An [**REDACTED**] *in our H Shares involves a high degree of risk. Potential* [**REDACTED**] *should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the* [**REDACTED**] *in our H Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the* [**REDACTED**] *of our H Shares, and could cause you to lose all or part of your* [**REDACTED**].

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business, operations, financial performance and prospects; (ii) risks relating to our industry; (iii) risks relating to doing business in China; and (iv) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR BUSINESS OPERATIONS, FINANCIAL PERFORMANCE AND PROSPECTS

If we fail to improve the quality of our products or expand our product offerings, our business and results of operations may be adversely impacted.

Our future success in part depends on our ability to continue to improve the quality of our existing products and develop and introduce new products that integrate new technological advances. We plan to invest large amounts of human and capital resources to develop or acquire technologies that will allow us to enhance the scope and quality of our products. We intend to continue to strengthen our R&D capabilities, which can be capital intensive and time consuming. If we are unable to integrate prevalent technological advances into our product offerings or design, develop, manufacture and market new products successfully in a timely manner, our operating results and prospects may be adversely affected. While we expect to continue to invest in R&D for all our business lines, we cannot assure you that our product and process development efforts will be successful or that the new products and services we introduce will achieve widespread market acceptance. If we fail to generate ideal results from R&D, there may be a waste of capital and human resources, which may adversely affect our operations and financial condition.

In addition, to develop and market our new products and services successfully, we must accurately assess and meet our customers' evolving needs, make significant capital expenditures, optimize our development and manufacturing processes to more accurately anticipate and control costs, hire, train and retain necessary personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our products, offer high-quality products in a timely manner, price our products competitively, and effectively integrate customer feedback into our business planning, among other things. If we fail to do any of the foregoing, our future business, results of operations, financial condition and prospects could be materially and adversely affected.

Our products and services are highly complex, we may not be able to consistently manufacture our equipment and consumables to the necessary specifications or in quantities sufficient to meet customer demand at a reasonable cost or at an acceptable performance level.

Our integrated solutions consist of a large number of components that function together. As such, a quality defect in a single component can compromise the performance of the entire bioprocess solution. Certain of our products are manufactured using complex processes, sophisticated equipment, high quality standards and strict adherence to specifications and quality system procedures. In many cases, the products we manufacture are bundled with the products or components that we source from third parties, which are assembled, packaged and subject to quality assurance testing at our production facilities. In order to successfully generate revenue from our products, we need to supply our customers with products that meet their expectations for quality and functionality in accordance with established specifications. As we continue to grow and introduce new products, and as our products incorporate increasingly sophisticated technologies, it may be more difficult to ensure that they are consistently produced with the highest quality standards. There is no assurance that we or the third-party manufacturers for the products we distribute will be able to continue to manufacture products that consistently meet the product specifications and quality expectations of our customers, which, in turn, could damage our reputation and our business relationship with our customers.

Delivery of consumables that already expired or delivery of defective equipment or consumables to customers could result in recalls and warranty replacements, which could increase our costs, and depending on the current inventory levels and lead time for additional inventory, could result in a lack of availability of the relevant products. Any future design issues, unforeseen manufacturing problems, such as contamination of our or third-party manufacturers' production facilities, equipment malfunctions, aging components, quality defects of the components and raw materials sourced from third-party suppliers, failures to strictly follow procedures or meet specifications, or any claims filed or damages sought by our customers, or liabilities or penalties incurred by us with respect to any of the foregoing, may have a material adverse effect on our brand, business, financial condition and results of operations.

In addition, due to potential disruptions to the supply of raw materials and components caused by a number of factors that are beyond our control, such as a shortage of raw materials and the COVID-19 pandemic, we may not be able to manufacture our products with consistent quality at a reasonable cost to us. In the event we are unable to pass increased production costs to our customers, our business and results of operations could be adversely affected.

Furthermore, we are subject to regular audits and inspections of our production facilities, processes and practices by certain of our customers to ensure that our products and services meet their quality standards. However, we cannot assure you that we will be able to pass all of the customer audits and inspections. Failure to pass any of these audits or inspections to our customers' satisfaction could significantly harm our reputation and result in the termination of ongoing biologics projects by our customers, which could negatively affect their demand of our products and services, and in turn, materially and adversely impact our business, financial condition, results of operations and prospects.

We are dependent on our customers' demand for and spending on our products and services, a reduction of which could have a material adverse effect on our business, financial condition, results of operations, cash flows and prospects.

The success of our business partially depends on the demand of our customers, who are primarily pharmaceutical companies, CROs/CDMOs and scientific research institutions, for our products and services. During the Track Record Period, we have benefitted from an increased demand for our products and services as a result of the continued growth of the life sciences industry in China and the biologics market in particular. A slow-down or reversal of this trend could have a significant adverse effect on the demand for our products and services. In addition, the COVID-19 pandemic had a positive impact on the demand for products and services provided by the global upstream suppliers and manufacturers of biologic drugs. In China, due to the adverse effect of COVID-19 on the global logistics and transportation, the insufficiency of the supplies of imported products contributed to the increasing demand for products made by the Chinese domestic bioprocess solutions providers. Therefore, the recent increase in our customers' demand for our products and services is partially boosted by the COVID-19 pandemic. If the supplies of foreign manufactured products become more stable in the future, which may be more attractive to customers, the increase in our customers' demand for our products and services may not be sustainable. This may have an adverse impact on our business and results of operations.

In addition to the foregoing trends, our customers' willingness and ability to purchase our products and services are also subject to, among others, the continued success of our customers' projects and businesses, their own financial performance, changes in their available resources, their spending priorities, their budgetary policies and practices, and their need to develop new biological products, which, in turn, is dependent upon a number of factors, including their competitors' discovery, development and commercialization initiatives, and the anticipated changes in the markets in which they operate, clinical and reimbursement scenarios for specific products and therapeutic areas. Any delay, non-approval or lack of demand for our customers' products may have a material impact on our business. Consequently, we may be required to reallocate our resources, a decision that could cause delays in our product and service offerings and result in lower-than-expected revenues. Moreover, changes in government regulations, third-party coverage and reimbursement policies and societal pressures are changing the way healthcare is delivered, reimbursed and funded and have in the past and could in the future cause participants in the biologics industry and related industries that we serve to purchase fewer of our products and services, reduce the prices they are willing to pay for our products and services, reduce the amounts of reimbursement and funding available for our products and services from governmental agencies or third-party payors, reduce the volume of biopharmaceutical procedures that use our products and services, lower the acceptance rate of our products and services and increase our compliance and other costs. If our customers reduce their spending on our products and services as a result of any of the foregoing or other factors, our business, financial condition, results of operations, cash flows and prospects could be materially and adversely affected.

If we lose any of the Major Customers or our business relationship with any of the Major Customers is materially undermined in any way, our business and results of operations may be materially and adversely affected.

We derived a substantial portion of our revenue from a relatively small number of customers during the Track Record Period and expect to continue to do so in the near future. For example, we generated approximately 84.4%, 78.0% and 67.8% of our total sales in 2020, 2021 and 2022, respectively, from the Major Customers. During the Track Record Period, WuXi Biologics Group was our largest customer, and our sales to it amounted to RMB53.3 million, RMB124.5 million, and RMB142.2 million for the years ended December 31, 2020, 2021 and 2022, respectively, accounting for 27.6%, 20.9% and 17.8% of our total revenue, respectively. In addition, we procure from WuXi Biologics Group and its associates certain raw materials and services. See the section headed "Business – Customers" in this document for further details. The transactions we had with WuXi Biologics Group were also connected transactions. Please also see the section headed "Connected Transactions – Continuing Connected Transactions" in this document for further details and their implications under the Listing Rules.

We cannot assure you that we will be able to maintain or strengthen our relationships with the Major Customers, or that they will continue to place large purchase orders with us. If there is any significant cutback in the spending on our products and services by the Major Customers due to industry consolidation, deterioration of their financial conditions, procurement budget cuts, denial or delayed regulatory approvals or other reasons, and we are unable to obtain purchase orders of a comparable size and on similar terms from other customers as replacements, our business, financial condition and results of operations may be materially and adversely affected.

Our future success depends on our ability to increase penetration in our existing markets and establish our presence in the global markets.

Our success depends on our ability to increase our market penetration among potential customers and to expand our customer network by introducing and marketing attractive new products and new applications for existing products. As we continue to scale our business, we may find that some of our products and solutions, certain customers or markets, including the bioprocess solutions market and laboratory products and services market, may require dedicated sales force or sales personnel with different experience levels and qualifications than those we currently employ. Identifying, recruiting, training and retaining additional qualified personnel would require significant time, expense and attention. Moreover, the new products we introduce may not successfully match the needs of our customers, which may result in our existing customers or potential customers not realizing the benefits and advantages of our products, or be competitive from both quality and cost perspectives against similar products manufactured by our competitors, which may result in such customers adopting the products or solutions offered by our competitors over those manufactured by us. If this occurs, our business and prospects could be materially and adversely affected.

We intend to expand our presence overseas. Please see the section headed "Business – Our Business Strategies – Expedite our globalization strategy" in this document for details. Our success in new geographic markets is subject to our ability to manage various risks and difficulties, including but not limited to: (i) our ability to effectively manage and coordinate our workforces across different geographic locations; (ii) our ability to develop and maintain relationships with customers, suppliers and other local stakeholders; and (iii) our familiarity with the variations and changes in laws applicable to our operations in different jurisdictions, including enforceability of intellectual property and contractual rights. We may invest significant time and resources on promoting brand awareness and acquiring market shares in the new markets. We may also need to lower our prices initially as we enter into new geographical markets in order to establish our presence and remain competitive with the existing players in such markets. We may not be able to manage our costs or generate sufficient revenue to justify the time and resources spent. Our profitability and ability to implement our business strategies, maintain our market share and compete successfully in new geographic markets may be compromised if we are unable to effectively manage the foregoing risks and other possible risks.

We cannot assure you that we will be able to make further penetration in our existing markets, tap into new markets or that such markets will be able to sustain our current and future product and service offerings. Any failure to increase penetration in our existing markets or establish our presence in new markets would adversely affect our ability to improve our operating results.

