testing measures will be sufficient to prevent against product defects. There can also be no assurance that we will not incur significant costs to replace or repair faulty products, make refunds for product returns or defend against such claims.

We generally make provisions for product warranty by reference to the sales volume and the corresponding costs for warranty services. We reevaluate the adequacy of our provisions for product warranty on a regular basis. We cannot assure you that such reserves will be sufficient to cover future claims. We could, in the future, become subject to significant and unexpected warranty claims, resulting in significant expenses, which would in turn materially and adversely affect our business, prospects, financial condition and results of operation. In addition, if any of our products are or are alleged to be defective, we may be required to recall such products. Although our suppliers are generally responsible for repairing or replacing faulty electric two-wheeled vehicle parts that they supply to us, we cannot assure you that the future cost associated with providing product warranties and/or bearing the cost of repair or replacement of our products or related damage to our brand image will not have a material adverse effect on our financial condition and liquidity.

In the future, we may at various times, voluntarily or involuntarily, initiate a recall if any of our vehicles, including any systems or parts sourced from our suppliers, prove to be defective or non-compliant with applicable laws and regulations. Such recalls, whether voluntary or involuntary, could involve significant expense and could adversely affect our brand image in our target markets, as well as our business, financial condition, results of operations, and growth prospects.

Our electric two-wheeled vehicles are subject to mandated safety technical specifications and the failure to satisfy such mandated safety technical specifications would materially and adversely affect our business and results of operations.

All vehicles sold must comply with various standards of the market where the vehicles are sold. In mainland China, our electric two-wheeled vehicles must meet or exceed all mandated safety technical specifications in mainland China, for example, electric bicycles are required to comply with the New National Standards and electric motorcycles and electric mopeds are required to comply with the Safety Specification for Electric Motorcycles and Electric Mopeds (GB24155-2020). According to the specifications, rigorous testing and the use of approved materials and equipment are required. Additionally, electric two-wheeled vehicles must pass various tests and undergo a certification process and be affixed with the China Compulsory Certification before receiving delivery from the factory, being sold, or being used in any commercial activity, and such certification is also subject to periodic renewal. The PRC government carries out supervision and scheduled or unscheduled inspection of certified electric two-wheeled vehicles on a regular basis as well.

If our certification fails to be renewed upon expiry, a certified electric two-wheeled vehicle has a defect resulting in quality or safety accidents, or consistent failure of certified electric two-wheeled vehicles to comply with certification requirements is discovered during follow-up inspections, our certification may be suspended or even revoked. With effect from the date of revocation or during suspension of the certification, any electric two-wheeled vehicle that fails to satisfy the requirements for certification may be stopped from delivering, selling, exporting, or using in any commercial activity. Therefore, failure by us to satisfy the abovementioned safety technical specifications and compulsory certification would materially and adversely affect our business and results of operations.

Certain models of our electric two-wheeled vehicles use lithium-ion batteries, which have been observed to catch fire or vent smoke and flame.

For some of our products, we purchase lithium-ion batteries from third-party suppliers. On rare occasions, lithium-ion batteries can rapidly release the energy they contain by venting smoke and flames in a manner that can ignite nearby materials. To mitigate such risks, we may rely on more safe lithium-ion batteries to be developed. We have implemented a battery management system that automatically monitors temperature, power output, and other status of the battery pack, including a thermal management system that keeps the temperature of the battery pack within an ideal range. However, our electric two-wheeled vehicles or their battery packs may still experience failure, which could subject us to lawsuits, product recalls, or redesign efforts, all of which would be time consuming and expensive. In addition, negative public perceptions regarding the suitability of lithium-ion batteries for use on electric two-wheeled vehicles or any future incident involving lithium-ion batteries such as an electric two-wheeled vehicle or other fire, even if not involving our products, could adversely affect our business.

We have limited insurance to cover our potential losses and claims.

We have maintained certain insurance policies to safeguard against various risks and unexpected events associated with our business and operations, including property insurance covering inventory and warehouse and product liability insurance which applies to our products. For additional details of our insurance coverage, see the section headed "Business – Insurance." However, insurance companies in mainland China currently offer limited business-related insurance products. We do not maintain business interruption insurance, nor do we maintain key-man life insurance. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to higher income tax rates if our preferential tax treatment become unavailable and government grants currently received by us may be reduced or discontinued in the future.

During the Track Record Period, we enjoyed preferential tax treatment under relevant preferential tax policies. We cannot assure you that we will continue to enjoy similar preferential tax treatment in the future. The statutory corporate income tax rate for our businesses in mainland China is 25%. However, during the Track Record Period, Zhejiang Luyuan and Shandong Luyuan enjoyed a preferential corporate income tax rate of 15% as qualified new and high-tech enterprises, instead of the general rate of 25%. If we cease to be entitled to preferential tax treatment, our income tax expenses may increase, which would adversely affect our results of operations.

We also receive government grants from local governments primarily in the form of subsidies on industry development, tax refunds and rewards for our contribution to the local economic growth. Our government grants recorded in the consolidated income statements amounted to RMB11.6 million, RMB10.2 million and RMB20.5 million in 2020, 2021 and 2022, respectively. See "Financial Information – Description of Key Components of Our Results of Operations – Other Income." We cannot assure you that we will continue receiving or benefiting from such grants in the future.

If we are unable to perform our contracts, our results of operations and financial condition may be adversely affected.

As of December 31, 2020, 2021 and 2022, we had contract liabilities of RMB57.1 million, RMB82.9 million and RMB96.4 million, respectively. Our contract liabilities are primarily advanced payments from distributors. If we fail to honor our obligations under our contracts with our customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the prepayments they have made, which may in turn adversely affect our financial condition. In addition, if we fail to honor our obligations under our contracts with our customers, it may also adversely affect our relationship with such customer, which may in turn affect our results of operations in the future.

