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## RISK FACTORS

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*You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, results of operations, financial conditions and prospects. In any such case, the market price of our H Shares could decline, and you may lose all or part of your [REDACTED].*

*These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this Document.*

We believe there are certain risks and uncertainties 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 and industry; (ii) doing business in the jurisdictions we operate; and (iii) risks relating to the [REDACTED] and the [REDACTED].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, results of operations, financial condition and prospects. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**Unfavorable economic conditions and consumer acceptance impacting the automotive industry could limit market adoption of vehicle optical solutions, which may materially and adversely affect our business operations, results of operations and financial condition.**

Our business depends on, and is directly affected by, China's and global automobile industries. We primarily operate our business in China, and have also expanded overseas into regions such as Europe, other parts of Asia and North America. Accordingly, economic conditions in such regions can have a large impact on the production volume of new vehicles, and, accordingly, have an impact on our business operations and financial condition. Automotive production and sales are highly cyclical and depend on general economic conditions, consumer acceptance and other factors, including consumer spending and preferences, changes in interest rate levels and credit availability, governmental incentives and regulatory requirements, and political volatility, especially in energy-producing countries and growth markets. In addition, automotive production and sales can be affected by our customers' ability to continue operating in response to challenging economic conditions. The volume of global automotive production has fluctuated, sometimes significantly, from year to year, and such fluctuations give rise to fluctuations in the demand for our solutions. Any

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significant adverse change in any of these factors, including, but not limited to, general economic conditions and the resulting bankruptcy of our customers or the closure of their manufacturing facilities, may reduce automotive sales and production by them, and could have a material adverse effect on our business operations and financial condition.

### **We operate in a highly competitive industry with an evolving landscape.**

We primarily compete in the vehicle optical solution market in China, which is characterized by intense competition and constant changes, including rapid technological evolution, frequent introductions of new solutions, continual shifts in customer demands and periodic emergence of new industry standards and practices. We have also expanded overseas into regions such as Europe, other parts of Asia and North America. The competitive landscape of these markets continues to evolve, affected by the general economic, political, regulatory and social conditions of such market and the competitive advancements in technology.

We cannot assure you that we can maintain the leading position in vehicle optical technology. Factors affecting competition include, among others, technological innovation, product quality and safety, product pricing, sales efficiency, manufacturing efficiency, quality of services and branding. Our future success will depend on our ability to develop superior solutions and to maintain our leading competitive position with respect to our technological advances over our existing and any new competitors. Although we believe we have established global leadership in vehicle optical solutions, there are significant challenges to stay competitive and we face competition from other competitors. Some of our competitors may have more advanced technologies and better financial resources and/or may be able to offer products at lower prices or with more favorable payment terms. The competitive landscape of these markets is also subject to uncertainty due to potential new entrants. Competing against these players may hinder our ability to successfully maintain our market share in smart sensing and smart cabin solutions or expand our market share in other vehicle optical solutions. If we cannot compete effectively with existing or future competitors, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, even if we are able to compete effectively, the expansion of market share may come at the expense of our profitability, which may adversely affect our business, results of operations and financial condition.

### **We may fail to further refine our technology and develop and introduce new products due to rapid technological changes and advancements.**

We consider that the vehicle optical solution industry is characterized by rapid technological advancements and frequent new product specifications. We believe that our future success will largely depend on our ability to successfully anticipate technological changes and keep pace with technological advances in a cost-effective manner and timely basis. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our research and development expenditure amounted to approximately RMB485.1 million, RMB545.9 million, RMB395.8 million and RMB438.4 million, respectively, representing approximately 9.2%, 9.1%, 8.9% and 8.5% of our revenue, respectively, for the same period. However, we may encounter practical difficulties in

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commercializing the results of our research and development activities and launching new products as originally intended, or our research and development expenditures may not lead to the benefits we expected or at all. For example, we are pursuing opportunities in the LiDAR industry which is undergoing rapid technological changes. While we intend to continue to invest substantial resources in LiDAR-related technologies, rapid technological changes and advancements could adversely affect market adoption of our products. A swift change in the technologies that our customers prefer would significantly affect our ability to deliver products that meet market demands. If we fail to adequately respond to technological developments and to continuously and effectively improve our existing products and services in line with the market trends, our business, financial condition and results of operations may be materially and adversely affected.

Further, we may encounter technological obsolescence relating to our production machinery and equipment and production methods due to advances in manufacturing technologies. We cannot assure you that our current manufacturing technologies will not be replaced by new manufacturing technologies, driven by rapid technological advancements, that may render our current production machinery and equipment and production methods obsolete. If we fail to adjust our production machinery and equipment promptly and effectively or are required to invest substantial amount in new production machinery and equipment due to new technologies, our business, financial condition and results of operations will be materially and adversely affected.

**The expansion of our international operations may expose us to additional regulatory, economic and political risks, the failure to handle which may adversely affect our business, results of operations and financial condition.**

We have established a global presence, with our products sold to various foreign regions, primarily including Europe, other parts of Asia and North America during the Track Record Period. For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, our total revenue derived from overseas amounted to RMB2,902.0 million, RMB2,886.7 million, RMB2,226.0 million, and RMB2,243.6 million, respectively, accounting for 55.1%, 48.2%, 50.0% and 43.6% of our total revenue, respectively, during the same periods. These overseas markets are characterized with challenges in economic conditions and political and regulatory uncertainties, which could seriously hinder our sales.

Due to our international business operations, we are subject to laws and regulations of various countries or regions in which we conduct our business. The legal, political and business environments affecting our operations are constantly evolving, vary between jurisdictions and often lack clarity or predictability, which may increase our compliance costs and legal risks. Subsequent legislations, regulations, litigations, court rulings or other events could expose us to increased costs, liabilities and risks of reputational damage. Further, uncertainties in the business and legal environments in foreign countries to which our business activities are related may adversely affect our business, operating results and financial condition.

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The demand for our vehicle optical solutions is also highly dependent on the economic conditions of the markets that we operate in. If any of our major markets experience political or economic instability or depreciation of local currencies against the U.S. dollar (in which most of our overseas sales are denominated), the demand for our products may drop and our business may be materially and adversely affected.