If we fail to identify suitable acquisition targets, complete any pending or future acquisitions or successfully integrate any new or previous acquisitions, or mitigate any historical issues associated with them, there may be a material adverse effect on our business development.

As part of our overall business strategy, we identify suitable acquisition and investment targets, and pursue strategic acquisitions of and equity investments in complementary businesses, products and technologies. For example, in 2018, we successfully acquired the cell culture media business of Mabworks Biotech, which boosted our production capability of serum-free cell culture media and enabled us to establish a dual cell culture media R&D capability in Shanghai and Beijing, China. Subsequently, in September 2019, we acquired a majority interest in Qizhi Bioengineering, which expanded our business to the development, design and production of bioreactors. In July 2020, we completed the acquisition of Lianghei Technology that primarily manufactures single-use products. In addition, in October 2020, we acquired a majority interest in Jinke Filtration, which primarily produces filters. In September 2021, we acquired the entire interest in ATS Engineering to expand our business to the development, design and production of nano particles preparation systems for drugs. In February 2022, we acquired a majority interest in Chubo Biotechnology to expand our business to the development, design and production of chromatography resins. Subsequently, in March 2022, we acquired the entire equity interests in RephiLe Bioscience to expand our business to the development, design and production of laboratory water purification systems. Additionally, in July 2022, we acquired Salus Bioscience in the United States to establish an overseas sales channel of our products. For more details, please see the section headed "Business – Our Acquisitions". In order to be successful in these activities, we must, among others:

- identify suitable targets;
- assimilate the operations, personnel and customers of acquired companies;
- minimize potential disruption to our ongoing business;
- utilize the suppliers and customers of acquired companies;
- retain key technical and management personnel and align their incentives with us;
- integrate acquired companies into our strategic and financial plans;
- accurately assess the value of the target companies, products and technologies;
- harmonize the standards, controls, procedures and policies; and
- minimize the impairment of our relationships with our employees and customers.

Acquisitions we have completed in the past or may complete in the future may be made at a substantial premium over the fair value of the net identifiable assets of the acquired companies or targets. We may not be able to successfully acquire identified targets despite spending a significant amount of time and resources on pursuing such acquisitions. Acquisitions, even if completed, will involve uncertainties and risks, including potential ongoing financial obligations, unforeseen or hidden legal, regulatory, financial or other liabilities or non-compliance of the acquired companies, some of which may not have been discovered by us during the due diligence process. Further, we may not be able to successfully integrate acquired businesses into our existing businesses, make such businesses profitable, achieve synergies, if any, or realize anticipated cost savings from these acquisitions, which could adversely affect our business and results of operations. We cannot assure you that we will successfully overcome these challenges or any other problems we may encounter in connection with our acquisitions or subsequent integration of acquired businesses. If we fail to do so, our business, financial condition or results could be materially and adversely affected.

Our available cash and stock may be used for our future acquisitions, which will potentially result in significant acquisition-related charges to earnings and dilution to our existing Shareholders. Future acquisitions will likely present challenges and could require that our management develop expertise in new areas, manage new business relationships and attract new customers. The diversion of our management's attention from our day-to-day operations and any difficulties encountered in these acquisitions could have an adverse effect on our ability to effectively manage our business. These acquisitions and equity investments may also expose us to other potential risks, including, but not limited to, the loss of our investments, inability to earn an adequate return, unforeseen liabilities, diversion of resources from our existing businesses and potential harm to our relationships with employees, customers and suppliers.

Moreover, we may be held liable for historical non-compliances, indebtedness, lawsuits, disputes, claims or damages involving our acquisition targets prior to acquisition. We cannot assure you that we will be able to successfully include indemnity clauses in our future acquisition agreements and seek indemnification from any residual liabilities or potential penalties arising from our future acquisition targets' non-compliances, indebtedness, lawsuits and/or disputes prior to acquisitions, or our measures to collect indemnity will be effective. In the event that we are ultimately responsible for paying penalties, claims, damages or any other payments arising from such historical matters, our financial position, results of operation, cash flows and prospects could be materially and adversely affected.

Our inability to protect our intellectual property rights from unauthorized use could reduce the value of our products and harm our business and competitive position.

Intellectual property rights are important to our business. We rely on a combination of copyright, know-how, trade secret, patent and trademark laws and third-party non-disclosure agreements to protect our intellectual property rights and products. Please refer to the section headed "Appendix VI – Statutory and General Information – B. Further Information about Our Business – 2. Intellectual property rights of our Group" in this document for details of our intellectual properties. However, we cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, it may be possible for unauthorized third parties to copy our intellectual property, to reverse engineer or obtain and use information that we regard as proprietary, or to develop equivalent technologies independently. Additionally, third parties may assert exclusive patent, copyright and other intellectual property rights to technologies that are important to us. If we are unable to license or otherwise access protected technologies used in our products, or if we lose our rights under any existing licenses, we could be prohibited from manufacturing and marketing such products. We may find it necessary to enforce our patents or other intellectual property rights through litigation, which could result in substantial costs to us and divert our resources. We also could incur substantial costs to redesign our products, or to defend any legal action taken against us. The foregoing matters could adversely impact our reputation, business and results of operations.

Effective protection of patents, trademarks, copyrights and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. It is often difficult to register, maintain and enforce intellectual property rights. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights.

In order to protect our brand and intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management, and could result in the impairment or loss of portions of our intellectual property. There is no assurance that we will prevail in such litigation, and even if we do prevail, we may not obtain a meaningful recovery. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging the validity and enforceability of our intellectual property rights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. If we fail to secure, protect and enforce our intellectual property rights, our brand and our business could be seriously damaged. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. Any failure in maintaining, protecting or enforcing our intellectual property rights could have a material adverse effect on our reputation, business, financial condition and results of operations.

In addition, our existing and future patents may not be sufficient to protect our products or technologies used in our products or product designs, or prevent others from developing competing products, technologies or designs. We cannot predict the validity and enforceability of our patents and other intellectual property with certainty. Furthermore, there can be no assurance that our patent applications will be approved, that any issued patents will adequately protect our intellectual property, or that such patents will not be challenged by third parties or found by a judicial authority to be invalid or unenforceable. If any of the foregoing occurs, our business, results of operations and financial condition could be materially and adversely affected.

We may be subject to claims of alleged infringement on the intellectual property rights of others, which could reduce the value of our products and harm our business and competitive position.

We and our subsidiaries currently do not have any third-party infringement claims against us in respect of their intellectual property rights, however, we cannot assure you that such infringement claims against us will not occur in the future. We may be subject to legal proceedings and claims from time to time by third parties alleging infringement of copyrights, trademarks or patents, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such claims, regardless of merit, may (i) involve us in investigations or litigations that could be time consuming and costly; (ii) divert significant management and staff resources; (iii) require us to enter into expensive royalty or licensing arrangements; (iv) prevent us from using important technologies, business methods or applications, content or other intellectual property rights; (v) result in monetary liability; (vi) prevent us from selling our products through the use of injunctions or other legal means; or (vii) otherwise harm our business and competitive position and adversely affect our reputation and results of operations.

Our expansion plans require significant capital investments, which may put a strain on our business operations, financial performance or prospects.

The successful implementation of our expansion plans requires significant investment, which may be required to purchase machinery and equipment, acquiring land use rights and recruit qualified workforce. As a substantial portion of our capital expenditure must be incurred in advance of any additional sales that can be realized by our expansion plans, securing adequate financing will be essential. There can be no assurance that such financing will be available on terms acceptable to us, or at all, and our ability to obtain sufficient funding for the execution of our expansion plans is subject to a variety of uncertainties, including, but not limited to, our future results of operations, financial condition and cash flows, and economic, political and other conditions in China, the United States, Hong Kong and other jurisdictions in which we may operate or our products are sold. If we are unable to have adequate working capital or obtain financing in a timely manner and at a reasonable cost, our growth, competitive position and future profitability could be materially and adversely affected.

If we fail to effectively manage product transitions or accurately forecast customer demand or acceptance, there may be excess or obsolete inventory and resulting charges.

Because the market for our products is characterized by rapid technological advances and innovations, we frequently introduce new products with improved ease-of-use, enhanced performance or additional features and functionalities. The risks associated with the introduction of new products include, among others, the difficulties of predicting customer demand or acceptance, and effectively managing inventory levels to ensure adequate supply of the new products and avoiding excess supply of legacy products. As of December 31, 2020, 2021 and 2022, the carrying amount of our inventories was RMB66.6 million, RMB198.8 million and RMB376.2 million, respectively.

We may strategically enter into non-cancelable commitments with suppliers to purchase components and raw materials for our products in advance of ascertaining customer demand to take advantage of favorable pricing, address concerns about the availability of future supplies or build safety stock to help ensure deliveries to our customers are not delayed should we experience higher than anticipated demand for components and raw materials with relatively long lead times. If we are unable to effectively anticipate customer demand and manage our inventory levels, our business, results of operations and financial condition could be materially and adversely affected.

To effectively manage acquired companies and our overall growth, we must continue to improve our operational systems, production capacity, manufacturing processes, financial systems and internal controls and other aspects of our business, enhance our ability to manage and grow our customer base and effectively recruit, train and manage our personnel. As we continue to grow and are required to implement more complex organizational management structures, we may find it increasingly difficult to maintain the benefits of our corporate culture, including our ability to quickly develop and launch new and innovative products. If we cannot successfully implement our growth strategies, our business, results of operations and growth prospects will be harmed.

Our reputation is key to our business success. We may be adversely affected by any negative publicity.

Our reputation is key to our success, which, we believe, is built upon the quality of our products and services that result in the satisfaction of our customers. We primarily acquire new customers through (i) industry-related marketing events, including regional biologics conferences; (ii) internet-based communications; and (iii) customer referrals and word-of-mouth marketing. Negative publicity about us, our business, Shareholders, affiliates, Directors, senior management and employees, as well as our third-party commercial partners, including our suppliers and strategic partners, and the industry in which we operate, can harm our ability to retain our existing customers or attract new customers and our growth prospects. Negative publicity concerning us and these parties could be related to a wide variety of matters, including, but are not limited to:

- misconduct, alleged or otherwise, or other improper activities committed by our Directors, Shareholders, senior management, affiliates and employees, including any misrepresentation made by our senior management or employees in the course of discharging their duties;

- false or malicious allegations or rumors about us or our Directors, Shareholders, senior management, affiliates and employees;

- complaints by our customers about our products or services;

- disputes with our suppliers;

- security breaches of our customers' or employees' confidential information;

- employment-related complaints and claims relating to alleged employment discrimination, wage and hour violations, miscalculations involving and delays in the payments of staff salaries and/or bonuses; and

- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations.