Our investments in wealth management products and structured deposits may be subject to certain counterparty risks and market risks, and we are exposed to changes in the fair value of financial assets measured at fair value through profit or loss and valuation uncertainties due to the use of unobservable inputs.

During the Track Record Period, to better manage our cash at hand, we invested in certain wealth management products and structured deposits from reputable commercial banks in mainland China. As of December 31, 2020, 2021 and 2022, the balance of our wealth management products and structured deposits were RMB63.6 million, RMB90.1 million and RMB63.5 million, respectively. During the Track Record Period, we also bought certificate of deposits. As of December 31, 2020, 2021 and 2022, the balance of our certificate of deposits amounted to nil, RMB337.9 million and RMB470.0 million, respectively. We plan to continue to invest in wealth management products and structured deposits after the Listing and may consider other wealth management products when we believe that we have sufficient cash and the potential investment returns are reasonable.

We are subject to the risks that any of our counterparties, such as the licensed banks that issued the wealth management products and structured deposits, may not perform their contractual obligations, such as in the event that any such counterparty declares bankruptcy or becomes insolvent. Any material non-performance of our counterparties with respect to the wealth management products and structured deposits we invested in could materially and adversely affect our financial position and cash flow. Furthermore, our short-term investments are subject to the overall market conditions, including the capital markets. Any volatility in the market or fluctuations in interest rates may reduce our financial position or cash flow, which, in turn, could materially and adversely impact our financial condition. In addition, general economic and market conditions affect the fair value of these wealth management investments. If circumstances indicate that the carrying amount of these investments may not be recoverable, such investments may be considered impaired, and an impairment loss would be recognized in accordance with accounting policies and charged to our consolidated income statements and consolidated statements of other comprehensive income for the relevant period. Accordingly, any material decline in the fair value of these investments may have a material adverse effect on our results of operations.

In 2020, 2021 and 2022, we recognized fair value gains on financial assets at fair value through profit or loss of RMB8.7 million, RMB14.9 million and RMB19.6 million, respectively. We cannot assure you that we will continue to generate such fair value gain in the future. If our investments incur a fair value loss, our results of operations and financial condition may be adversely affected. For details, see note 7 to the Accountant's Report in Appendix I to this document.

During the Track Record Period, the fair value of our financial assets at fair value through profit or loss was determined by reference to unobservable inputs to the price of the underlying investments using a valuation pricing model and is classified as Level 2 and Level 3 fair value measurements. Changes in these unobservable inputs may affect the estimated fair value of our financial assets at the end of each financial reporting period. Considering the inherent uncertainty in the fair value of financial assets at fair value through profit or loss, any significant and adverse changes in fair value could have an adverse effect on our financial position and results of operations.

We have put in place certain internal control procedures for reducing risks in relation to these investments. However, we cannot assure you that these procedures will be effective and adequate. We cannot assure you that we will not experience losses with respect to these investments in the future or that such losses or other potentially negative impact will not have a material adverse effect on our business and financial condition.

We may be unsuccessful at maintaining or expanding our international sales and our international sales may subject us to risks that may have a material adverse impact on our business.

Expanding our international sales is a part of our long-term business strategy. We currently sell our products to numerous countries and regions, including European Union and Southeast Asia. Benefited from our advanced technologies, our products may better meet the local demands. Going forward, we plan to further expand our international sales. However, international sales are subject to various risks, including those relating to the COVID-19 pandemic, political and economic instability, local labor market conditions, the imposition of foreign tariffs and other trade barriers, fluctuations in foreign exchange rates and foreign exchange limitations or difficulties, the impact of foreign government regulations, the effects of income and withholding taxes, governmental expropriation and differences in business practices. Our efforts to expand our international sales may not be successful. Our products may fail to meet the relevant regulatory requirements for our products in international markets. Furthermore, we may be subject to product liability claims in international markets, which could cause us to incur substantial litigation costs. We may incur increased costs or experience delays or disruptions in product deliveries and payments in connection with international sales that could cause loss of revenues and earnings. Unfavorable changes in the political, regulatory and business climates could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We could be adversely affected as a result of sales in countries that are subject to evolving economic sanctions by the United States, the European Union, the United Nations, Australia and other relevant sanctions authorities.

In recent years, international market conditions and the international regulatory environment have been increasingly affected by competition among countries and geopolitical friction. Changes to national trade or investment policies, treaties and tariffs, fluctuations in exchange rates or the perception that these changes could occur, could adversely affect our expansion into overseas markets. The United States and other jurisdictions or organizations, including the European Union, the United Nations and Australia, have comprehensive or broad economic sanctions targeting sanctioned countries, or against industry sectors, groups of companies or persons, and/or organizations within such countries. These sanctions programs are reviewed or amended by sanctions authorities from time to time, and new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable. If we were required to pay penalties as a result of any sanctions violations, or alter our business to prevent violation of sanctions rules or regulations, it could adversely impact our results of operations.

In addition, economic sanctions laws imposed by the United States, European Union, and other jurisdictions may expose us to potential compliance risks. Sanctions laws prohibit business in or with certain countries or governments, and with certain persons or entities that have been sanctioned by the United States, the European Union or other governments and international or regional organizations, such as the United Nations Security Council. Although we mainly operate within mainland China, we from time to time have engaged or may engage in certain international business that could expose us to international sanction risks. It is possible that governmental authorities may in the future impose sanctions on us, particularly in the event that we fail to detect and, as appropriate, remediate such violations, and there can be no assurance that we can always be in compliance with all such sanctions laws in the future. We also cannot predict with certainty the interpretation or implementation of any sanctions laws or policies or their future changes. Any alleged violations of sanctions laws or engagement in sanctionable activities could adversely affect our reputation, business, results of operations and financial condition.