**Our business, financial condition and results of operations could be materially and adversely affected if we lose any of our major customers or are prevented from selling to any of our top customers.**

Revenue generated from our largest customer for the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2025 accounted for 14.7%, 13.5% and 9.1%, respectively, of our total revenue in each period during those respective periods. Revenue generated from our five largest customers for the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2025 accounted for 56.5%, 47.7% and 38.0%, respectively, of our total revenue during the same periods. However, we cannot guarantee that our existing customers will continue to procure our solutions for their new vehicle models or will maintain their partnerships with us for our ongoing projects or future projects. Although we have entered into framework procurement agreements with many of our customers, such agreements typically do not obligate them to purchase our solutions in any certain quantity. There exists a risk that any loss of sales from our current customers could adversely affect our revenue. In the future, these customers may decide to purchase fewer solutions than they did in the past, not to incorporate our solutions into their business, delay their purchases of our solutions, purchase solutions from our competitors, or to alter their purchasing patterns in some other way, which may adversely affect our business, results of operations, and financial condition.

Furthermore, many of our customers are large, multinational corporations with significant development resources and, in some instances, may acquire or develop independently, or in partnership with others, competitive technologies. Meeting the technical requirements of any of these companies and being selected by them for supplying vehicle optical solutions will require a substantial investment of our time and resources. We cannot assure you that our vehicle optical solutions will be selected by these companies or that we will generate meaningful revenue from the sales of our solutions to these key customers. If our solutions are not selected by these large corporations or if these corporations develop or acquire competitive technology, our business, financial condition and results of operations could be adversely affected.

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**The vehicle optical solutions are highly complex, which could expose us to product liability claims or recalls resulting from product quality issues, and materially and adversely affect our business, reputation, results of operations and financial condition.**

Automotive optical solutions and related products and services are sold to our customers to be installed on vehicles. Those solutions are highly technical and very complex and require high standards to manufacture and may experience defects, errors or reliability issues at various stages of development. We may be unable to timely release new solutions, manufacture existing solutions, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities, especially as new solutions are introduced or as new versions are released, could result in serious injury or even death to the drivers and/or passengers of vehicles equipped with vehicle optical solutions or those in the surrounding area, litigation against the underlying vehicle optical solutions providers, negative publicity and other consequences.

Automotive optical solutions are subject to risks, and accidents associated with such technologies have occurred periodically. Some errors or defects in our solutions may only be discovered after they have been tested, commercialized and deployed by customers, in which case we may incur significant additional development costs and product recall, repair, replacement costs or compensation. To the extent accidents associated with our vehicle optical solutions occur, we could be subject to liability, claims, government scrutiny and further regulations. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our solutions, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, reputation, results of operations and financial condition. Although we attempt to remedy any issues we observe in our vehicle optical solutions as effectively and rapidly as possible, such efforts may not be timely, may hamper production or may not be to the satisfaction of our customers. Furthermore, accidents or defects caused by third parties' vehicle optical solutions may negatively affect public perception, or result in regulatory restrictions, with respect to autonomous driving technology.

Our vehicle optical solutions may be affected by regulatory restrictions. For example, our research and development activities on vehicle optical solutions are subject to regulatory restrictions on autonomous driving. Any tightening of regulatory restrictions could have a material adverse impact on our development of vehicle optical solutions. In addition, our vehicle optical solutions may be affected by the PRC government's new energy vehicle subsidies policies. Any reduction, modification or discontinuation of new energy vehicle subsidies could adversely affect the demand for new energy vehicles, which in turn could reduce demand from our customers for our vehicle optical solutions and materially and adversely affect our business, results of operations and financial condition.

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**We may be subject to the risks associated with international trade policies and trade protection measures.**

In recent years, complexities in international relations have presented new challenges and ongoing uncertainties. Various countries have announced plans for and/or have already implemented new or modified tariffs. For example, in April 2025, the U.S. government announced substantial new tariffs affecting a wide range of products and jurisdictions and has indicated its intention to continue developing new trade policies. In response, certain other governments announced or implemented retaliatory tariffs and other protectionist measures. As we are positioned within the automotive industry supply chain, we may face particular challenges if this sector becomes a specific target of trade restrictions or regulatory actions. While China and the U.S. made announcements to delay the implementation of additional tariffs, there is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be subject to tariffs or new trade policies introduced by the two countries. We cannot predict how any potential impacts of developments in such policies on our business. If we, our suppliers or other partners are negatively affected by tariff policies, our business, financial condition and results of operations may deteriorate. Furthermore, we also export our products to other markets, such as Europe. Any increase in European tariffs would render our products more expensive and may lead to retaliatory tariffs. There is also a significant risk of supply chain disruptions, as tariff-burdened products from other parts of the world may be redirected to other markets. These developments, or the perception that any of them could occur, may reduce levels of international trade, investment, technological exchange, and other economic activities. They might also lead to changes in political and economic relations between countries, sanctions, export controls, and other geopolitical issues. These developments have created a dynamic and unpredictable trade landscape, which may adversely impact our business, financial condition, results of operations and prospects.

In substantially all of our transactions, our customers are responsible for import taxes and tariffs. Only in limited circumstances, where delivery is made under DDP (Delivered Duty Paid) terms, do we bear these costs when exporting products to certain countries. Thus, we believe our exposure to U.S. tariffs is immaterial to our business. During the Track Record Period, we did not experience material order cancellations, lost customers, or margin compression attributable to U.S. tariffs, nor do we expect U.S. tariffs to have any material indirect effect on our performance. However, we cannot assure you that our customers will not request us to share the increased tariff costs or reduce their purchase volume or demand lower prices, any of which could have material adverse impact on our business, financial condition and results of operations.

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**We are susceptible to supply shortages and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, adversely affect our profitability and delay deliveries of our products to our customers.**

We depend on third-party suppliers to provide optical materials and components (such as resin and lenses), electronic components (such as image sensors and PCBAs) and structural components (such as housing and mounting brackets) and we expect to continue to do so for future products. For the years ended December 31, 2023 and 2024, and the nine months ended September 30, 2025, purchases from our five largest suppliers accounted for 56.4%, 49.0% and 49.2% of our total purchase, respectively. During each period in the Track Record Period, Retained Sunny Optical Technology Group was one of our five largest suppliers. We also entered into certain connected transactions with Retained Sunny Optical Technology Group. See "Connected Transactions" for further details of these transactions. Any shortages or delay in the supply of our raw materials and key components could result in price adjustments or cause delays in our production and delivery to customers.