We may also be exposed to the risk of any illegal action or misconduct of our third party commercial partners, including our suppliers. Any negative publicity and claims asserted against them or fines imposed upon them as a result of actual or perceived failures, could have a material and adverse effect on our public image, reputation, financial condition and results of operations. In addition, negative publicity of the industry in which we operate may materially and adversely affect our business prospects and results of operations.

In addition to traditional media, there has been an increasing use of social media and similar platforms in China, including instant messaging applications, such as WeChat, social media websites and other forms of internet-based communications that provide individuals with access to a broad audience of customers and other interested persons. The availability of information on instant messaging applications and social media platforms is virtually immediate, without affording us, our Shareholders, affiliates, Directors, senior management, employees or third-party commercial partners an opportunity for redress or correction. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available.

Information concerning us, our Shareholders, affiliates, Directors, senior management, employees or third-party commercial partners may be posted on such platforms at any time. The risks associated with any such negative publicity or incorrect information cannot be completely eliminated or mitigated and may materially harm our reputation, business, financial condition and results of operations.

Unstable or unsatisfactory supply of raw materials and components that are necessary for our production could harm our business and our relationship with the Major Customers.

We use a broad range of raw materials and supplies, including, but not limited to, reagents, plastics, metals, chemicals and electronic components, for the manufacturing of our products. During the Track Record Period, our suppliers primarily consisted of, among others, raw material suppliers, component suppliers and testing and certification service providers. See the section headed "Business – Suppliers" in this document for details.

We do not have any long-term contracts with our key suppliers for the significant majority of the raw materials and components we use for the manufacture and/or delivery of our products and services. We are therefore subject to the risk that these third-party suppliers will not be able or willing to continue to provide us with the raw materials and components that meet our specifications, quality standards, pricing expectations and delivery schedules, or prioritize our orders over those of our competitors. A significant disruption in the supply of these raw materials and components could decrease production and delivery levels, materially increase our operating costs and adversely affect our gross profit margins. Factors that could impact our suppliers' willingness and ability to continue to provide us with the required raw materials and components include, among others, disruptions affecting our suppliers' production facilities, such as work stoppages or natural disasters, inclement weather or other conditions that affect their supply, shortages of materials or interruptions in the global and local transportation systems, labor strikes, work stoppages, wars, acts of terrorism or other interruptions to or difficulties in the employment of labor or transportation in the markets in which we purchase raw materials, components and supplies for the production of our products, the worsening of financial condition of our suppliers and deterioration in our relationships with them. Unforeseen end-of-life for certain raw materials, such as enzymes, could cause backorders as we modify our product specifications to accommodate replacement. In addition, we cannot be sure that we will be able to obtain these raw materials and components on satisfactory terms. If we were to experience a significant or prolonged shortage of critical raw materials and components from any of our suppliers and could not procure similar quantity and quality of the components from other sources, we would be unable to manufacture our products for our customers in a timely fashion or based on the quality and specifications they require, which would adversely affect our sales and customer relations. Any increase in raw material costs could also reduce our gross profit margins.

Disruption in the supply of raw materials or components would also impair our ability to sell our products and meet customer demand, and also could delay the launch of new products, any of which could harm our business, results of operations, relationship with the Major Customers and prospects. If we were required to change suppliers, the new suppliers may not be able to provide us with the raw materials or components in a timely manner and in adequate quantities that are consistent with our quality standards and on satisfactory pricing terms. In addition, alternative sources of supply may not be available for raw materials that are scarce or components with a limited number of suppliers.

We may encounter difficulties in maintaining and developing our manufacturing capabilities.

The manufacturing of bioprocess solutions and laboratory products is a complex process, which requires, among others, stable supplies of raw materials and components, sufficient professionals and operable production facilities and production lines. For details of the risks associated with raw material and component supplies, please refer to the paragraph headed "– Unstable or unsatisfactory supply of raw materials and components that are necessary for our production could harm our business and our relationship with the Major Customers" in this section. If any of the factors required for the production is materially prejudiced, we may not be able to maintain manufacturing capacity and timely produce sufficient number of products according to our customers' orders.

In addition, as we increase our manufacturing capacity, we will need to make corresponding improvements to other operational functions, such as our customer service and billing systems, compliance programs and our internal quality assurance programs. We will also need additional equipment, manufacturing and warehouse space and trained personnel to process higher volumes of products. We cannot assure you that any increase in production scale, related improvements and quality assurance will be successfully implemented or that sufficient equipment and manufacturing and warehouse space, as well as appropriate personnel will be available. As we develop new products and/or improve existing products, we may need to obtain new facilities and equipment, implement new systems, technologies, controls and procedures and hire additional personnel with different qualifications. If we are not able to successfully achieve any of the foregoing initiatives, our ability to manufacture sufficient quantity of products could be materially compromised, which, in turn, could adversely affect our business, results of operations and financial condition.

Meanwhile, we proactively manage our development and production capacity to ensure we are able to deliver our products and services on a timely and uninterrupted basis. In order to satisfy our customers' demand for our products and services, we intend to establish new production lines and improve our existing production capacity. Please see the section headed "Future Plans and Use of [**REDACTED**]" in this document. However, when executing our expansion plans, we may still experience unforeseen issues, such as construction delays, which could result in the loss of business opportunities. Unforeseen issues could also lead to an increase in costs of construction, a diversion of resources from other productive uses and consume significant amounts of management time. Even if expanded production capacity is constructed as scheduled, it is possible that customer demand has changed by the time the new manufacturing capacity is put into use and we may not be able to generate sufficient return on our investment. If any of the above were to occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In addition, once new production facilities are put into use, our annual depreciation and amortization expenses may increase. We also plan to establish overseas production lines, such as in Singapore, to strengthen our global production capabilities. Our overseas expansion may subject us to the dynamic and complex challenges of conducting business in an environment involving multiple languages, cultures, customs, legal systems, alternative dispute resolution systems and commercial infrastructures.

Our operations and expansion in the global markets are impacted by a number of risks, including:

- our limited prior experience in international business operation;
- increased and sometimes conflicting regulatory compliance requirements;
- inability to cope with protectionist laws and business practices that favor local businesses in some countries;
- inability to recruit and retain talented and capable management and employees with the experience and insight necessary for global operation;
- inability to cope with challenges caused by distance, language and cultural differences;
- inability to localize and customize our production activities;
- currency exchange rate fluctuations;
- inability to build and maintain strong relationships with local partners; and
- political, economic and social instability.

If we are unable to effectively manage the risks and costs associated with our overseas expansion, our manufacturing capabilities may be limited.

If our production facilities, or the production facilities for the products distributed by us become unavailable or inoperable due to natural disasters or other unforeseen catastrophic events, our business could be adversely impacted.

Our business consists of the sales of the products manufactured by us and the distribution of the products manufactured by third-party manufacturers. The production facilities and the equipment that we and other manufacturers use to manufacture products would be costly to replace and could require substantial lead times to repair or replace. Natural disasters or other unanticipated catastrophic events that affect our production facilities, including power interruptions, water shortages, electricity or power shortages, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to operate our business. In particular, the use of hazardous chemical agents in the manufacturing process of our products may cause accidents, such fires, explosions, leakage or other hazardous chemical reactions. If any such disaster or catastrophic event were to occur, our ability to operate our business would be seriously, or potentially completely, impaired. If our production facilities or any of other manufacturers' production facilities for our products become unavailable for any reason, we cannot provide assurances that we will be able to secure alternative production facilities with the necessary capacity and equipment on acceptable terms, if at all. It is more difficult for us to monitor and manage the production facilities of other manufacturers, which make them more susceptible to supply shortage and interruptions resulting from the aforesaid factors. The inability to manufacture our products, combined with our limited inventory of such products, may result in the loss of customers or harm our reputation, and we may be unable to reestablish relationships with those customers in the future.

In addition, if our R&D projects are disrupted by a disaster or catastrophe, the launch of new products and the timing of improvements to existing products could be significantly delayed, which could adversely impact our ability to compete with other available products and services. If our or the third-party manufacturers' production capabilities are impaired, we may not be able to manufacture and deliver our products in a timely manner, which would adversely impact our business, results of operations and financial condition.

We depend on our key qualified personnel and if we are unable to recruit, train and retain them, we may not achieve our goals.

Our future success depends primarily on our ability to recruit, train, retain and motivate key qualified personnel, including our senior management, research, development, manufacturing and quality control, customer service and sales and marketing personnel. Competition for qualified personnel is intense. As we grow, we may continue to expand our management team. New hires require significant training and, in most cases, take significant time before they achieve full productivity. If we fail to successfully integrate these key qualified personnel into our business, our business could be adversely affected. In addition, our continued growth depends, in part, on attracting, retaining and motivating highly trained sales personnel with the necessary scientific background and ability to understand our systems at a technical level to effectively identify and sell to potential new customers. Because of the complex and technical nature of our products and the dynamic market in which we compete, any failure to attract, train, retain and motivate key qualified personnel could materially harm our operating results and growth prospects.

Undetected errors or defects in our solutions could harm our reputation and decrease market acceptance of our solutions.

Certain of our products, as well as the software that accompanies them, may contain undetected errors or defects when first introduced or as new versions are released. Disruptions or other performance problems with our products or software may adversely impact our customers' research or business, harm our reputation and result in reduced revenue or increased costs associated with product repairs or replacements. If this occurs, the attention of our key personnel could be diverted or other significant problems involving customer relations may arise. We may also be subject to warranty claims or breach of contract for damages related to such errors or defects in our solutions. If any of these events occurs, our reputation could be harmed and the market acceptance of our bioprocess solutions could decrease.