Failures or security breaches of our information technology systems could disrupt our operations and negatively impact our business.

We rely on information technology systems to process, transmit and store information in relation to our operations, manage business data and increase efficiencies in our production and distribution facilities and inventory management processes. In addition, we utilize information technology systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory, legal and tax requirements. A portion of the communications between our personnel and our suppliers, distributors and consumers depends on information technology as well. However, our information technology systems may be vulnerable to interruption due to a variety of events beyond our control, including but not limited to, natural disasters, telecommunications failures, computer viruses, hackers and other security issues. Any such interruption to our information technology system could disrupt our operations and negatively impact our production and ability to fulfill sales orders, which could have an adverse effect on our business, financial condition and results of operations.

In addition, we may from time to time implement, modify and upgrade our information technology systems and procedures to support our growth and the development of our e-commerce business. These modifications and upgrades could require substantial investment and may not improve our profitability at a level that outweighs their costs, or at all.

Our business is subject to complex and evolving laws and regulation regarding data security and privacy.

Regulatory authorities in mainland China have implemented and are considering further legislative and regulatory proposals with more stringent requirements concerning data security and privacy. In addition, the interpretation and application of data security and privacy laws in mainland China may be uncertain and in flux. Existing or newly-introduced laws and regulations, or their interpretation, application or enforcement, could require us to change our data security and privacy practices and other business activities, including but not limited to data collection, storage, transmission and exchange or other data usage activities.

Compliance with the data security and privacy related laws and regulations as well as additional or amended laws and regulations that regulatory bodies in mainland China may enact in the future, may result in additional expenses to us. Although we have not received any penalty due to breach of data privacy as of the Latest Practicable Date, we cannot assure you that we are able to manage these risks in the future. If we fail to be in full compliance with any data security and privacy laws and regulations and become subject to administrative penalties and negative publicity, our reputation and results of operations could be materially and adversely affected.

We did not pay social welfare contributions or housing provident fund contribution for certain of our employees and may be subject to fines or penalties.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance premium contributions and housing provident fund payments for our employees. During the Track Record Period and as of the Latest Practicable Date, we had not made social insurance and housing provident fund contributions for our employees timely or in full in accordance with the relevant PRC Law. See "Business – Legal Proceedings and Compliance – Compliance – Non-compliance with PRC Law" for details. The provision we have made related to social insurance and housing provident fund contributions in 2020, 2021 and 2022, amounted to approximately RMB4.4 million, RMB3.4 million and RMB1.2 million, respectively.

According to our PRC Legal Advisors, pursuant to relevant PRC Law, we may be required by the relevant authority in mainland China to pay the amount of unpaid social insurance within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day. If we fail to do so within the period as required by the local social insurance authorities, we may be subject to a penalty of up to three times of the amount of social insurance premiums payable, and the relevant authorities may apply to a PRC court for an order to enforce the payment. Our PRC Legal Advisors have further advised us that, pursuant to relevant PRC Law, if we fail to pay the full amount of housing provident fund within as required, the relevant authorities may order us to make the outstanding payment within a prescribed time limit. If we fail to do so within such prescribed time limit, the relevant authorities may apply to a PRC court for compulsory enforcement.

We may be subject to fines for failure to register some of our lease agreements and face risk with respect to owned properties that are used inconsistent with their permitted usage.

As at the Latest Practicable Date, we entered into twelve lease agreements as the tenant and seven lease agreements as the landlord in mainland China, including two lease agreements entered into between subsidiaries of our Group, seven of which had yet to be registered with the relevant government authorities in accordance with PRC Law. As advised by our PRC Legal Advisors, the lack of registration of a lease will not affect its legality, validity or enforceability. However, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each of such non-registered leases should we fail to register the lease agreements upon request by the relevant authority, which may materially and adversely affect our business, financial condition, results of operations and prospects. See "Business – Properties – Leased Properties" for details.

As at the Latest Practicable Date, we were not provided with sufficient and valid ownership certificates or proper authorization from owners of certain of our leased properties. See "Business – Properties – Leased Properties" for details. Any dispute or claim in relation to these properties could result in us having to relocate and/or obtain alternative accommodation for certain of our employees. If our right to use these properties is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation could lead to disruptions to our operations and may have an adverse effect on our business, financial condition, results of operations and prospects.

As of the Latest Practicable Date, the current usage of two of our owned properties is inconsistent with their permitted usage as stated in their respective property ownership certificates. As advised by our PRC Legal Advisors, for the properties with usage defects, administrative penalties may be imposed on owners of properties if the properties are used inconsistent with their permitted usage, and our current usage may be interrupted. Furthermore, if the relevant land authority in mainland China allows us to continue to use such properties for their current usage they may require payment of land premium.

We may fail to comply with legal or regulatory requirements or to obtain or adhere to requirements under relevant licenses or permits.

In accordance with the laws and regulations of the PRC, we are required to comply with legal or regulatory requirements and maintain various approvals, licenses and permits in order to operate our business in mainland China. For details on regulations and laws we are subject to, see "Regulatory Overview." In addition to the business licenses, we are also required to obtain various government approvals and comply with applicable standards in relation to our manufacturing process and manufacturing facilities. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable regulations and laws. Although we have obtained necessary approvals, licenses and permits to operate our business as detailed in "Business – Licenses, Permits and Regulatory Approvals", these approvals, licenses and permits are still subject to examinations or verifications by relevant authorities and are valid only for a fixed period of time subject to renewal and accreditation.