We may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. Material supply is subject to numerous factors, including but not limited to international geopolitical factors, and these factors are beyond our control. Component shortages or pricing fluctuations could be material in the future. In the event of a component shortage, supply interruption or material pricing increase by suppliers of these components, we may not be able to develop alternative sources in a timely manner or at all. Developing alternative sources of supply for these components may be time-consuming, difficult and costly, and we may not be able to source these components on terms that are acceptable to us, or at all, which may increase our production costs and undermine our ability to fill customer orders in a timely manner. The loss of any supplier for any reason could lead to design changes and production delays, any of which could result in quality issues, delays and disruptions in deliveries, negative publicity and damage to our brand. In addition, our suppliers may fail to comply with applicable laws and regulations, or they may be involved in product liability claims or incidents of negative publicity. This could cause delays in shipment of our products and could adversely affect our relationships with customers.

If we are unable to keep up with demand for our products because of failing to obtain the materials and components needed to successfully manufacture and deliver our products in a timely manner, our business could be materially impaired, and market acceptance for our products could be adversely affected.

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### **Further expansion of our production capacity may not be successful as we have planned.**

As of the Latest Practicable Date, we operated two manufacturing bases in Yuyao, Zhejiang province, primarily focused on production of vehicle camera solutions and other vehicle optical solutions. In addition, we have expanded our global presence by strategically establishing two manufacturing bases in Phu Tho and Nghe An provinces, dedicated to production of vehicle camera solution products, mainly serving our overseas customers. The annual production capacity of our smart sensing solutions for the year ended December 31, 2023 and 2024 and the nine months ended September 30, 2025 amounted to 72.5 million units, 78.2 million units, and 67.7 million units. Our smart cabin solutions annual production capacity for the same period amounted to 58.9 million units, 69.1 million units, and 66.2 million units.

As we expect our business will continue to grow at a fast pace, we plan to further expand our production capacity, which includes the expansion of our manufacturing bases in Vietnam. Significant capital investment and human resources will be required for this plan, which may exceed our original estimates. However, there is no assurance that our production expansion plan will be successfully implemented without delay or will be commercially successful. Our production capacity expansion plan is also subject to interruptions caused by risks commonly associated with large construction and expansion projects, such as sufficiency of capital, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control. As such, we may not be able to achieve the planned production capacity expansion on time.

Furthermore, our investment in such expansion plans may not necessarily lead to the desired results. If the expansion results in production capacity that exceeds our business growth or does not align with market demand for certain product categories, we may encounter issues such as low utilization rates of production capacity, overproduction, increased fixed costs, and reduced margins. If any of the foregoing events occur, our business, results of operations, financial condition and prospects could be materially and adversely affected.

### **If we fail to maintain adequate inventory, or if we mismanage our inventory, we could lose sales or incur high inventory-related expenses and face inventory obsolescence risks, which could negatively affect our operating results and financial performance.**

Our inventories primarily comprise (i) finished goods, (ii) work in progress, and (iii) raw materials. As of December 31, 2023 and 2024 and September 30, 2025, we had inventories of RMB621.0 million, RMB787.6 million and RMB1,028.9 million, respectively. To ensure adequate inventory supply, we forecast inventory needs, place orders sufficiently in advance with our suppliers and manufacture products based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including but not limited to uncertain market conditions, volatile customer demands, fierce market competition, and general economic conditions. If we fail to accurately forecast customer demand, we may experience excess inventory levels or a shortage of products available for sale.

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Additionally, our own mismanagement of inventory could result in inventory levels in excess of customer demand, inventory write-downs and the sale of excess inventory at discounted prices, which would adversely affect our financial results, including our gross margin, and have a negative effect on our brand. We face higher risks of excessive or obsolescent inventories when we launch new products as the market reception to the products is uncertain. We assess impairment to inventories periodically during the Track Record Period, and may make provision to write down our inventories to the net realizable value if the inventories become outdated or are damaged or their prices go down and their net realizable values are lower than the costs of the inventories. Conversely, if we underestimate customer demand for our products, we, or our manufacturing partners, may not be able to deliver products to meet our requirements, and this could result in damage to our brand and customer relationships and adversely affect our business, results of operations and financial condition.

**Continued pricing pressures from our customers, many of whom possess significant bargaining power, may result in lower than anticipated revenue and margins, which may materially and adversely affect our business prospects and results of operations.**

During the Track Record Period, we have faced pressure on reducing the selling price of our products to maintain our market share. Many of our current and target customers possess significant bargaining power over their suppliers, including us, because they are large corporations with substantial negotiating power and stringent product standards, and/or are under pressure to pass the cost cut on to us due to intense market competition. The vehicle optical solution industry is highly competitive, serves a limited number of customers and has a high fixed cost base. The growing competition among established players and new market entrants in the industry further exacerbates the pricing pressures we face. As such, we may face continued pricing pressure from our customers to reduce the price of our products. If we are unable to sell our products to these customers at desirable prices, our business, results of operations and financial condition will be adversely affected. Pricing pressures beyond our expectations may further intensify as our customers pursue restructuring, consolidation and cost-cutting initiatives.

The average selling prices of our products may decline as our customers seek to commercialize ADAS and ADS at prices low enough to further increase their market shares and expand the market. Moreover, the Chinese NEV market has experienced a general declining price trend, compounded by the phasing out of government subsidies to end consumers, which may have a material and adverse impact on the average selling price and gross margins of our products and services in the future. If we are unable to generate sufficient production cost savings in the future to offset price reductions or introduce new products with higher sale prices or gross margins, our gross margin and profitability would be adversely affected.

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**Our sales results partially depend on the sales results of our customers, which, in turn, may depend on effective integration by our customers and the overall user experience of the vehicle models integrated with our solutions.**

The sales results of our solutions will depend on the sales results of our customers, which, in turn, may depend on whether our customers effectively integrate our solutions into their vehicle models. Our solutions are technologically complex, incorporate many technological innovations, and are typically subject to significant safety testing, and OEMs also generally devote significant resources to test and validate our solutions before integrating them in a vehicle model. These integration cycles result in our investment of resources prior to realizing any revenue from a vehicle model. Our vehicle optical solutions impact various vehicle functions, including safety, navigation and braking, and therefore must be integrated effectively with the other systems of the vehicle developed by our customers, and we may be unable to achieve the requisite level of interoperability in a vehicle model for our solutions to be implemented even after a design-win. In addition, the sales results of a vehicle model depend on overall user experience, including, among others, human machine interface, vehicle space, vehicle interior and operability, which are all beyond our control. Despite the effective integration, the vehicle models integrated with our solutions may generate poor sales results due to poor overall user experience of the vehicle models, which, in turn, affect the sales results of our solutions.