If we fail to offer high quality customer service, our business and reputation could suffer.

We differentiate ourselves from our competition through, among others, our commitment to an exceptional customer experience. Accordingly, high quality customer service is important for the growth of our business and any failure to maintain such standards of customer service, or a related market perception, could affect our ability to sell products and services to existing and prospective customers. Providing an exceptional customer experience requires significant time and resources from our customer service team. Therefore, failure to scale our customer service organization adequately may adversely impact our business results and financial condition.

Customers generally utilize our service teams and online content for help with a variety of topics, including how to use our products efficiently, how to integrate our products into existing workflows, how to determine which of our other products may be needed for a given experiment and how to resolve technical, analysis and operational issues if and when they arise. We may be required to increase the staffing of our customer service team, which would increase our operating costs. Additionally, as our business rapidly expands, we may need to engage third-party customer service providers, which could further increase our operating costs and negatively impact the quality of the customer experience if such third parties are unable to provide service levels equivalent to ours. The growth of the number of our customers will put additional pressure on our customer service organization. We may be unable to hire qualified staff quickly enough or to the extent necessary to accommodate increases in demand. In the event this occurs, our reputation, business, prospects and results of operations could be adversely affected.

We rely on commercial carriers to transport our products, including perishable consumables, to our customers in a timely and cost-efficient manner and if these delivery services are disrupted, our business will be harmed.

Our business partially depends on our ability to deliver our products from our warehouses to customers quickly and reliably, especially our reagents and consumables. Certain of our products are perishable and must be kept below certain temperatures. For example, some of our cell culture media are shipped on dry ice or through cold-chain transportation. Disruptions in the delivery of our products, whether due to labor disruptions, bad weather, natural disasters, terrorist acts or threats or for other reasons could result in our customers receiving products that are not fit for usage, and if used, could result in inaccurate results or ruined experiments. While we work with customers to replace any equipment and consumables that are impacted by transportation disruptions, our reputation and our business may be adversely impacted even if we replace perished products free of charge. In addition, if we are unable to continue to obtain expedited delivery services on commercially reasonable terms, our operating results may be adversely affected.

In addition, should our commercial carriers encounter difficulties in delivering our products to customers, particularly at the end of any financial quarter, it could adversely impact our ability to recognize revenue for those products in that period and accordingly, adversely affect our financial results for such period.

Our management uses certain key business metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions and such metrics may not accurately reflect all of the aspects of our business needed to make such evaluations and decisions, in particular as our business continues to grow.

In addition to our consolidated financial results, our management regularly reviews a number of operating and financial metrics, such as various metrics of turnover days, certain revenue metrics, gross profit metrics and number of customers to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions. We believe that these metrics are representative of our current business; however, they may not accurately reflect all aspects of our business and we anticipate that these metrics may change or may be substituted for additional or different metrics as our business grows and as we introduce new products. If our management fails to review other relevant information or change or substitute the key business metrics they use as our business grows and we introduce new solutions, their ability to accurately formulate financial projections and make strategic decisions may be compromised and our business, financial results and future growth prospects may be adversely impacted.

If we fail to obtain or renew certain approvals, licenses, permits and/or certificates required for our business operations, our business, financial condition and results of operations could be materially and adversely affected.

Pursuant to the relevant laws and regulations in the PRC, we are required to obtain and maintain various approvals, licenses, permits and/or certificates from the relevant authorities to operate our business. The construction and operation of our new production facilities require the receipt of various government approvals or permits, including, but not limited to, construction planning permit, construction permit, construction completion acceptance inspection and building ownership certificate. We also intend to explore overseas market opportunities, which may required additional approvals, licenses, permits and/or certificates. For further details, please see "Business – Our Business Strategies – Expedite our globalization strategy" in this document. In addition, we are required to obtain and renew certain certificates, permits and licenses for our business operations. We also need prior approvals for pollutant emissions in connection with our manufacturing activities. Any failure to obtain such approvals, licenses, permits and/or certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities, which may cause our operations to cease, and may include corrective measures requiring substantial capital expenditure or significant remedial actions, which could materially and adversely affect our business, financial condition and results of operations in the future. There is also no assurance that the relevant authorities would not take any enforcement action against us. In the event that such enforcement action is taken, our business operations could be materially and adversely disrupted.

In addition, some of these approvals, permits, licenses and/or certificates are subject to periodic renewal and/or reassessment by the relevant authorities, and the standards of such renewal and/or reassessment may change from time to time. There can be no assurance that we will be able to successfully procure such renewals and/or reassessment. Any failure by us to obtain the necessary renewals and/or reassessment and otherwise maintain all approvals, licenses, permits and/or certificates necessary to carry out our business at any time could severely disrupt our operations, which could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, if the interpretation or implementation of existing laws and regulations changes or new regulations come into effect requiring us to obtain any additional approvals, permits, licenses or certificates that were previously not required to operate our existing businesses, we cannot assure you that we will successfully obtain such approvals, permits, licenses or certificates. Our failure to obtain the additional approvals, permits, licenses or certificates may restrict the conduct of our business, decrease our revenues and/or increase our costs, which could materially reduce our profitability and prospects.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under the PRC laws and regulations and are based on the assessment of our operational needs. We do not maintain property insurance policies covering physical damage to, or loss of, our production facilities and their improvements, equipment, office furniture or inventory. We do not maintain product liability and professional errors and omissions insurance covering product liability claims arising from the use, consumption or operation of our products and claims arising from negligence in connection with our services to customers, which are not required by any applicable PRC laws or regulations. In addition, we do not hold public liability insurance covering incidents involving third parties that occur on or in our premises, or directors and officers liability insurance. We do not maintain key-man life insurance on any of our senior management or key personnel, or business interruption insurance. According to Frost & Sullivan, there are no legal or regulatory requirements for the providers of bioprocess solutions in China to maintain property insurance, product liability and professional errors and omissions insurance, public liability insurance and key-man insurance. Therefore, it is a commercial decision for a Chinese domestic bioprocess solutions provider to consider whether to maintain certain types of insurance that it believes to be appropriate and necessary in accordance with its operational needs at various stages of development. There is no assurance that the insurance policies we maintain are sufficient to cover all of our operational risks. Any liability or damage to, or caused by, our production facilities or our personnel beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

Fluctuations in the cost of distributed products, our relationship with suppliers of distributed products and the quality of our distributed products could impact our customer relationships and financial performance.

We purchase certain products from suppliers and distribute them to our customers. Changes in wholesale prices for our distributed products could significantly affect our costs of sales and decrease our profits. Since the cost of the distributed products constitute a significant portion of our product price, increase in the cost will decrease our profit margin. In 2020, 2021 and 2022, our cost of distributed products accounted for 64.6%, 44.5% and 29.0% of our cost of sales, respectively. We also rely on several major suppliers to provide such products to distribute. Failure to maintain business relationship with these major suppliers may make the distributed products inaccessible, and thus hurt our operating results.

In addition, we are not able to participate in the R&D and production process of third-party suppliers directly. Therefore, we cannot assure you that we will be able to effectively control the quality of the distributed products. Moreover, the product quality provided by our suppliers may not be stable due to changes in the technologies used and/or manufacturing capability, which may subject us to the risk of product returns. In the event of product return, our relationship with our customers could be damaged. In the event this occurs, our financial performance and reputation could be materially and adversely impacted.

Any future litigation, legal disputes, claims or administrative proceedings against us could be costly and time-consuming to defend.

We may become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business or pursuant to governmental or regulatory enforcement activity. While we do not believe that the resolution of any lawsuits against us will, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, litigation to which we subsequently become a party may result in substantial costs and divert management's attention and resources. Furthermore, any litigations, legal disputes, claims or administrative proceedings which are initially not of material importance may escalate and become important to us due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

Our insurance may not be sufficient to cover claims brought against us, may not provide sufficient payments to cover all of the costs to resolve one or more such claims and may not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if the claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required, or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our financial condition, results of operations or reputation.

We depend on information technology and other infrastructure that face security risks, including cyber security risks.

We rely on a variety of information technology and automated operating systems to manage or support our operations, including protecting our customers' intellectual property. The proper functioning of these systems is critical to the efficient operation and management of our business. In addition, these systems may require modifications or upgrades as a result of technological changes or growth in our business. These changes may be costly and disruptive to our operations and could impose substantial demands on management time. Our systems and those of third-party providers may be vulnerable to damage or disruption caused by circumstances beyond our control, such as catastrophic events, power outages, natural disasters, computer system or network failures, viruses or malware, physical or electronic break-ins, unauthorized access, cyber-attacks and thefts. We cannot assure you that the measures and steps we take to secure our systems and electronic information are adequate. Any significant disruption to our systems could result in unauthorized disclosure of confidential information and adversely affect our business and operating results.

We may face administrative penalties or challenges from third parties arising from the defects of certain properties leased or occupied by us.

As of the Latest Practicable Date, we leased 21 properties with a total GFA of 55,417.18 sq.m from Independent Third Parties, of which, 19 properties with a total GFA of 29,544.50 sq.m. did not conduct the lease registration and filing (租賃登記備案) in China. As advised by our PRC Legal Advisors, failure to register such lease agreement with the relevant Chinese government authorities does not affect the validity of the lease agreement, but the relevant Chinese government authorities may order us or the lessor to, within a prescribed time limit, register the lease agreement. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for the non-registered lease. For details, please see the section headed "Business – Legal Proceedings and Compliance – Legal Compliance – Lease Registration and Filing" in this document.