Due to uncertainties in the regulatory environment of the industries in which we operate, there can be no assurance that we would be able to maintain our existing approvals, permits and licenses or obtain any new approvals, permits and licenses if required by any future laws or regulations. If we fail to obtain and maintain approvals, licenses, or permits required for our business, we could be subject to liabilities, penalties and operational disruption and our business could be materially and adversely affected. In case of any non-compliance, we may have to incur significant expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may materially and adversely affect our business and financial performance. We may also be liable for fines or a penalty of confiscating illegal gains, which may materially and adversely affect our business, financial conditions, and results of operations.

We may be liable for commencing construction of a facility without completing environmental impact assessment procedures and commencing production at one of our production plants without undergoing the inspection and acceptance procedures.

During the Track Record Period, we commenced (i) the construction of a facility at our Guangxi Plant without obtaining the approval of the relevant government authorities with respect to the required environmental impact report; and (ii) the production at our Guangxi Plant without undergoing the inspection and acceptance procedures. As advised by our PRC Legal Advisors, according to the PRC Environmental Impact Assessment Law (《中華人民共和國環境影響評價法》) and the Regulations on Environmental Protection Management of Construction Projects (《建設項目環境保護管理條例》), (i) commencing the construction of our manufacturing facility without preparing the required environmental impact assessment documents and without obtaining the approval of the relevant government authorities could subject us to a fine ranging from 1% to 5% of the overall investment amount for such construction project depending on the materiality and consequences of such violations, and we may be ordered to restore the construction site to its original state; and (ii) commencing the production of our Guangxi Plant without undergoing the inspection and acceptance procedures could subject us to an order to make correction within a specified time limit and a fine ranging from RMB200,000 to RMB1.0 million. If we are found not to have rectified such non-compliance within the specified time limit, we may be subject to a fine of RMB1.0 million to RMB2.0 million. If the construction project causes significant environmental pollution or ecological damage, the production or usage shall be suspended, or the project shall be closed down upon the approval by the relevant government authorities. Furthermore, according to Regulations on the Administration of Quality of Construction Works (《建設工程質量管理條例》) failure to submit completion acceptance reports, relevant approval documents or permission documents in accordance with the regulations could subject us to an order to make corrections a fine ranging between RMB200,000 to RMB500,000.

Regulation of electric two-wheeled vehicles may become more stringent in mainland China.

Our electric bicycles are classified as "non-motorized" vehicles under the PRC Road Traffic Safety Law and are therefore subject to less stringent regulatory requirements than "motorized vehicles", such as our electric motorcycles and electric mopeds, as defined therein (which are subject to higher licensing, driver qualification and road use requirements as well as higher speed and performance standards). In 2020, 2021 and 2022, revenue contributable to the sales of our electric bicycles accounted for 42.5%, 41.7% and 46.7% of our revenue, respectively. The New National Standards implemented in 2019 marks another stage of governmental supervisory on electric two-wheeled vehicles. Though rigorous restrictions against electric two-wheeled vehicles out of safety concern have been eased, there can be no assurance that regulatory requirements with respect to our products will not be increased in the future. Any such increase in regulatory requirements could have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to comply with environmental laws and regulations may subject us to fines or penalties or incur costs that could materially adversely affect the success of our business.

We are subject to a number of environmental, health and safety laws and regulations, including but not limited to the Environmental Protection Law and the Environment Impact Assessment Law. See "Regulatory Overview" for details. Failure to comply with environmental laws may affect our abilities to develop, manufacture and commercialize our products as we plan. As requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, or production suspensions in our business operations. Furthermore, we may be required to incur substantial costs to comply with current or future environmental laws and regulations. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially adversely affect our business, financial condition, results of operations and prospects.

We have records of non-compliance with certain Hong Kong regulatory requirements which could lead to the imposition of fines.

There have been a number of instances of non-compliance with certain Hong Kong regulatory requirements by our Group. These include: (i) filing a specified form with the Companies Registry later than the time limit stipulated in the Companies Ordinance; (ii) failing to secure sufficient employees' compensation insurance for one of our employees in breach of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); and (iii) failing to file Form 56B, for each of the years of assessment ended March 31, 2020 and March 31, 2021, and Form 56F with the Inland Revenue Department of Hong Kong for one employee within the prescribed time limit under the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong). See "Business – Legal Proceedings and Compliance – Compliance – Non-compliance with Hong Kong Laws" for further details.

If the relevant authorities take enforcement actions against our executive Directors or Group members, and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay certain penalties, and our reputation, cash flow and results of operations may be adversely affected.

We may be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subjects us to potential product liability claims if our products are proved to have failed to meet relevant safety standards or other laws and regulations, or cause or are alleged to have caused safety issues. See "Business – Legal Proceedings and Compliance – Legal Proceedings" for certain litigations which our Group was involved in during the Track Record Period and up to the Latest Practicable Date. If we do not succeed in defending against any product liability claims or other claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in mainland China, including the COVID-19 outbreak, may materially and adversely affect our business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, H1N1 influenza, Ebola virus and the resurgence of the COVID-19 in other regions across mainland China, may materially and adversely affect our business, financial condition and results of operations. The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in mainland China. To contain the spread of the COVID-19, the government has taken a series of restrictive measures including but not limited to social distance rules, temporary closure of the business, travel restrictions, and lockdowns which had resulted in the disruption to our business. See "Financial Information – Impact of the COVID-19 Pandemic" for details. Due to the uncertainties surrounding the development of COVID-19, our business development may be adversely impacted in the future and we may incur additional costs in complying with the anti-pandemic requirements regulated by the government.