**We may be exposed to credit risk of trade receivables.**

As of December 31, 2023 and 2024 and September 30, 2025, our trade receivables amounted to RMB1,324.4 million, RMB1,593.3 million and RMB1,862.3 million, respectively. We may not be able to collect all such trade receivables due to a variety of factors, some of which may be beyond our control, such as financial condition of our customers. See “Financial Information — Discussion of Selected Balance Sheet Items — Trade and Other Receivables and Prepayments.” If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be materially and adversely affected.

Our customers may not be able to settle accounts regularly or make payments on schedule. We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of certain of our customers to make required payments. In the future, we may have to record additional provisions or write-offs and/or defer revenue on certain sales transactions, which could negatively impact on our financial results, and we may not be able to acquire credit insurance on the credit we extend to these customers or in amounts that we deem sufficient.

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### **We are subject to regulatory risks with respect to our tax compliance.**

In the ordinary course of business, we may be subject to inquiries, reviews, claims, assessments or other regulatory actions conducted by relevant tax or revenue authorities in the jurisdictions in which we operate. Such regulatory actions may also divert our management's attention and other resources, especially if they are not resolved in a timely manner. For example, we carried out certain intra-group transactions during the Track Record Period, and our profit allocation and income tax positions in connection with such transfer pricing arrangements are subject to the interpretations by relevant tax authorities of applicable tax law as well as applicable rules and regulations with respect to transfer pricing in relevant jurisdictions. There is no assurance that the respective tax authorities would not challenge the appropriateness of our historical transfer pricing arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If a competent tax authority later determines that the transfer prices and the transaction terms that we have adopted as well as our historical income tax provisions and accruals are not appropriate, such authority may require the relevant subsidiaries to re-assess the transfer prices and re-allocate the income or adjust the taxable income. If we are considered not to be in compliance with the applicable transfer pricing rules and regulations, the relevant tax authority may also have the power to order us to pay all outstanding tax and statutory interest and/or fines.

### **Discontinuation of any preferential tax treatment or imposition of any additional taxes could materially and adversely affect our financial condition and results of operations.**

The EIT Law imposes a tax rate of 25.0% on business enterprises. Both of our PRC subsidiaries were recognized as a Hi-Tech Enterprises, which entitled us to enjoy a preferential tax rate of 15.0% under the relevant PRC tax regulations with the expiry date in December 2026. We expect to renew this qualification. If we fail to renew its Hi-Tech Enterprises qualification, its applicable corporate income tax rate would increase to 25.0%, which would have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate by renewing this Hi-Tech Enterprises qualification in the future, and if we fail to do so, our financial condition and results of operations may be materially and adversely affected.

### **Our business development benefited from government grants. Any future reductions or withdrawal of governmental grants could materially and adversely affect our business, financial condition and results of operations.**

Our growth and business development have benefited, and are expected to continue to benefit, from supportive government grants, which were mainly in relation to our R&D efforts. However, there can be no assurance that such regulatory support will continue at the current level or at all. Any reduction, modification, or withdrawal of these policies due to changes in government priorities, budget constraints, shifts in political landscape, or macroeconomic conditions, may adversely impact our business.

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In the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2024 and 2025, we recorded government grants of RMB40.5 million, RMB28.3 million, RMB18.5 million and RMB16.2 million, respectively. If governmental authorities decide to reduce or cancel such government grants, or require us to repay part or all of the government grants we previously received pursuant to applicable laws and regulations, our business, financial condition and results of operations may be adversely affected. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain government grants that may become available to us in the future, and such failure could adversely affect our business, financial condition and results of operations.

### **We face exposure to foreign currency risks.**

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, mainly in U.S. dollar. We recorded net foreign exchange gains of RMB48.4 million and RMB47.2 million in the years ended December 31, 2023 and 2024 and net foreign exchange losses of RMB23.8 million and RMB31.7 million in the nine months ended September 30, 2024 and 2025, respectively. Any significant revaluation of the Renminbi may adversely affect our financial condition and results of operations.

Additionally, the net [REDACTED] from the [REDACTED] will be in Hong Kong dollars. Fluctuations in the exchange rates among the Renminbi, the Hong Kong dollar, the U.S. dollar, Euro and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the [REDACTED] from the [REDACTED]. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar, the U.S. dollar or Euro may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial conditions or results of operations.

### **We historically invested and may in the future invest in low-risk wealth management products.**

During the Track Record Period, we invested in low-risk wealth management products issued by the banks to mobilise our capital and generate investment returns for the benefits of our Shareholders. Our financial assets at fair value through profit or loss amounted to nil, RMB255.4 million and RMB471.0 million as of December 31, 2023, 2024 and September 30, 2025, respectively. Going forward, we may from time to time invest in low-risk wealth management products with low-risks on a case-by-case basis if these products are in our interest upon evaluations and analyses. The investment in low-risk wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as the risk control and the credit of the issuing banks. We cannot assure you that we will achieve fair value gains on the low-risk wealth management products we invest in or we will not incur any fair value losses

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on our investments in low-risk wealth management products in the future. If we incur such fair value losses, our business, results of operation and financial condition may be materially and adversely affected. There can also be no assurance that the internal policies and guidelines that we currently have in place to manage our investment in low-risk wealth management products will always be effective, or at all. If we fail to properly manage the risks in relation to our investment in low-risk wealth management products, we may incur losses, and as a result, our financial condition may be adversely affected.

**We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and solutions and such efforts to defend and protect our intellectual property may be costly.**

The success of our products and our business depend in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in China and other jurisdictions. We rely on a combination of patents, trademarks and trade secrets, as well as confidentiality procedures and contractual restrictions to establish and protect our proprietary rights, and yet all of which provide only limited protection.