In addition, as of the Latest Practicable Date, Lianghei Technology occupied a building with GFA of 11,181.89 sq.m., for which we were in the process of obtaining the relevant building ownership certificate. As of the same date, Shanghai Duoningle occupied a building with GFA of 4,397.58 sq.m., for which we were in the process of obtaining the relevant building ownership certificate. Among the 21 properties we leased, the lessors of three buildings with a total GFA of 340.71 sq.m. did not provide the relevant building ownership certificates to us. See the section headed "Business – Properties" in this document for more details. We cannot assure you that the landlords of our leased properties has the right to lease the relevant properties to us or if we will be able to obtain the building ownership certificates for the properties we occupied. As advised by our PRC Legal Advisors, we may not be able to continue to use such properties if the ownership of the properties we have leased or occupied is challenged by third parties or government authorities. In such a scenario we will have to relocate to other suitable premises, which could result in additional costs. Should disputes arise due to our use of or title encumbrances to such properties or government action, we may encounter difficulties in continuing to use such properties and may be required to relocate in the future. As of the Latest Practicable Date, we were not aware of any challenge made by any third party or government authority on the titles of any of these properties that may affect our current leasing or occupation. We cannot assure you that we may not encounter such challenges in the future. In addition, in the event of relocation, we may incur additional costs, which could adversely affect our daily operation and cause an impact on our financial condition.

In addition, Jinke Filtration leased one parcel of collectively-owned construction land (集體建設用地) in China with a GSA of 17,240.00 sq.m. We cannot assure you that we may not encounter any event that will make Jinke Filtration's usage of such leased land or the buildings located thereon invalid. If Jinke Filtration is required by the competent government authorities to vacate the land and the buildings located thereon, we may be forced to find alternative premises to relocate our production facilities and offices. In the event of such relocation, we may incur additional costs and time, which could adversely affect our daily operations and cause an adverse impact on our business, results of operations and financial condition. During the Track Record Period and up to the Latest Practicable Date, we did not receive any notice to vacate such land and the buildings located thereon.

If we fail to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations, we may be subject to penalties.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund, and contribute to the plans in amounts equal to certain percentages of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their businesses. During the Track Record Period, we did not pay social insurance contributions and housing provident fund in full for certain of our full-time employees based on their actual wages in accordance with the applicable PRC laws and regulations. In addition, during the Track Record Period, our Company and a few of of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees. For details of such non-compliances, including the potential penalties, please refer to the section headed "Business – Legal Proceedings and Compliance – Legal Compliance – Social Insurance Plan and Housing Provident Fund" in this document. As of the Latest Practicable Date, our Company and our relevant PRC subsidiaries had not received any administrative penalty or labor arbitration application from employees for their agency arrangement with third-party human resources agencies. However, we cannot assure you that the relevant local government authorities will not be of the view that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws, nor can we assure you that such authorities will not require us to pay the outstanding amount of social insurance and housing provident fund contributions within a specified time limit or impose late fees or fines on us for our such non-compliance. Pursuant to the agreements entered into between such third-party human resources agencies and our Company and our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. As of the Latest Practicable Date, none of the third-party human resources agencies that our relevant subsidiaries cooperate with had failed to pay, or delayed in paying, any social insurance premium or housing provident fund contributions for our employees. However, if the human resource agencies fail to pay the social insurance premium or housing provident fund contributions for and on behalf of our employees as required under applicable PRC laws and regulations, we may be ordered by competent government authorities to rectify such failure or be subject to administrative penalties, which may materially and adversely affect our financial condition and results of operations.

We may require additional financing to support our further developments or adapt to changes in business conditions, but we may not be able to obtain additional financing on favorable terms or at all.

We may require additional financing if we incur operating losses or for future growth and development of our business, including any investments or acquisitions we may decide to pursue and any expansion plan of our production facilities. If our financing is insufficient to satisfy our working capital requirements, we may seek to [**REDACTED**] additional equity or debt securities or obtain new or expanded credit facilities. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, cash flows, share price performance, liquidity of international capital and lending markets and the PRC regulations over foreign investment and the life sciences industry. In addition, incurring indebtedness would subject us to increased debt service obligations and could result in operating and financing covenants that would restrict our operations and growth. There can be no assurance that financing would be available in a timely manner or in amounts or on terms favorable to us, or at all. Any failure to raise needed funds on terms favorable to us, or at all, could severely restrict our liquidity as well as have a material adverse effect on our business, financial condition and results of operations. Moreover, any issuance of equity or equity-linked securities could result in significant dilution to our existing Shareholders.

We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, chemical or biological hazards or personal injury.

Our business operations are subject to national and local laws and regulations of the PRC pertaining to protection of the environment and health and safety requirements, including but not limited to the treatment and discharge of pollutants into the environment and the use of highly toxic and hazardous chemicals in our R&D and manufacturing process. For further details, please see the section headed "Business – Health, Safety and Environmental Matters" in this document. In addition, our construction projects can only be put into operation after the relevant administrative authorities in charge of environmental protection and health and safety have examined and approved the relevant production facilities. Since the requirements imposed by the relevant environmental protection laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply in a timely manner, or to accurately predict the potentially substantial cost of complying, with these laws and regulations. If we fail to comply with the relevant environmental protection and health and safety laws and regulations, we may be subject to rectification orders, substantial fines, potentially significant monetary damages, suspend production or suspensions in our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition, results of operations and prospects.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our production facilities during the development and manufacturing process. In the event of such accident, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected production facilities temporarily, or permanently. As a result, any accidental contamination, biological hazards or personal injury could have a material and adverse impact on our business, financial condition, results of operations and prospects.

Our historical financial and operating results may not be indicative of our future performance.

We experienced significant revenue growth during the Track Record Period. Our financial condition and results of operations may fluctuate due to a number of factors, many of which are beyond our control, including: (i) our ability to retain and increase the number of our customers; (ii) our ability to maintain and develop our manufacturing capabilities; (iii) our success in completing and integrating acquisitions; (iv) the timely payment of the Major Customers; and (v) the stable supplies of significant raw materials.

In addition, we may not be able to sustain our historical growth rates in future periods, and we may not be able to sustain profitability on an interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease and in turn, further harm our business and financial conditions.

Fluctuation of the operational results of the companies we invested in and the fair value of our investments may adversely affect our financial position.

During the Track Record Period and up to the Latest Practicable Date, we made equity investments in various bioprocess solution providers and biopharmaceutical companies in China. The performance of these entities will affect our cash flow and results of operation. Our equity investment in these entities are generally illiquid. Our ability to realize our anticipated investment returns will depend on their ability to pay dividends or complete initial public offering or sale, which, in turn, relies on, among others, the business and financial performance of these entities. There is no assurance that these entities we invested will declare and/or pay any dividends because the declaration, payment and amount of dividends are subject to the discretion of their directors, depending on, among other considerations, their operations, earnings, cash flows and financial positions, constitutional documents and applicable law. Even if we recognize share of profits of these entities under equity reporting method, our investment would not generate any cash flow for us unless these entities declare and pay dividends to us.

Our financial assets at fair value through profit or loss ("FVTPL") are subject to the uncertainties in accounting estimates, which could materially affect our financial condition and results of operations.

Our financial assets at FVTPL mainly consist of structured deposits and others, which are considered current assets, and investments in equity interest of certain unlisted companies, which are considered non-current assets. They were mandatorily classified as financial assets/liabilities FVTPL as their contractual cash flows are not solely payments of principal and interest. The fair value of our financial assets and liabilities refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As of December 31, 2022, we recorded aggregate financial assets at FVTPL of RMB462.8 million (consisting of RMB397.4 million of non-current financial assets at FVTPL and RMB65.4 million of current financial assets at FVTPL). We recorded fair value change of financial assets at FVTPL of RMB356.6 million, RMB829.2 million and RMB157.9 million for the years ended December 31, 2020, 2021 and 2022, respectively. Estimated changes in fair values involve the exercise of professional judgment and the use of certain bases and assumptions, which, by their nature, are subjective and uncertain. To measure the fair value of our financial assets or liabilities, we use the assumptions that market participants would use to price the asset or liability acting in their economic best interest. For more details, please refer to the sections headed "Financial Information – Significant Accounting Policies and Estimates – Fair Value Measurement" of this document. As such, the financial assets valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these financial assets and result in significant fluctuations in profit or loss from period to period. To the extent we need to revalue these financial assets, any change in fair value and related valuation uncertainty could materially affect our financial condition and results of operations.

We had net cash outflows from operating activities during the Track Record Period, which we may continue to experience in the future.

We had net cash used in operating activities of RMB123.6 million in 2021. For details, please refer to the section headed "Financial Information – Liquidity and Capital Resources – Cash Flows Analysis – Net Cash Flows Generated from/Used in Operating Activities" in this document.

While we generated net cash from operating activities in 2020 and 2022, we cannot assure you that we will be able to continue to do so in the future or the amounts of cash generated from operating activities will increase due to the expansion of our business and the corresponding increases in the level of inventories and in trade and bills receivables. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our liquidity and financial condition. If we do not have sufficient working capital and are unable to generate sufficient revenue or raise additional funds, we may delay the completion of or significantly reduce the scope of our current business plan or substantially curtail our operations, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, if we determine that our cash requirements exceed our available cash on hand, we may seek to issue debt or equity securities or obtain a credit facility. We cannot assure you that we would be able to obtain debt or equity financing in the current economic environment. In addition, any issuance of equity or equity-linked securities could dilute our shareholders' ownership, while any incurrence of indebtedness could increase our debt service obligations and cause us to be subject to restrictive operating and finance covenants. As a result, we may face liquidity issues and our business, financial condition and results of operations may be materially and adversely affected.

We may face goodwill impairment risks in connection with our acquisitions.

In order to expand our business operations and our product and service portfolio, during the Track Record Period, we acquired several companies that provide bioprocess solutions and/or laboratory products and services, including Qizhi Bioengineering, Lianghei Technology, Jinke Filtration, Ximai Testing, ATS Engineering, Chubo Biotechnology, RephiLe Bioscience and Tchuyee Biotechnology (collectively, the "Acquired Subsidiaries"). As of December 31, 2020 and 2021 and 2022, the carrying amount of our goodwill was RMB44.9 million, RMB127.7 million and RMB755.4 million, respectively.

In order to determine whether our goodwill is impaired, we are required to estimate, among others, the expected future cash flows that we will derive from the Acquired Subsidiaries, which includes an estimation of the expected growth rate in the sales of the relevant products and services, as well as their future gross margins and related operating expenses. In the event that the estimate of our future cash flows from the Acquired Subsidiaries decreases from our estimate in prior periods, we could be required to recognize an impairment loss in profit or loss for the relevant period in an amount equal to our estimate of the reduction in value of the relevant group of assets. See the section headed "Financial Information – Significant Accounting Policies and Estimates" for further details of our accounting policies for goodwill and goodwill impairment, the estimations and assumptions involved therein, and the components of our acquired goodwill during the Track Record Period. We did not recognize impairment losses in respect of goodwill during the Track Record Period.