Moreover, mainland China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in mainland China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO MAINLAND CHINA

Mainland China's economic, political and social conditions and government policies, as well as the global economy, may continue to affect our business.

Substantially all of our businesses, assets, operations and revenue are located in or derived from our operations in mainland China and as a result, our business, financial condition and results of operations are subject, to a significant degree, to the economic, political, social and regulatory environment in mainland China. The PRC government regulates the economy and the industries by imposing industrial policies and regulating the macro economy in mainland China through fiscal and monetary policies.

The economy in mainland China has undergone a transition from a planned economy to a market-oriented economy. The PRC government has, in recent years, taken various actions to introduce market forces for economic reform, to reduce State ownership of productive assets and to promote the establishment of sound corporate governance in business entities. However, a substantial portion of productive assets in mainland China are still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the economy and the industries by issuing industrial policies. The PRC government still retains significant control over mainland China's economic growth through the allocation of resources, monetary policies and preferential treatments to particular industries or enterprises.

Our performance has been and will continue to be affected by mainland China's economy, which in turn is influenced by the global economy. The uncertainties relating to the global economy as well as the political environment in various regions of the world will continue to impact mainland China's economic growth. The global macroeconomic environment is facing challenges, including the end of quantitative easing and start of interest rate hikes by the U.S. Federal Reserve, the economic slowdown in the Eurozone since 2014 and the withdrawal of the U.K. from the EU at the end of January 2020, the outbreak of COVID-19 and the recent Russia-Ukraine crisis. There have also been concerns over unrest and terrorist threats in the Middle East, Europe, and Africa and over the conflicts involving Ukraine, Syria and North Korea, which have resulted in market volatility. There have been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have adverse economic effects. The ongoing trade tensions between the United States and China may have tremendous negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. While mainland China's economy has experienced significant growth in the past few decades, growth has been uneven across different regions and economic sectors and it has shown slower growth since 2012 compared to the previous decade and the trend may continue. Although growth of mainland China's economy remained relatively stable, there is a possibility that mainland China's economic growth may materially decline in the near future. Any severe or prolonged slowdown in the global or mainland China's economy may materially and adversely affect our business, results of operations and financial condition. Additionally, continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

We are unable to predict all the risks and uncertainties that we face as a result of current economic, political, social, and regulatory developments and many of these risks are beyond our control. All such factors may materially and adversely affect our business and operations as well as our financial performance.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in mainland China.

Certain PRC regulations established additional procedures and requirements that are expected to make merger and acquisition activities in mainland China by foreign investors more time-consuming and complex. For example, the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), adopted by six regulatory agencies in mainland China in 2006 and amended in 2009, require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a domestic enterprise in mainland China if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or time-honored brand in mainland China. The approval from the MOFCOM shall be obtained in circumstances where overseas companies established or controlled by enterprises or residents in mainland China acquire affiliated domestic companies. For details, see "Regulatory Overview – Regulations Relating to M&A Rules and Overseas Listing." The M&A Rules further require that, among others, an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by companies or individuals in mainland China, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in particular if the special purpose vehicle acquires shares of or equity interests in the companies in mainland China in exchange for shares of offshore companies. Moreover, the Anti-Monopoly Law (《反壟斷法》) requires that the anti-monopoly enforcement agency shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. Furthermore, as required by the Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), promulgated by the NDRC and the MOFCOM on December 19, 2020 and effective as of January 18, 2021, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, information technology, internet products and services, financial services and technology sectors, are required to obtain approval from designated governmental authorities in advance.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts and other PRC government authorities, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments.

We are a company incorporated under the laws of the Cayman Islands. Pursuant to the EIT Law and its implementation rules, if an enterprise incorporated outside mainland China has its "de facto management bodies" within mainland China, such enterprise would generally be deemed as a "PRC resident enterprise" for tax purposes and be subject to an EIT rate of 25% on its global income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, July 2011 and January 2014, the SAT issued several circulars to clarify certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by mainland China enterprises. We are currently not regarded as a PRC tax resident enterprise. However, if we are regarded as a PRC tax resident enterprise by the tax authorities in mainland China, we would have to pay PRC EIT at a rate of 25% for our entire global income, which may materially and adversely affect our profits and hence our retained profit available for distribution to our Shareholders.

You may be subject to mainland China withholding tax on dividends from us and mainland China income tax on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides otherwise, mainland China withholding tax at a rate of 10% is normally applicable to dividends from a mainland China source paid to investors that are "non-resident enterprises," which do not have an establishment or place of business in mainland China, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is generally subject to a 10% mainland China income tax if such gain is regarded as income derived from sources within mainland China.

Under PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realized by such investors on the transfer of shares are generally subject to mainland China income tax at a rate of 20% for individuals. Any mainland China tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under "– We may be deemed to be a PRC tax resident enterprise under the EIT Law, which may materially and adversely affect our profitability and the value of your investments," dividends we pay with respect to our Shares, or the gain realized from the transfer of our Shares, may be treated as income derived from sources within mainland China and as a result be subject to mainland China income taxes described above. If mainland China income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected.

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

The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The proceeds from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our proceeds from the [**REDACTED**]. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

The PRC government's control of foreign currency conversion and restrictions on the remittance of RMB out of mainland China may limit our foreign exchange transactions and our ability to pay dividends and meet other obligations, and affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of mainland China. We receive substantially all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our Shares, if any. Shortage in the availability of foreign currency may restrict the ability of our subsidiaries in mainland China to remit sufficient foreign currency out of mainland China, or otherwise satisfy their foreign currency denominated obligations.