We cannot assure you that any patents will be issued with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, if at all, or that any patents issued to us will not be challenged, invalidated or circumvented. We have filed for patents primarily in the jurisdiction of the PRC, but such protections may not be available in all countries in which we operate, or seek to operate, or in which we seek to enforce our intellectual property rights. Our currently issued patents and any patents that may be issued or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot be certain that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective. Moreover, others may independently develop technologies that are competitive to us or infringe our intellectual property.

Protecting against the unauthorized use of our intellectual property and other proprietary technology is expensive and difficult, particularly internationally. Our patents and proprietary technologies are the foundations of our vehicle optical solutions and we intend to leverage our extensive patent portfolio to maintain our competitive advantages and drive continued growth. Unauthorized parties may attempt to copy or reverse engineer our technology or certain aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our solutions, to determine the validity and scope of the proprietary rights of others or to block infringing products in China or other jurisdictions. Any such litigation, whether initiated by us or a third party, could result in substantial costs and diversion of management resources, either of which could materially and adversely affect our business, operating results and financial condition. Even if we obtain favorable outcomes in litigation, we may not be able to obtain adequate remedies.

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**Third-party claims against us in relation to infringement of intellectual property rights, whether successful or not, could subject us to costly and time-consuming litigation or expensive licenses, and our business could be adversely affected.**

From time to time, we may be subject to intellectual property disputes or litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights or other rights. As a leading player in the industry with significant market position, we face heightened exposure to intellectual property rights claims, commercial disputes and other assertions against us.

We may become a party to litigation and disputes related to intellectual property, our business practices, and our products. Even if we prevail in any litigation or enforcement proceeding against us, we could incur significant legal expenses defending against the claims, even those without merit. Moreover, because even claims without merit can damage our reputation or raise concerns among our clients, we may feel compelled to settle claims at a significant cost. Furthermore, the results of any such litigation, investigations and legal proceedings are inherently unpredictable and may be costly. Therefore, any claims against us, whether meritorious or not, could be time-consuming, costly and harmful to our reputation, and could divert management's attention and require significant amounts of corporate resources.

**We may be subject to risks associated with export control, economic or trade sanctions and investment restrictions.**

Geopolitics and international trade tensions have led to certain countries and organizations utilizing economic sanctions, export controls, investment restrictions and other restrictive measures. These policies have introduced uncertainties to global investment activities, increased compliance costs and limited access to critical resources necessary to R&D activities and operations for companies operating in affected industries. The U.S. and other jurisdictions or organizations, including the European Union, the United Kingdom and the United Nations, have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons, or organizations within such countries.

We complied with applicable laws in the jurisdictions where we have operations during the Track Record Period. However, we cannot predict the interpretation or enforcement of any International Sanctions or governmental policy at the U.S. federal, state or local levels or any policy by the European Union, the United Kingdom, the United Nations and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. We cannot assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or even violations. Our business and reputation could be adversely affected if any competent authorities were to determine that any of our activities constitutes a violation of any International Sanctions they impose or provides a basis for a sanctions or export control designation of us. In addition, if any of our

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customers or suppliers becomes sanctioned targets in the future, we may have to discontinue our business with such customers or suppliers due to potential sanctions liability risks. In such events, our financial results may be materially and adversely affected.

Moreover, we may be subject to review and enforcement under domestic and foreign laws that govern foreign investment and acquisitions. In both U.S. and non-U.S. jurisdictions, these regulatory requirements may apply different requirements based on the nature of the company and the profiles of the investors involved. As a result, investments by particular investors may need to be filed with local regulators or could even be prohibited under certain circumstances, which limits our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors. These laws and regulations are also subject to modification and updates from time to time.

Executive Order 14105 issued on August 9, 2023, introduced a new mechanism (the “**Outbound Investment Security Program**” or “**OISP**”) for reviewing U.S. outbound investments in certain national security technologies and products in “countries of concern,” targeting investments that could contribute to sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies and artificial intelligence sectors that are critical for the military, intelligence, surveillance or cyber-enabled capabilities of these nations. On October 28, 2024, the U.S. Department of the Treasury issued Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern, which became effective on January 2, 2025, to implement the OISP. The OISP restricts direct and indirect investment by U.S. persons (as defined under the OISP) into companies with specified connections to China that use specific technologies of concern. These rules aim at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China in certain sectors, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers. While we believe that we are not a “covered foreign person” as defined in the OISP, we cannot assure you that the U.S. authorities will not take a different view on the applicability of the OISP.

The rules and regulations regarding U.S. outbound investment may be subject to further development. On December 18, 2025, U.S. President Trump signed into law the National Defense Authorization Act for Fiscal Year 2026, which includes the Comprehensive Outbound Investment National Security Act of 2025 (the “**COINS Act**”), after the U.S. government proposed changes to the OISP in the “America First Investment Policy” memorandum issued on February 21, 2025. The existing OISP regulations remain in effect, but the COINS Act requires the Treasury to propose certain revisions to the OISP within 450 days of December 18, 2025. Those revisions ultimately will include, among other changes, an expansion of the countries of concern, an expansion of the technologies covered to include hypersonic systems, revisions to key defined terms, and the establishment of a formal advisory opinion process. If our ability to raise capital from U.S. investors is significantly and negatively affected by the COINS Act or similar laws and regulations, it could be harmful to our business, financial condition and prospects. In addition, if any legislative proposals, amendments to existing legislation, or new laws are enacted and implemented in any jurisdiction where we operate or

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plan to expand, these changes could limit our ability to develop and expand our business in these markets, which may in turn materially and adversely affect our business, financial condition, and results of operations.