However, our estimates of the future cash flows from the Acquired Subsidiaries may be susceptible to downward revision as result of the factors adversely affecting the bioprocess solutions and laboratory products and services industries generally, including general decreases in growth rates and margins, as well as the factors specific to our business' growth rates, margins and operating expenses. If we record an impairment loss as a result of these or other factors, it could have an adverse effect on our financial position for the relevant period and our business prospects.

The discontinuation of any of the financial incentives or preferential treatments currently available to us in China could adversely affect our financial position, results of operation, cash flows and prospects.

During the Track Record Period, we have benefited from government grants and subsidies. We also enjoyed preferential tax treatment during the Track Record Period. As of the Latest Practicable Date, certain of our subsidiaries were qualified as "High and New Technology Enterprise" (高新技術企業), and therefore, enjoyed a preferential EIT rate at 15% pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》). See the sections headed "Financial Information – Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Other Income" and "Financial Information – Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Income Tax Expense" in this document for more details. Our eligibility to receive these financial incentives requires that we continue to qualify for them. The incentives are subject to the discretion of the PRC central government or relevant local government authorities, which could determine at any time to eliminate or reduce these financial incentives or preferential treatments, generally with prospective effect. Since our receipt of the financial incentives or preferential treatments is subject to periodic time lags and inconsistent government practice, as long as we continue to receive these financial incentives or preferential treatments, our net income in a particular period may be higher or lower relative to other periods depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. Shanghai Duoning was not entitled to enjoy preferential tax treatment as a "High and New Technology Enterprise" for the years ended December 31, 2021 and 2022 primarily due to outsized contribution to its profit before tax from its investment gains in the year ended December 31, 2021. For further details, please refer to the section headed "Financial Information – Description of Major Components of Our Consolidated Statements of Profit or Loss and Other Comprehensive Income – Income Tax Expense" in this document. Shanghai Duoning may re-apply for "High and New Technology Enterprise" qualification in 2023, which will be subject to review and approval by the relevant tax authorities. We will also apply to renew such qualification for our subsidiaries that currently enjoy "High and New Technology Enterprise" qualification when their qualifications approach expiration. In the event their renewal applications are not approved by the relevant local tax authorities, they could be subject to an increased corporate income tax rate for the foreseeable future. Therefore, the discontinuation of financial incentives currently available to us could have a material adverse effect on our financial condition, results of operations, cash flows and prospects.

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade and bills receivables.

Our trade and bills receivables primarily represent the outstanding amounts receivable by us from our customers for our products and services. Our trade and bills receivables increased from RMB59.3 million as of December 31, 2020 to RMB253.2 million as of December 31, 2021, and further increased to RMB289.5 million as of December 31, 2022. The trading terms with our customers are mainly on credit. The credit period is generally from 20 to 365 days.

As of December 31, 2020, 2021 and December 31, 2022, our average trade and bills receivable turnover days were 83 days, 96 days and 124 days, respectively. We do not hold any collateral or other credit enhancements over our trade receivable balances. We cannot assure you that we will be able to accurately assess the creditworthiness of each of our customers before entering into agreements or extending credit terms, neither can we guarantee that each of these customers will be able to strictly follow and enforce the payment schedules provided in the agreements. Any inability of our customers, including the Major Customers, to pay us in a timely manner may have a material adverse effect on our business, results of operations and financial condition.

If we determine our intangible assets (other than goodwill) or contract costs to be impaired, our results of operations and financial condition may be adversely affected.

As of December 31, 2020, 2021 and 2022, our other intangible assets amounted to RMB47.0 million, RMB121.6 million and RMB288.4 million, respectively, or 5.8%, 4.9% and 8.3% of our total assets, respectively, which were primarily related to (i) the original value of intangible assets in our acquisition activities, primarily representing customer relationships; and (ii) software, patents and other customer relations. The value of other intangible assets is based on a number of assumptions made by our management. If any of these assumptions does not materialize, or if the performance of our business is not consistent with such assumptions, we may have to write off a significant portion of our other intangible assets and record an impairment loss. In addition, our determination on whether intangible assets are impaired requires an estimation of the carrying amount and recoverable amount of an intangible asset. If the carrying amount exceeds its recoverable amount, our other intangible assets may be impaired. During the Track Record Period, we did not recognize impairment losses in respect of our other intangible assets. However, we cannot guarantee you that in the future we will not record any impairment loss on our other intangible assets.

We are exposed to fair value changes for financial liabilities at FVTPL and valuation uncertainty due to the use of unobservable inputs that require judgment and assumptions, which are inherently uncertain.

During the Track Record Period, we completed a series of acquisitions. Fair value change of financial liabilities at FVTPL represent the fair value change of the contingent liabilities arising from the acquisitions of a portion of the equity interests of Lianghei Technology in September 2021, RephiLe Bioscience in March 2022, Salus Bioscience In July 2022 and Tchuyee Biotechnology in In September 2022. The assessment of fair value of the contingent liabilities requires the use of unobservable inputs. Changes of these unobservable inputs will change the fair value of our contingent liabilities arising from the acquisitions. In 2020, 2021 and 2022, our fair value changes of financial liabilities at FVTPL was nil, loss of RMB9.9 million and loss of RMB5.9 million, respectively. We expect continued fluctuation in the fair value change of the contingent liabilities arising from the acquisitions in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may be exposed to the risks of impairment loss associated with our prepayments, other receivables and other assets.

During the Track Record Period, our prepayments mainly consisted of deposits of investment, amount due from employees, prepayments for raw materials, prepayments for purchase of property, plant and equipment, prepayment for other service, deferred [**REDACTED**] and tax recoverable. Our aggregate prepayments, other receivables and other assets amounted to RMB32.9 million, RMB82.5 million and RMB462.8 million as of December 31, 2020, 2021 and 2022, respectively. While we did not incur any impairment loss during the Track Record Period with respect to our prepayments, other receivables and other assets, we cannot assure you that we will not incur any material impairment losses in the future. In the event a significant portion of our prepayments, other receivables and other assets is impaired, our financial condition could be materially and adversely affected.

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

Contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related goods or services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related goods or services to the customer). As at December 31, 2020, 2021 and 2022, our contract liabilities amounted to RMB26.9 million, RMB42.0 million and RMB67.2 million, respectively. If we fail to honor our obligations under the 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 liquidity position and financial condition. In addition, if we fail to honor our obligations under our contracts with customers, it may also adversely affect our relationship with such customers, which may in turn affect our reputation, results of operations and prospects.

We face risks related to other unforeseeable events, such as outbreak of contagious diseases, including COVID-19, occurrence of force majeure events, regulatory changes and/or natural disasters, which could significantly disrupt our operations.

We are vulnerable to social and natural catastrophic events that are unforeseeable and beyond our control, including outbreak of contagious diseases, occurrence of force majeure events, such as power losses, telecommunications failures, terrorist attacks, acts of war, human errors and break-ins, regulatory changes and/or natural disasters, such as epidemics, earthquakes and floods, which may adversely affect, among others, delivery of our products, our manufacturing processes and our entire operation.

The outbreak of any severe contagious diseases, such as severe acute respiratory syndrome, or SARS, Ebola virus, the H1N1 influenza or other subtypes of avian flu, including H5N1 and most recently H7N9, could adversely affect the economy, infrastructure and livelihood of people in China. For instance, there were outbreaks of Ebola virus, the Middle East Respiratory Syndrome and Zika virus, as well as COVID-19, which had not yet been fully contained as of the Latest Practicable Date.

In particular, the COVID-19 pandemic has had an adverse impact on certain of our operations, supply chains and distribution systems, including as a result of impacts associated with preventive and precautionary measures that we and other businesses must take as mandated by Chinese government. Our operations may be materially and adversely affected by potential delays in or reductions of business activities and commercial transactions and by general uncertainties surrounding the duration of the government's relevant restrictions. For instance, the local governments in China may require employees to work from home or not go into their offices when the COVID-19 pandemic is severe. During the resurgence of COVID-19 in Shanghai in 2022, certain of our production facilities had suspended operations for a period between 13 and 47 working days. For further details of the adverse impact of the COVID-19 pandemic on our business operations, please refer to the section headed "Business – Impact of the COVID-19 Pandemic on Our Group" in this document. If the COVID-19 pandemic continues and conditions worsen, we could experience a slow-down in raw material procurement, production and sales activities, and it remains uncertain what impact these events would have on our future production and sales. As a result, the COVID-19 pandemic may materially and adversely affect the revenue growth in certain of our businesses, and it is uncertain how materially COVID-19 pandemic will affect our operations generally if these impacts were to persist or worsen over an extended period of time. The extent and duration of the impacts are unpredictable and are dependent in part on customers returning to work and economic activity ramping up.

On the other hand, our businesses in connection with vaccines, including the diagnosis and treatment of COVID-19 pandemic grew in 2020 and 2021, primarily because (i) the demand in connection with the development of the coronavirus vaccines, therapeutics and test procedures increased due to the COVID-19 pandemic; and (ii) our customers may choose to do business with us instead of foreign suppliers as our supplies of biopharmaceutical equipment and consumables are relatively stable. While these positive impacts are expected to continue in 2022, the duration and extent of our future revenue from such sales is uncertain and dependent primarily on customers' demand and preferences. In the event customer demand begins to normalize after the COVID-19 pandemic is effectively contained, we could be left with substantial amount of unsold inventory, which could materially and adversely affect our results of operations and financial condition. In addition, according to Frost & Sullivan, the development of COVID-19 pandemic drives customer demand for COVID-19-related vaccines. The number of COVID-19-related vaccinations in China decreased in 2022 compared to that of 2021, which reflected a decrease in the demand for COVID-19-related vaccines. Production activities of COVID-19-related vaccines involve the use of certain of bioprocess solutions products. The decrease in the demand for COVID-19-related vaccines could negatively affect the manufacturers of COVID-19 related vaccines and further negatively affected their demand for certain of our products, including bioreactors, filters and single-use products.