Under existing foreign exchange regulations in mainland China, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, by complying with certain procedural requirements. However, approval from or registration with appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

In light of the flood of capital outflows of mainland China in 2016 due to the weakening of the RMB, the PRC government has imposed more restrictive foreign exchange policies and stepped-up scrutiny of major outbound capital movements. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

The heightened scrutiny over acquisitions from the tax authorities in mainland China may have a material and adverse impact on our business, acquisition or restructuring strategies or the value of your investment in us.

The SAT promulgated several rules and notices to tighten the scrutiny over acquisitions in recent years. On February 3, 2015, the SAT issued the Public Announcement of the State Administration of Taxation on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《國家稅務總局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》) (the "**SAT Bulletin 7**"), which was partially abolished by the Announcement of the State Administration of Taxation on Issues concerning the Withholding of Enterprise Income Tax at Source on Non-Resident Enterprises (《國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告》) and the Decision of the State Administration of Taxation on Issuing the Catalogues of Tax Departmental Rules and Tax Regulatory Documents Which Are Invalidated and Repealed (《國家稅務總局關於公佈失效廢止的稅務部門規章和稅收規範性文件目錄的決定》) (the "**Circular 42**"). The SAT Bulletin 7 provided comprehensive guidelines relating to, and also heightened the mainland China tax authorities' scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (the "**PRC Taxable Assets**").

For example, the SAT Bulletin 7 specifies that the tax authorities in mainland China 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 mainland China enterprise income taxes and without any other reasonable commercial purpose.

Except as provided in the SAT Bulletin 7, transfers of Chinese taxable property simultaneously satisfied all the following circumstances shall be automatically deemed as having no reasonable commercial purpose, and are subject to mainland China enterprise income tax: (i) more than 75% of the value of the overseas enterprise is directly or indirectly from Chinese taxable properties; (ii) more than 90% of the total assets (cash excluded) of the overseas enterprise are directly or indirectly composed of investment in mainland China at any time during the year prior to the indirect transfer of Chinese taxable property, or more than 90% of the income of the overseas enterprise is directly or indirectly from mainland China during the year prior to the indirect transfer of Chinese taxable property; (iii) the overseas enterprise and its subsidiaries directly or indirectly hold Chinese taxable property and have registered with the relevant authorities in the host countries (regions) in order to meet the local legal requirements in relation to organization forms, yet prove to be inadequate in their ability to perform their intended functions and withstand risks as their alleged organization forms suggest; or (iv) the income tax from the indirect transfer of Chinese taxable property payable abroad is lower than the income tax in mainland China that may be imposed on the direct transfer of such PRC Taxable Assets. Although the SAT Bulletin 7 contains certain exemptions (including, (i) where a non-resident enterprise derives income from the indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company which holds such PRC Taxable Assets on a public market; and (ii) where there is an indirect transfer of PRC Taxable Assets, but if the non-resident enterprise had directly held and disposed of such PRC Taxable Assets, the income from the transfer would have been exempted from enterprise income tax in mainland China under an applicable tax treaty or arrangement), it remains unclear whether any exemptions under the SAT Bulletin 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of mainland China involving PRC Taxable Assets, or whether the tax authorities in mainland China will reclassify such transaction by applying the SAT Bulletin 7. Therefore, the tax authorities in mainland China may deem any transfer of our Shares by our Shareholders that are non-resident enterprises, or any future acquisition by us outside of mainland China involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our Shareholders or us to additional mainland China tax reporting obligations or tax liabilities.

Provisions of the SAT Bulletin 7, which impose mainland China tax liabilities and reporting obligations, do not apply to "a non-resident enterprise acquiring and disposing of the equity interests of the same offshore listed company in a public market" (the "**Public Market Safe Harbor**"). In general, transfers of the Shares by Shareholders on the Stock Exchange or other public markets would not be subject to mainland China tax liabilities and reporting obligations imposed under the SAT Bulletin 7 if the transfers fall under the Public Market Safe Harbor. As stated in the section headed "Information about this Document and the [**REDACTED**]", potential investors should consult their professional advisors if they are in any doubt as to the tax implications of subscribing for, purchasing, holding, disposing of and dealing in the Shares.

We may be subject to penalties, including restrictions on our ability to inject capital into our mainland China subsidiaries and our mainland China subsidiaries' ability to distribute profits to us, if our mainland China resident Shareholders or beneficial owners fail to comply with relevant mainland China foreign exchange regulations.

The SAFE has promulgated several regulations that require mainland China residents and mainland China corporate entities to register with and obtain approval from local counterparts of the SAFE in connection with their direct or indirect offshore investment activities. The Circular of the State Administration of Foreign Exchange on Relevant Issues Concerning Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**") was promulgated by the SAFE in July 2014 and requires mainland China residents or entities to register with SAFE or its local counterparts before the mainland China residents contributes assets or equity interests in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Pursuant to the Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving Foreign Exchange Administration Policies on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), which was promulgated by the SAFE in February 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks. These regulations apply to our Shareholders who are mainland China residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, mainland China residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any mainland China resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the qualified bank, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any mainland China shareholder fails to make the required registration or update the previously filed registration, the mainland China subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into the PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into the PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested mainland China residents that to our knowledge hold direct or indirect interest in our Company to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. However, there can be no assurance that the subsequent amendment of registration, when required, can be successfully completed in a timely manner. Failure by any such Shareholders to comply with the SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in mainland China and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency denominated borrowings, which may materially and adversely affect our results of operations and financial condition. In addition, if we decide to acquire a mainland China domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could materially and adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for share option plans may subject the mainland China plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**SAFE Circular 7**"), replacing the previous rules issued by SAFE in March 2007. Under the SAFE Circular 7 and other relevant rules and regulations, mainland China residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local counterparts and complete certain other procedures. Participants of a stock incentive plan who are mainland China residents must retain a qualified PRC agent, which could be a mainland China subsidiary of the overseas publicly listed company or another qualified institution selected by the mainland China subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. Also, SAFE Circular 7 stipulates that mainland China residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local counterparts before they exercise the share options. We and our mainland China employees who have been granted share options will be subject to these regulations upon the completion of this [**REDACTED**]. Failure of our mainland China share option holders to complete their SAFE registrations may subject these mainland China residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our mainland China subsidiaries, limit our mainland China subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business.