**The data privacy and data security laws, including those in China, are subject to rapid and evolving changes, imposing significant compliance requirements on us, and any failure or perceived failure to comply with such laws, or other concerns about our practices or policies with respect to the processing of data, could materially and adversely affect our business, financial condition, reputation and results of operations.**

As our customers are primarily Tier-1 suppliers and OEMs rather than individual consumers, we do not directly collect personal information from end consumers. Nonetheless, our operations subject us to laws and regulations on data privacy and security. Failure to comply with the increasing number of data protection laws in the PRC as well as data security and privacy laws in jurisdictions where we intend to operate as well as concerns from our customers, employees and third parties with whom we conduct business, even if unfounded, could damage our reputation and operating results. If we were to expand our business globally, we would increasingly become subject to various laws, regulations and standards, as well as contractual obligations relating to data privacy and security in the jurisdictions in which we were to operate. The regulatory and legal frameworks regarding data privacy and security issues in many jurisdictions are constantly evolving and developing and can be subject to significant changes from time to time, including in ways that may result in conflicting requirements among various jurisdictions. Interpretation and implementation standards and enforcement practices are similarly in a state of flux and are likely to remain uncertain for the foreseeable future. As a result, we may not be able to comprehensively assess the scope and extent of our compliance responsibility at a global level, and may fail to fully comply with the applicable data privacy and security laws, regulations and standards. Moreover, these laws, regulations and standards may be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible that they will be interpreted and applied in ways that may be inconsistent with our existing practices. We will need to maintain heightened internal control and risk management policies to ensure sound compliance with such evolving policies, which requires significant resources and efforts. The theft, loss, or misuse of data to run our business or by our partners could result in significantly increased security costs, damage to our reputation, regulatory proceedings, litigation, fines, investigations, remediation efforts, indemnification expenditures, disruption of our business activities or other increased costs related to defending legal claims. During the Track Record Period and as of the Latest Practicable Date, as advised by our PRC Legal Advisor, we had not been subject to any inspection, action, compulsory administrative measure or penalty from the PRC authorities or any other relevant regulatory bodies in relation to our compliance with privacy and data protection laws and regulations.

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While we strive to comply with all applicable data privacy and security laws and regulations, there is no assurance that we are able to always comply with these laws and regulations in all jurisdictions. Any failure or perceived failure by us, our customers or business partners to comply may result in investigations, proceedings or actions against us, including fines and penalties or enforcement orders (including orders to cease processing activities) being levied on us by government agencies or proceedings or actions against us by our business partners, customers or end consumers, including class action litigation in certain jurisdictions, and could damage our reputation and discourage current and future business partners and/or customers from using our solutions.

**If we fail to comply with various environmental, health and safety laws and regulations and manufacturing standards, we may be subject to fines and penalties.**

We are subject to national and local environmental, health and safety laws and regulations applicable to us in China including but not limited to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), the Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》), the Administrative Measures for Pollutant Discharge Permit (《排污許可管理條例》) and the PRC Fire Prevention Law (《中華人民共和國消防法》). We are also subject to national and local environmental, health and safety laws and regulations applicable to us in Vietnam such as the Law 72/2020/QH14 on Environmental Protection. In addition, our manufacturing lines can only be put into operation after the relevant administrative authorities in charge of environmental protection, health and safety have examined and approved the relevant facilities. Delays or failures in obtaining all the requisite regulatory approvals of such facilities may affect our ability to research, develop and manufacture our products as planned. As such laws and regulations may evolve, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, fines, potential monetary damages, or manufacturing suspensions in our business operations.

**We may need to devote additional efforts and resources to obtain and maintain the requisite licenses and approvals required in the jurisdiction that we operate or plan to operate.**

Our operations require multiple licenses, permits and approvals. See “Business — Licenses, Permits and Approvals.” Certain licenses, permits or approvals we hold are subject to periodic renewal. If we fail to renew one or more of our licenses and certificates when their current terms expire, or obtain such renewals in a timely manner, our operations could be disrupted. If we fail to properly renew any of such requisite licenses on time, we may face penalties. In addition, given the government regulations governing our business is evolving, it might become increasingly onerous for us to comply with such changes in regulation, and any non-compliance may expose us to liability. In case of non-compliance, we may have to incur monetary expenses and divert substantial management time and resources to resolve any deficiencies. We may also experience negative publicity arising from such deficiencies, which may adversely affect our business, reputation, financial condition and results of operations.

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### **Failure to make adequate contributions to various employee benefit plans as required by regulations may subject us to penalties.**

Companies operating in the PRC have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in the PRC, and the relevant government authorities may examine whether an employer has participated in employee benefit plans and made full contributions as required. Employers who fail to pay or make full contributions as required may be subject to late payment fees, fines and/or other penalties. During the Track Record Period, we had not received any notification from the relevant PRC authorities requiring us to pay any shortfall with respect to social insurance and housing provident funds or imposing any administrative penalties on us with respect to our social insurance and housing provident fund contributions, nor were we aware of any material employee complaints or involved in any material labor disputes with our employees with respect to social insurance and housing provident funds. If the relevant authorities order us to pay the outstanding social insurance and/or housing provident funds or take rectification measures in accordance with applicable laws and regulations, we will make such payments or make such rectification measures promptly as soon as practicable. Considering the relevant regulatory policies, regulatory confirmations or interviews and the facts as mentioned above, our PRC Legal Advisor is of the view that on the premise that no significant changes of the current policies and regulations, as well as implementation and supervision requirements of the local governments, (i) the risk of us being required by relevant PRC authorities to pay the material shortfall of social insurance and housing provident fund contributions is remote, and (ii) the risk of us subject to material administrative penalties for failing to make social insurance and housing provident funds in full is remote. However, there can be no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident funds will at all times satisfy the relevant regulatory requirements mainly due to the evolving interpretation and implementation of these laws and regulations. In the event of any non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the PRC, we may be exposed to penalties or be required to compensate employees.

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### **Our business operations are subject to risks relating to ESG.**

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. There is an increasing focus on corporate responsibility and a number of regulations and requirements on ESG performance pose reputational, regulatory and other risks to us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint and maintain environmentally friendly business operations. The process of developing new manufacturing technologies and enhancing existing manufacturing technologies to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that may not be commercially successful in the time frames expected, or at all. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could adversely affect our competitiveness in the relevant market.

Compliance with these ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources, and failure to comply could subject us to, among other things, legal liability, fines, suspension of manufacturing, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business and financial performance. If we are unable to satisfy such criteria or are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to invest in our competitors. Our brand and our reputation may be damaged in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity, and our business, reputation, financial condition and results of operations could be materially and adversely affected.

### **Our success depends largely on the continued service of our senior management personnel.**

Much of our future success depends on the continued contributions of our senior management and key technical personnel, many of whom are difficult to replace. The continued successful management of our business is also, to a considerable extent, dependent on our senior management members who play vital roles in our operations. If one or more of our senior management members were unable or unwilling to continue to contribute their services, we may not be able to replace them in a timely manner, which may severely disrupt our business and affect our financial condition, results of operations and future prospects.