The perception that an outbreak of contagious disease may occur again may also have an adverse effect on our future recruiting efforts. In addition, if any of our employees are affected by any severe communicable disease outbreak, we may be required to quarantine the employees who are suspected of becoming infected, as well as others who have come into contact with those employees to prevent the spread of the disease. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our service capacity and thus adversely affect our operations.

In the event that we are not able to control the situation and keep our businesses stable when the unforeseeable events occur, our business, financial condition and results of operations could be materially and adversely affected.

We have share award schemes, which may materially impact our future results of operations and dilute the ownership interests of our Shareholders.

We adopted share award schemes for certain personnel in order to recognize and reward their contribution and employees to our success and retain the services of eligible employees for our continuous growth and development. Our employees, including directors and senior management, receive a portion of their remuneration and rewards in the form of share-based payments, whereby employees render services as consideration for equity instruments. As a result of the Shares issued under these share award schemes, we incurred significant share award expenses during the Track Record Period. In 2020, 2021 and 2022, we recorded an aggregate of RMB46.0 million, RMB557.8 million and RMB26.8 million of share award expenses, respectively. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a discounted cash flow model and is recognized expenses in our consolidated statement of comprehensive income, which may have a material adverse effect on our net income. The share award expenses will decrease our net profit and the additional Shares issued will dilute the ownership interests of our Shareholders. On the other hand, if we reduce the amount of share-based payments, we may not be able to attract or retain key personnel by offering them incentives linked to the value of our Shares.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investor confidence and the [REDACTED] of our securities may be materially and adversely affected.

We will become a [**REDACTED**] upon completion of the [**REDACTED**], and our internal controls will be essential to the integrity of our business and financial results. Our [**REDACTED**] reporting obligations are expected to place a strain on our management, operational and financial resources and systems in the foreseeable future. If we fail to establish and maintain an adequate internal control system, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause [**REDACTED**] to lose confidence in our reported financial information. This could limit our access to [**REDACTED**], adversely affect our results of operations and lead to a decline in the

[**REDACTED**] of our securities. Ineffective internal controls could also expose us to an increased risk of fraud or misuse of corporate assets and subject us to potential [**REDACTED**] from the stock exchange on which we [**REDACTED**] or to other regulatory investigations and civil or criminal sanctions. In addition, after we become a [**REDACTED**], our reporting obligations may place a significant strain on its management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation of our prior deficiencies in our internal control over financial reporting. Any of the foregoing could adversely affect our business, reputation and financial condition.

RISKS RELATING TO OUR INDUSTRY

The bioprocess solutions market is highly competitive. If we fail to compete effectively, our business and operating results will suffer.

As of the Latest Practicable Date, we primarily faced competition from other bioprocess solutions providers in China's bioprocess solutions market, including MNCs and Chinese domestic players. We believe our competitors in the bioprocess solutions market offer products and services that compete to varying degrees with some but not all our product and services.

Some of our current competitors are large publicly traded companies, or are divisions of large publicly traded companies, especially foreign competitors, and may enjoy several competitive advantages over us, including, but not limited to, better brand recognition, more financial resources, longer operating history, broader product and service portfolio, wider distribution channels, larger customer base and stronger relationship with suppliers.

We cannot assure you that we will be successful in the face of increasing competition from the products and services provided by our existing competitors or new companies entering our markets or those developed by our customers internally. In addition, our competitors may utilize new technologies and innovations that currently or in the future will enable them to produce competitive products or offer comparable services with greater capabilities or at lower costs than us. Any failure by us to compete effectively against our competitors could materially and adversely affect our business, financial condition and results of operations.

The size of the existing markets for our products and services may be smaller than estimated and new market opportunities may not develop as quickly as we expect, or at all, limiting our ability to successfully sell our solutions.

Certain markets that we expect to expand into are new and evolving, making it difficult to predict with any accuracy the sizes of the markets for our current and future products and solutions. Our estimates of the annual total addressable market for our current and future products and services are based on a number of internal and third-party estimates and assumptions. In addition, our growth strategy involves launching new products and expanding sales of existing products into new markets in which we have limited or no experience in

China. Sales of new or existing products or services into new market may take several years to develop and mature and we cannot be certain that these market opportunities will develop as we expect. While we believe our assumptions and the data underlying our estimates of the total annual addressable market for our products and services are reasonable, these assumptions and estimates may not be correct and the conditions supporting our assumptions or estimates, or those underlying the third-party data we have used, may change at any time, thereby reducing the accuracy of our estimates. As a result, our estimates of the annual total addressable market for our products and services may be overstated.

The future growth of the market for our current and future products and services depends on many factors that are beyond our control, including, among others, the recognition and acceptance of our products and services by our customers as the best practice and the growth, prevalence and costs of competing products and services. Such recognition and acceptance may not occur in the near term, or at all. If the markets for our current and future products and services are smaller than estimated or do not develop as we anticipated, our growth may be limited and our business, financial condition and results of operations may be adversely affected.

Changes in government regulations or in practices relating to the life sciences industry, and the bioprocess solutions market in particular, could decrease the demand for the products and services we provide, and our compliance with new regulations may result in additional costs.

Changes in government regulations or in practices relating to the bioprocess solutions industry, and the life sciences industry in general, such as a relaxation in regulatory requirements, or the introduction of simplified approval procedures, which will lower the entry barriers for potential competitors, or an increase in regulatory requirements, which may raise the difficulty for us and our customers to satisfy such requirements or may make our products and services less competitive, could eliminate or substantially reduce the demand for our products and services.

Furthermore, our customers are primarily pharmaceutical companies, CROs/CDMOs and scientific research institutions, which are subject to more stringent regulatory requirements compared to us. The defects of our products could result in our customers' non-compliance with the regulatory requirements applicable to them. If we fail to help our customers meet the relevant regulatory requirements, we could be exposed to product liability claims and contractual disputes from our customers, including claims for damages and/or reimbursement for their losses. Any of the above negative consequences could have a material adverse impact on our reputation, business, financial condition, results of operations and prospects. In addition, any action against us for violation of the relevant regulations or industry standards, even if we successfully defend against it, could cause us to incur significant legal expenses, divert our management's attention from the operations of our business and adversely affect our reputation and financial results.

The Executive Order signed by President Biden of the United States to launch a national biotechnology and biomanufacturing initiative may have an adverse effect on our business and expansion plans.

On September 12, 2022, President Biden of the United States issued the Executive Order, under which the Biden-Harris administration will, among other actions, bolster federal investments in biotechnology and manufacturing R&D, improve and expand domestic biomanufacturing, and provide policy recommendations to mitigate any risk posed by foreign adversary involvement in the biomanufacturing supply chain and to enhance biosafety, biosecurity and cybersecurity. On March 22, 2023, the Biden-Harris Administration of the United States published an announcement, which aimed to advance biotechnology and biomanufacturing of the United States, and as a response to the Executive Order to help strengthen the domestic bioeconomy of the United States, rebuild its domestic supply chains and support the innovation ecosystem of the United States. Since the United States targets to encourage domestic biomanufacturing and reduce reliance on China for new medicines, chemicals and other products, the Executive Order and any announcements, reports or strategies related thereof published by the government of the United States may impact the participation of Chinese domestic biopharmaceutical companies and China-based CROs/CDMOs in the global supply chain of the biologics industry.

Industry policies and regulatory dynamics, such as the Executive Order, both globally and between the U.S. and China specifically, may adversely affect China's biopharmaceutical industry, which could have a negative impact on companies who mainly serve as upstream enterprises in biopharmaceutical development and commercialization, including us. Specifically, the Executive Order and any announcements, reports or strategies related thereof published by the government of the United States may also adversely affect the operations and financial performance of certain of our customers, including those biopharmaceutical companies and CROs/CDMOs who have significant overseas presence, especially in the United States. If any of our customers are required to relocate their businesses and/or reduce their orders with us, our business, results of operations and financial condition could be adversely affected. However, given that the United States had not implemented any specific measures specifically targeted on China in connection with the Executive Order or any announcements, reports or strategies related thereof published by the government of the United States as of the Latest Practicable Date, we are not in position to ascertain the extent of the potential exposure such customers may face as a result thereof. Furthermore, the changes in industry policies and regulations could have a negative impact on our supply chain, the demand for our products and services and our globalization strategy, which, if not properly managed or mitigated, could have a material adverse impact on our business, results of operations and expansion plans.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in Chinese economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The economic, political and social conditions in China differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, China was primarily a planned economy. In recent years, Chinese government has been reforming Chinese economic system and government structure. For example, Chinese government has implemented economic reform and measures emphasizing the utilization of market forces in the development of Chinese economy in the past four decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, Chinese government continues to play a significant role in regulating industrial development, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that Chinese government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly. Our ability to successfully expand our business operations in China depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. Stricter credit or lending policies in China may affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that Chinese government will not implement any additional measures to tighten credit or lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for our products and services, financial condition and results of operations may be materially and adversely affected by the following factors:

- political instability or changes in social conditions of China;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

We are subject to governmental controls in China on currency conversion, and the fluctuation of the Renminbi exchange rate may materially and adversely affect our business and our ability to pay dividends to holders of H shares.

We expect that a substantial majority of our revenue will be denominated in Renminbi, which is currently not a fully freely convertible currency. A portion of our revenues may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of foreign currency out of the PRC. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy foreign currency denominated obligations. Under China's existing laws and regulations on foreign exchange, following the completion of the [**REDACTED**], we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE. However, in the future, the PRC government may, at its discretion, take measures to restrict access to foreign currencies for capital account and current account transactions under certain circumstances. As a result, we may not be able to pay dividends in foreign currencies to holders of our H Shares.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. From 1994 until July 2005, the conversion of the Renminbi into foreign currencies in the PRC, including the Hong Kong dollar and U.S. dollar, had been based on fixed rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. dollar where the Renminbi is permitted to fluctuate in a regulated band that is based on reference to a basket of currencies determined by the PBOC. On June 19, 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. Following this announcement, the Renminbi had appreciated from approximately RMB6.83 per U.S. dollar to RMB6.12 per U.S. dollar as of June 15, 2015. On August 11, 2015, PBOC further enlarged the floating band for trading prices in the interbank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and the Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to August 10, 2015, and further depreciated nearly 1.6% on the next day. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the special drawing rights and decided that with effect from October 1, 2016, the Renminbi is determined to be a freely usable currency and will be included in the special drawing rights basket as a fifth currency. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

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

We face foreign exchange risk, and fluctuations in exchange rates could have an adverse effect on our business and [REDACTED] investments.