The SAT has also issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in mainland China will be subject to mainland China individual income tax upon exercise of the share options. Our mainland China subsidiaries have obligations to file documents with respect to the granted share options with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options. If our employees fail to pay or we fail to withhold their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities.

The legal system in mainland China has inherent uncertainties that could limit the legal protections available to our Shareholders.

The legal system mainland China is based on written statutes and their interpretation by the Supreme People's Court of the PRC and may not be as comprehensive or developed as that of other jurisdictions. Prior court decisions may be cited for reference but have limited precedential value. Accordingly, the outcome of dispute resolutions may not be consistent or predictable.

Although efforts have been made by the PRC government to enhance protection of foreign investment in mainland China, mainland China has not yet developed a fully integrated legal system. Newly enacted laws and regulations may not sufficiently cover all aspects of economic activities in mainland China and there is much uncertainty in their application, interpretation and enforcement. Furthermore, the legal system mainland China is partly based on government policies and administrative rules that may take effect retrospectively. As a result, we may not be aware of our violations of certain policies or rules in a timely manner.

The legal protection available to us under the PRC Law may be limited. Any litigation or regulatory enforcement action in mainland China may be protracted, which may result in the diversion of our resources and management attention. In addition, the outcome of dispute resolutions may not be consistent or predictable and it may be difficult to enforce judgments and arbitration awards in mainland China.

These uncertainties relating to the interpretation, implementation and enforcement of the PRC Law and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and may adversely affect the value of your investment.

You may experience difficulties in effecting service of legal process and enforcing judgments or bringing original actions in the PRC or Hong Kong based on foreign laws against us and our Directors and management.

We are an exempted company incorporated in the Cayman Islands and substantially all of our assets are located in mainland China and substantially all of our current operations are conducted in mainland China as well. In addition, most of our current Directors and officers are PRC nationals and residents of mainland China and substantially all of the assets of these persons are located in mainland China. It may not be possible for investors to effect service of process upon us or those persons in mainland China for disputes brought in courts outside mainland China. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. Therefore, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in mainland China in order to seek recognition and enforcement of foreign judgments in mainland China.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute.

On January 18, 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which seeks to establish a mechanism that promotes clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. On October 26, 2022, the Mainland Judgements in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance (the "**Reciprocal Arrangement Ordinance**") was passed. The effective date of the 2019 Arrangement and the Reciprocal Arrangement Ordinance have yet to be announced and how they will be implemented remain uncertain.

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

On July 6, 2021, the relevant PRC governments promulgated the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), among which it is mentioned that the administration and supervision of overseas-listed mainland China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. However, the Opinions on Lawfully and Strictly Cracking Down Illegal Securities Activities were only issued recently, leaving uncertainties regarding the interpretation and implementation of these opinions. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines, which became effective on March 31, 2023. On the same day, the CSRC also held a press conference for the release of the Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知). For details, please refer to "Regulatory Overview — Regulations Relating to M&A Rules and Overseas Listings" in these documents.

Based on the foregoing, as the total assets, net assets, revenues and profits of our domestic operating entities in the most recent accounting year account for more than 50% of the corresponding figures in the Company's audited consolidated financial statements for the same period; and the Group's major operational activities are carried out in mainland China, our Directors and our PRC Legal Advisors are of the view that, we need to complete the filing procedures with the CSRC in connection with the Listing pursuant to the Trial Measures. The PRC legal advisers to the Sole Sponsor and the Sole Sponsor also concurred with the aforesaid view of our Directors and our PRC Legal Advisors. On April 11, 2023, the CSRC accepted the Company's filings application.

We cannot assure you that we could meet such requirements, obtain such permit from the relevant government authorities, or complete such filing in a timely manner or at all. Any failure may restrict our ability to complete the Listing or any future capital raising activities, which would have a material adverse effect on our business and financial positions. However, as the Trial Measures was recently promulgated, there remains substantial uncertainties as to its interpretation and implementation and how it may impact our ability to raise or utilize fund and business operation.

Any failure to protect our distributors, customers and suppliers data, or the improper collection, use or disclosure of such data, as well as the uncertainties surrounding the cybersecurity review may subject us to the liabilities imposed by data privacy and protection laws and regulations, which may negatively impact our reputation and business.

In the ordinary course of our business, we may collect and use information provided by distributors, customers and suppliers based on their consent, which may include their payment services' account names and other information. We are subject to various laws and regulations regarding the collection, storage, sharing, use, disclosure and protection of personally identifiable information and data.