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**We may not be able to attract, train or retain our qualified personnel or sufficient workforce, which may severely disrupt our business, results of operation and future prospects.**

Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel across our organization, particularly technical, marketing and other operational personnel with experience in the relevant industry. We believe our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality of the performance of our management and employees at all levels.

Our industry is characterized by high demand and intense competition for talent and labor, while qualified individuals in the relevant industries are in short supply and competition for workers is intense. We intend to hire additional qualified employees to support our business operations and planned expansion. However, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Competition for qualified talent is intense and if we are unable to attract a large number of qualified employees and retain existing employees, our business and growth may be materially and adversely affected.

In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely fashion, or at all. Rapid expansion may impair our ability to maintain our corporate culture. If we fail to attract, train or retain sufficient qualified personnel, our business operations, results of operations and future prospects may be severely disrupted.

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

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, antitrust, infringement of intellectual property rights, and environmental matters. If we fail in defending ourselves against any such claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us, or brought against us, with or without merit, may result in substantial costs and diversion of resources and may materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies from our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs incurred as a result of such claims, disputes and legal proceedings.

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**Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.**

We have implemented risk management and internal control systems, and adopted risk management tools available to us with respect to our business operations. However, there is no assurance that our risk management, internal control systems and risk management tools are adequate or effective to fully protect us against the potential risks inherent in our business. In the event that we fail to identify and deal with any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management and internal control systems depends on our management and employees. There is no assurance that our management and employees will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management and employees will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

**Failure to deal effectively with fraudulent or illegal activities or misconduct by our employees would harm our business.**

Illegal, fraudulent, corrupt or collusive activities or misconduct, whether actual or perceived, by our employees, could subject us to liabilities or negative publicity. There can be no assurance that our policies and internal controls with regard to the review and approval of payment accounts, sales and marketing activities, interactions with business partners and government officials and other relevant matter will prevent fraud or illegal activities or misconduct by our employees or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity, misconduct, or perception of conflicts of interest and rumors could severely damage our brand and reputation, even if they are baseless or satisfactorily addressed, which could drive our clients away from us, and materially and adversely affect our business, financial condition and results of operations.

**We rely on various services from third-party providers for our business. If these third parties fail to provide reliable and timely services, our business, financial condition and results of operations may be adversely affected.**

We rely on third-party service providers for various business functions, including the stable, timely, and appropriate supply of logistics services and utilities essential to our production processes. We obtain services from third-party service providers who we believe are able to meet our specifications and requirements. However, the services provided by any of the third-party service providers may not be provided in a timely manner and the services provided by them may not be of satisfactory quality. If the third-party service providers do not perform satisfactorily, substantially reduce the amount and scope of their services, substantially

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increase the prices of their services or terminate their business relationship with us, we may need to replace the third-party service providers or take other remedial actions which could increase our costs of operations. As we do not have direct control over the third-party service providers, if they become involved in the unauthorized provision of services not complying with our requirements or applicable laws and regulations, our reputation in the industry will be affected. This, in turn, may materially and adversely affect our business, financial condition and results of operations.

**Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.**

We utilize a number of information technology systems to manage all aspects of our operations, including but not limited to production, quality control, inventory management, supply chain, sales and customer relations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

**Our Controlling Shareholders have substantial influence over us and the Controlling Shareholders' interests may not be aligned with the interests of our other Shareholders.**

Immediately after the [REDACTED], our Controlling Shareholders will own in total [REDACTED] of our issued share capital (assuming no exercise of the [REDACTED]). Our Controlling Shareholders will be in a position to exert significant influence over our affairs, and will be able to significantly influence the outcome of any Shareholders' resolution, irrespective of how other Shareholders may vote. The interests of our Controlling Shareholders may not necessarily be aligned with those of our independent Shareholders. Our Controlling Shareholders may cause us to take actions that are not in the interests of us or our other Shareholders. In the event that the interests of our Controlling Shareholders conflict with those of our other Shareholders, or if our Controlling Shareholders choose to cause us to pursue objectives that would conflict with the interests of our other Shareholders, such other Shareholders could be left in a disadvantageous position by such actions caused by our Controlling Shareholders.

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

We expect to evaluate and consider a wide array of investment and acquisition opportunities that we believe can extend and solidify our leading market position as part of our overall business strategy. We may be engaged in discussions or negotiations with respect to one or more of these types of transactions. These transactions involve significant challenges and risks, including:

- difficulties in integrating the acquired personnel, operations, solutions into our operations;
- potential issues with technology, internal controls and financial reporting of the companies we acquire or invest in;
- disruptions of our ongoing business, distractions of the attention of our management and employees and increase of our expenses;
- loss of skilled professionals and established client relationships of the businesses we invest in or acquire;
- for investments over which we do not obtain management and operational control, lack of influence over the controlling partner or shareholder, which may prevent us from achieving our strategic goals in such investments;
- new regulatory requirements and compliance risks that we become subject to as a result of investments or acquisitions in new industries or otherwise;
- actual or alleged misconduct or noncompliance by any company we acquire or invest in (or by its affiliates) that occurred prior to our acquisition or investment, which may lead to negative publicity, government inquiry or investigations against such company or against us;
- unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets;
- compliance matters including the anti-monopoly and competition laws, rules and regulations of the PRC and other countries in connection with any proposed investments and acquisitions;
- the risk that any of our pending or other future proposed investments or acquisitions does not close;
- the costs of identifying and consummating investments and acquisitions;

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- the use of substantial amounts of cash and potentially dilutive issuances of equity securities;
- the occurrence of significant amortization expenses for other intangible assets; and
- uncertainties in achieving the expected benefits of synergies and growth opportunities in connection with these acquisitions and investments.

Any such negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

**Higher labor costs may adversely affect our business, results of operations, financial condition and prospects.**

Factors such as changes in minimum wage laws, labor market dynamics, or increased competition for skilled labor in the industry may lead to higher labor expenses. Such increases could exert upward pressure on the fees that we paid to our employees. Our ability to manage and mitigate the impact of rising labor costs through operational efficiencies, process improvements, or technological innovations will also significantly influence our competitiveness and financial performance. However, there is no guarantee that we will succeed in effectively managing the impact of rising labor costs. Moreover, higher cost for labor might necessitate adjustments in selling prices, potentially making our solutions less competitive in the market. Attempts to pass on increased labor costs to customers through higher selling prices could result in reduced demand or market share loss.

**Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.**

We maintain a number of insurance policies to cover potential liabilities in our daily operations, such as property insurance, cargo insurance, employer liability insurance and public liability insurance. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate for all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

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### **Our business and operations may be materially and adversely affected by natural disasters, epidemics and pandemics.**

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events especially in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations with respect to our supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner, or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional requirements in freight, relevant policies affecting the movement of products between regions, delays in the ramp-up of the production capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

### **RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WE OPERATE**

#### **Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in the jurisdictions that we operate could materially and adversely affect our business, financial condition, results of operations and prospects.**

The majority of our business assets are located in China and the majority of our sales and revenue is currently derived from China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC and other jurisdictions that we operate could affect our business and financial condition. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. See "Regulatory Overview" for details. Laws, regulations and policies related to our industries will continue to undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

#### **Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.**

Legal systems of the geographic markets where our business operates vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

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It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in the geographic markets where we operate and elsewhere that could affect our businesses and operations. Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may affect the growth of our industries and affect our business, financial condition and results of operations.

**Regulations on currency exchange may influence our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.**

The conversion of Renminbi is subject to applicable laws and regulations in China. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, normally need to be approved by or be registered by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, financial conditions and results of operations, may be affected.

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

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and a non-PRC investor's jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in the PRC, or which have an establishment or place of business in the PRC if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the PRC unless a treaty or similar arrangement provides otherwise.

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Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals on gains from the transfer of listed shares of PRC resident enterprises on overseas stock exchanges. However, there is no assurance as to whether further implemented laws, regulations, or practices in the future would result in levying income tax on non-PRC resident individuals on gains from the sale of H shares.

If the PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your [REDACTED] in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

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

We may, from time to time, undertake capital raising activities, including offerings of equity or debt securities in the PRC or overseas markets. In connection with such activities, we may become subject to approval, filing, registration or other regulatory requirements imposed by the CSRC or other relevant PRC governmental authorities, particularly in light of evolving regulatory frameworks governing offshore listings and securities offerings by PRC-related entities. Any failure or delay in obtaining the necessary approvals or completing the required filings could materially and adversely affect our ability to access capital markets in a timely manner or on commercially favorable terms, which may in turn impact our funding strategy, expansion plans and overall financial condition.

### **You may experience difficulties in effecting service of legal process and enforcing judgments against us, our most Directors and senior management.**

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for investors to effect service of process upon or to enforce judgments outside of Chinese mainland against us and most of our Directors and senior management outside China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in Chinese mainland only if the jurisdiction has a treaty with Chinese mainland or if the jurisdiction has been otherwise deemed by the courts of Chinese mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, Chinese mainland is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in Chinese mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People’s Court promulgated the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**2008 Arrangement**”). Under the 2008 Arrangement, where any designated court of Chinese mainland or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of Chinese mainland or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On January 25, 2024, the Supreme People’s Court promulgated 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 “**2024 Arrangement**”), which became effective on January 29, 2024. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction

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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 for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in Chinese mainland and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a “choice of court agreement in writing” within the meaning of 2008 Arrangement which is made before the effective date of 2024 Arrangement.

### **RISKS RELATING TO [REDACTED] AND THE [REDACTED]**

**There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop following the [REDACTED].**

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. The [REDACTED] for our H Shares was the result of negotiations among us, the [REDACTED] and the [REDACTED] on behalf of the [REDACTED], and the [REDACTED] may differ significantly from the market price for our H Shares following the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares could be materially and adversely affected. The price and trading volume of our H Shares may be highly volatile. Several factors, some of which are beyond our control, such as variations in our prospects, changes in our pricing policy, the emergence of new technologies, strategic alliances or acquisitions, the addition or departure of key personnel, changes in profit forecast or recommendations by financial analysts, changes in ratings by credit rating agencies, litigation or the removal of the restrictions on share transactions, could cause large and sudden changes to the volume and price at which our H Shares will trade. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume volatility that is not related to the operating performance of any particular company.

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

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with

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significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, China or elsewhere in the world.

**Future sales or perceived sales or conversion of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.**

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Although our existing shareholders are subject to restrictions on their sales of H Shares within 12 months from the [REDACTED] as described in "History, Reorganization and Corporate Structure," future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares upon the expiration of restrictions set out above.

**We cannot assure you when, whether and in what form or size we will pay dividends in the future.**

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distribution of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depends on various factors, including but not limited to our prospects, cash flows and financial position, operating and capital expenditure requirements, distributable profits, our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable PRC laws and regulations, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form or size we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. See "Financial Information—Dividend."

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**Certain facts, forecasts and other statistics obtained from government publications, market data providers and other independent third-party sources, including the industry report, contained in this Document may not be reliable in terms of accuracy, competence or reliance.**

Certain facts, forecasts and other statistics contained in this Document relating to China, the PRC economy and the industry in which we operate have been derived from various official government publications or other third-party reports. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot assure you of the accuracy or completeness of information obtained from these sources. We have not independently verified any of the data, forecasts and other statistics from such sources, nor have we ascertained that the underlying economic assumptions relied upon in those sources. The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the [REDACTED] and no representation is given as to its accuracy. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. For these reasons, the information from various government publications contained in this Document may not be accurate and should not be given undue reliance as a basis for making your [REDACTED] in our H Shares.

**You should read the entire Document carefully and should not rely on any information contained in press articles or other media relating to us, the [REDACTED] or the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us, the [REDACTED] and the [REDACTED]. Prior to the publication of this Document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. Our Company, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisors or any other persons or parties involved in the [REDACTED] make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, our Company, the Joint Sponsors, [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], any of our and their respective directors, supervisors, officers, representatives, employees, advisors or any other persons or parties involved in the [REDACTED] disclaim responsibility for it, and you should not rely on such information.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as “believe,” “expect,” “estimate,” “predict,” “aim,” “intend,” “will,” “may,” “plan,” “consider,” “anticipate,” “seek,” “should,” “could,” “would,” “continue,” and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this Document should not be regarded as representations or warranties by us that our plans and objectives will be achieved, and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this Document are qualified by reference to this cautionary statement.