Due to international pressures on China to allow more flexible exchange rates for Renminbi, the economic situation and financial market developments in China and abroad and the balance of payments situation in China, Chinese government has decided to proceed further with reform of Renminbi exchange rate regime and to enhance Renminbi exchange rate flexibility.

Any appreciation or depreciation in the value of Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

As our [**REDACTED**], [**REDACTED**] in our operations in the PRC. Our operations in the PRC are subject to PRC regulations. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC Company Law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority Shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in China or to enforce against them or us in China any judgments obtained from non-PRC courts.

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排》). Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

On January 18, 2019, the Supreme People's Court of the PRC and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies, among others. After a judicial interpretation has been promulgated by the Supreme People's Court and the relevant procedures have been completed by the Hong Kong Special Administrative Region, both sides shall announce a date on which the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties about the outcomes and effectiveness of enforcement or recognition of judgements under the 2019 Arrangement.

We are subject to PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past we had acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and had established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and results of operations.

Holders of H Shares may be subject to PRC taxations.

Under the applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H shares ("non-resident individual holders"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by the applicable tax treaties or arrangements.

Under applicable PRC tax laws, the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by, non-PRC resident enterprise holders of H shares ("non-resident enterprise holders") are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. Pursuant to the Arrangements between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) dated August 21, 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay Enterprise Income Tax for the dividends declared and paid by us at a tax rate of 5%. Pursuant to the Circular on Questions Concerning Tax on the Profits Earned by Foreign Invested Enterprises, Foreign Enterprises and Individual Foreigners from the Transfer of Shares (Equity Interests) and on Dividend Income (《關於外商投資企業、外國企業和外籍個人取得股票(股權)轉讓收益和股息所得稅收問題的通知》) issued by the State Administration of Taxation, non-resident individual holders were temporarily exempted from PRC individual income tax for the dividends or bonuses paid by issuers of H shares. However, such circular was repealed by the Announcement on the List of Fully or Partially Invalid and Repealed Tax Regulatory Documents (《關於公佈全文失效廢止、部分條款失效廢止的稅收規範性文件目錄的公告》) dated January 4, 2011.

For non-resident individual holders, gains realized through the transfer of properties are normally subject to PRC individual income tax at a rate of 20%. However, according to the Circular of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Individual Income Tax Policies (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》), income received by individual foreigners from dividends and bonuses of a foreign-invested enterprise are exempt from individual income tax for the time being. According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the Ministry of Finance and the State Administration of Taxation.

Considering these uncertainties, non-resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers of the H Shares. Please refer to the section headed "Appendix III – Taxation and Foreign Exchange" in this document.

The political relationships between China and other countries may affect our business operations.

During the Track Record Period, we purchased certain amounts of manufacturing equipment from foreign suppliers. In addition, we plan to expand our customer base to other countries. Our business and future prospect is therefore subject to constantly changing international economic, regulatory, social and political environments, and local conditions in those foreign countries and regions. As a result, China's political and diplomatic relationships with those foreign countries and regions may affect the demand for our services and our ability to serve foreign customers or joint venture customers set up by foreign companies. There can be no assurance that such customers will not alter their perception of us or their preferences as a result of adverse changes to the state of political relationships between China and the relevant foreign countries or regions. Any tensions and political concerns between China and the relevant foreign countries or regions may cause unstable supplies of our raw materials and a decline in the demand for our services, and thus adversely affect our business, financial condition, results of operations, cash flows and prospects.

We receive dividends and other distributions on equity paid by our subsidiaries to fund a portion of our cash and financing requirements. Limitations on the ability of our subsidiaries to pay dividends to us could have a material adverse effect on our ability to conduct our business.

Our Company receives dividends and other distributions on equity paid by its subsidiaries to fund a portion of its cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our Shareholders, to service any debt we may incur and to pay our operating expenses. In addition, we expect that the number of our subsidiaries will continue to increase in the future. If any of our subsidiaries in China incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Furthermore, relevant PRC laws and regulations permit payments of dividends by the subsidiary only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, each of our subsidiaries in China is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve, until the accumulated amount of such reserve has exceeded 50% of its registered capital. These reserves are not distributable as cash dividends. As a result of these PRC laws and regulations, each of our subsidiaries is restricted in its ability to transfer its net profit to us in the form of dividends. Limitations on the ability of our subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends or otherwise fund and conduct our business.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] for our H Shares may not develop.

Prior to the [**REDACTED**], there was no [**REDACTED**] for our H Shares. We cannot assure you that a [**REDACTED**] for our H Shares with adequate liquidity will develop and be sustained following the completion of [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares may not be indicative of the [**REDACTED**] of our H Shares following the completion of the [**REDACTED**]. If an active [**REDACTED**] for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares could be materially and adversely affected.

The liquidity, [REDACTED] and [REDACTED] of our H Shares following the [REDACTED] may be volatile.

The [**REDACTED**] at which our H Shares will [**REDACTED**] after the [**REDACTED**] will be determined by the [**REDACTED**], which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of [**REDACTED**] companies that are engaged in business activities similar to ours;
- changes in laws and regulations in the PRC;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has from time to time experienced significant [**REDACTED**] and [**REDACTED**] fluctuations that have affected the [**REDACTED**] for the securities of companies quoted on the Stock Exchange. As a result, [**REDACTED**] in our H Shares may experience [**REDACTED**] in the [**REDACTED**] of their H Shares and a decrease in the [**REDACTED**] of their H Shares regardless of our operating performance or prospects.

Furthermore, if additional funds are raised through our [**REDACTED**] of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the H Shares.

Any possible [REDACTED] of our [REDACTED] Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the [REDACTED] of our H Shares.

Subject to the approval of the State Council securities regulatory authority, all of our [**REDACTED**] Shares may be [**REDACTED**] into H Shares, and such [**REDACTED**] Shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange. Any [**REDACTED**] or [**REDACTED**] of the [**REDACTED**] Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. No class shareholder voting is required for the [**REDACTED**] and [**REDACTED**] of the [**REDACTED**] Shares on an overseas stock exchange. However, the PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares of that company which are [**REDACTED**] prior to the [**REDACTED**] shall not be transferred within one year from the date of the [**REDACTED**]. Therefore, upon obtaining the requisite approval, our [**REDACTED**] Shares may be [**REDACTED**], after the [**REDACTED**], in the form of H Shares on the Stock Exchange after one year of the [**REDACTED**], which could further increase the supply of our H Shares in the market and could negatively impact the [**REDACTED**] of our H Shares.

Because the [REDACTED] per H Share is higher than the net tangible book value per H Share, [REDACTED] of our H Shares in the [REDACTED] will experience immediate dilution.

The [**REDACTED**] of our [**REDACTED**] is higher than the net tangible book value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] adjusted consolidated net tangible asset value of HK$[**REDACTED**] per Share (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) and existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per share of their shares. If we [**REDACTED**] additional H Shares in the future, purchasers of our [**REDACTED**] may experience further dilution. Moreover, we may in the future consider seeking a [**REDACTED**] of our Shares in jurisdictions other than Hong Kong, which would similarly dilute the holdings of our H Share [**REDACTED**].

Future sales or perceived sales of substantial number of our H Shares in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the [**REDACTED**] of new shares or other securities, or the perception that such sales or [**REDACTED**] may occur. Future sales, or anticipated sales, of substantial number of our securities, including any future [**REDACTED**], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we [**REDACTED**] more securities in the future. New shares or shares-linked securities by us may also confer rights and privileges that take priority over those conferred by the H Shares.

We cannot assure you that the H Shares will remain [REDACTED] on the Stock Exchange.

Although it is currently intended that the H Shares will remain [**REDACTED**] on the Stock Exchange, there is no guarantee of the continued [**REDACTED**] of the H Shares. Among other factors, our Company may not continue to satisfy the [**REDACTED**] requirements of the Stock Exchange. Holders of H Shares would not be able to sell their H Shares through [**REDACTED**] on the Stock Exchange if the H Shares were no longer [**REDACTED**] on the Stock Exchange.

The interest of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), our Controlling Shareholders will own [**REDACTED**]% of the total issued share capital of our Company. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their H Shares in a sale of our Company or may reduce the [**REDACTED**] of our H Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased H Shares in the [**REDACTED**]. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Since there will be a gap of several days between [REDACTED] and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the [REDACTED] of our H Shares could fall during the period before [REDACTED] of our H Shares begins.

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

Prior dividend distributions are not an indication of our future dividend policy.

Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our H Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, please refer to the section headed "Financial Information – Dividends" in this document.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after considering our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our Shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [**REDACTED**] from the [**REDACTED**] to, among others, (i) expand our production capacity and capabilities for certain products; (ii) selectively pursue strategic acquisitions and equity investments; and (iii) enhance our R&D capabilities. Please refer to the section headed "Future Plans and Use of [**REDACTED**] – Use of [**REDACTED**]" in this document for more information. However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**].

Waivers have been granted from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for[, and the Stock Exchange has granted to us], a number of waivers from strict compliance with the Listing Rules. Please refer to the section headed "Waivers from Strict Compliance with the Listing Rules" in this document for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this document.

Certain facts and statistics in this document, including but not limited to information and statistics relating to the bioprocess solutions and laboratory products and services industries, are extracted from the Frost & Sullivan Report or are derived from various official government publications and other publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, [**REDACTED**], [**REDACTED**], [**REDACTED**], any of their respective directors and advisers, or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information complied by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this document.

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

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which contained, among others, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [**REDACTED**] are cautioned to make their [**REDACTED**] decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their decisions as to whether to [**REDACTED**] in the [**REDACTED**]. By applying to [**REDACTED**] our H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.