In November 2016, the SCNPC promulgated the Cyber Security Law, which requires, among others, that network operators take security measures to protect the network from unauthorized interference, damage and unauthorized access and prevent data from being divulged, stolen or tampered with. Network operators are also required to collect and use personal information in compliance with the principles of legitimacy, properness, and necessity, and strictly within the scope of authorization by the subject of personal information unless otherwise prescribed by laws or regulations. On August 20, 2021, SCNPC passed the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》), which became effective on November 1, 2021. The PRC Personal Information Protection Law lays out the fundamental rules for the collection, storage, use, processing, transmission, provision, disclosure, deletion of personal information in mainland China. The PRC Personal Information Protection Law further supplements the existing data protection regime previously established by the Cyber Security Law and provides the circumstances under which a personal information processor could process personal information, which include but not limited to, where the consent of the individual concerned is obtained or where it is necessary for the conclusion or performance of a contract to which the individual is a contractual party. The collection of personal information should be conducted in a disciplined manner with as little impact on individuals' rights and interests as possible, and excessive collection of personal information is prohibited. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the Cyber Security Law and the PRC Personal Information Protection Law. See "Regulatory Overview – Regulations Relating to Information Security and Personal Information Protection" for details.

Complying with these data privacy and protection laws and requirements could cause us to incur substantial expenses or require us to alter or change our practices in a manner that could harm our business. We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under data protection, privacy and security laws will be sufficient. In addition, any failure or perceived failure by us or our business partners to comply with any applicable data privacy and protection laws and regulations, or any failure by our employees to comply with our relevant internal policies and measures, could subject us to legal proceedings, regulatory actions or penalties, which could materially and adversely affect our business and results of operations.

Besides, the Measures for Cybersecurity Review (《網絡安全審查辦法》) stipulates the mandatory requirement of cybersecurity review for companies which hold more than one million users personal information when applying for a listing in a foreign country (國外上市). Our PRC Legal Advisors are of the view that such mandatory requirements of cybersecurity review under the Article 7 of the Measures for Cybersecurity Review are applicable to companies which are seeking a listing in a foreign country (國外上市) and we are not required to initiate a submission for cybersecurity review in connection with the Listing in Hong Kong under the Article 7 of the Measures for Cybersecurity Review.

The Draft Cyber Data Security Regulations provides cross-border data transmission security and cybersecurity review standards for listing abroad and in Hong Kong and the protection of important data and personal information rights. According to the Draft Cyber Data Security Regulations, data processors refer to individuals or organizations that independently determine the purposes and methods of their data processing activities. If the listing in Hong Kong of a data processor affects or may affect national security, or any other data processing activities of a data processor affect or may affect national security, the data processor shall, in accordance with relevant state provisions, apply for a cybersecurity review. Our PRC Legal Advisor has advised us that the Draft Cyber Data Security Regulations is applicable to the data processing activities of our Company if the draft regulations were to be implemented in current form. However, the Draft Cyber Data Security Regulations does not provide the standard to determine the circumstances that would be determined to "affect or may affect national security." As of the Latest Practicable Date, the Draft Cyber Data Security Regulations was released for public comments only and its final version and effective date are subject to change and uncertainty, the Company is not bound by the requirements on cybersecurity review for the proposed Listing in Hong Kong under the Draft Cyber Data Security Regulations as such regulations have not come into effect now.

The regulatory regime on data privacy and security in mainland China is relatively new. The interpretation and application of relevant laws, regulations and standards remain uncertain and evolving. We cannot assure you that governmental authorities will not interpret or implement the laws or regulations in ways that negatively affect us. We may be subject to investigations and inspections by government authorities regarding our compliance with relevant laws and regulations. Any inability to adequately address data privacy and security concerns, even if unfounded, or to comply with applicable data security and privacy laws, regulations and standards, could result in additional cost and liability for us, damage our reputation and harm our business.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares.

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

The trading price of our Shares may be volatile, which could result in substantial losses to you.

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

You will incur immediate and substantial dilution and may experience further dilution in the future.

As the [**REDACTED**] of our Shares is higher than the net tangible book value per Share of our Shares immediately prior to the [**REDACTED**], purchasers of our [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in pro forma net tangible book value. If we issue additional Shares in the future, purchasers of our [**REDACTED**] in the [**REDACTED**] may experience further dilution in their shareholding percentage.

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and Controlling Shareholders, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and Controlling Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which trading in our Shares commences on the Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future.

There is no assurance if and when we will pay dividends in the future.

Distribution of dividends will be at the discretion of our Board and subject to Shareholders' approval. A decision to declare or pay dividends and the amount of such dividends will depend on our future operations and earnings, capital requirements and surplus, general financial conditions, contractual restrictions and other factors that our Directors consider relevant. As a result, there can be no assurance whether, when and in what manner we will pay dividends in the future.

Since there may be a gap of several Business Days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The [**REDACTED**] of our Shares is expected to be determined on the [**REDACTED**]. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may be different from those in Hong Kong.

Our corporate affairs are governed by the Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes or judicial precedents in existence in Hong Kong. This means that the remedies available to our minority Shareholders may be different from those available under the laws of Hong Kong or other jurisdictions. A summary of the constitution of our Company and the Cayman Companies Act is set out in Appendix IV to this document.

Facts and statistics in this document may come from various sources and may not be fully reliable.

Some of the facts and statistics in this document are derived from various publications of governmental agencies or publicly available sources that our Directors believe are reliable. However, our Directors cannot guarantee the quality or reliability of such materials. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading in any material aspect or that any material fact has been omitted that would render such information false or misleading. The information has not been independently verified by our Group, the Sole Sponsor, the [**REDACTED**] or any other parties involved in the [**REDACTED**] and no representation is given as to its accuracy or completeness. Due to the possibly flawed or ineffective sampling or discrepancies between published information and market practices or other reasons, such facts and statistics maybe inaccurate or may not be comparable to official statistics. You should not place undue reliance on them. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

Prospective investors should read the entire document carefully and are strongly cautioned against placing any reliance on the information in any press article or other media coverage which contains information not being disclosed or which is inconsistent with the information included in this document.

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