An **[REDACTED]** *in our H Shares involves significant risks. You should carefully consider all the information in this Document, including the risks and uncertainties described below, before making an* **[REDACTED]** *in our Shares. The following is a description of what we consider to be material risks to us, any of which could have a material adverse effect on our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The* **[REDACTED]** *of our H Shares may decline due to any of these risks, 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 "Forward-looking Statements" in this document.

RISKS RELATING TO BUSINESS AND INDUSTRY

We operate in a highly competitive industry. If we are unable to compete effectively, we may experience a loss of market share, which could materially and adversely affect our business, financial condition and results of operations.

We operate in the power inductor solutions for advanced process chips industry, which is rapidly evolving and increasingly competitive, characterized by rapid technological advancement and continuous product iteration. The adoption of new materials, structural designs and manufacturing processes may place our existing products at a competitive disadvantage or accelerate their obsolescence. If technological developments occur more rapidly than we anticipate, or if we fail to enhance or commercialize new or improved products or technologies that meet evolving market requirements, our products may lose competitiveness in terms of performance, cost or other attributes, thereby becoming outdated or difficult to market. In addition, the market acceptance of products based on new or alternative technologies is inherently uncertain.

We are in active competition with numerous competitors of varying size, technical capability and financial strength, with respect to one or more of our business lines. Many of our competitors may have longer operating histories, stronger presence in key markets, greater name recognition, larger customer bases, more established strategic and financial relationships and greater financial, sales and marketing, distribution, technical and other resources than we do. Some of them may also have their own manufacturing facilities, which in certain circumstances may give them the ability to price their products more aggressively, respond more rapidly to market changes, and meet increased demand more easily than we can. Such increases in competition could lead to lower sales, price reductions, reduced margins or loss of market share. We cannot assure you that we will always succeed in competing with other market players. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, results of operations and financial condition.

The demand for our products may not increase as rapidly as expected, which could materially and adversely affect our business, results of operations, financial condition and prospects.

We are pursuing opportunities in markets where it is difficult to predict the timing and size of the opportunities for each of our products. Despite our efforts to market our products and solutions and secure new orders, there can be no assurance that such efforts will be successful or that we will be able to obtain purchase orders from customers as anticipated. Furthermore, even if we are able to obtain orders from our customers, there is no assurance that the sales performance of our products or solutions will meet our expectations or forecasts, as actual results may be affected by changes in market conditions, customer demand, or other factors beyond our control. If one or more of these markets in which we operate experience a shift in customer demand, our products may not be able to compete as effectively, or at all. We may not be able to adjust our inventory level in response to the change in the demand of our downstream markets and the price of our products may be adversely affected. If we fail to keep pace with technological development, industry standards or applicable regulatory requirements, our products may not be adopted by end customers in their computing systems or infrastructure deployments. Given the evolving nature of the markets in which we operate, it is difficult to predict end customer demand or the future growth of the markets in which we operate or into which we plan to enter. If we fail to adjust accordingly to changes in the market conditions of our downstream industries, our business, financial condition, results of operations and prospects will be adversely affected.

We provide customized products to our major end customers. Failure to launch customized products that meet end customers' requirements and specifications and achieve design-win could have a material and adverse impact on our market share.

Our success has been, and will continue to be, dependent upon our end customers designing corresponding power inductor solutions for their products. To achieve design-wins, which are decisions by our end customers to design our solutions into their systems, we must define and deliver cost effective and innovative power inductor solutions on a timely basis that satisfy our end customers' requirements and specifications. Our ability to achieve design-wins is subject to numerous risks including competition from other solutions, the compatibility of our solutions with newly developed technologies or designs used in the end products, as well as delays in our product development cycle. Even if our solutions meet our end customers' requirements, we may not eventually succeed in achieving a particular design-win due to factors out of our control, such as the end customers' pre-existing relationship with a particular supplier or other business considerations. Once a manufacturer has designed a supplier's solutions into its product offerings, our end customers may be reluctant to change their source of components due to the significant costs, time, efforts and risks associated with qualifying a new supplier and, in many cases, modifying its design platforms.

In addition, there is no guarantee that we will be able to continue to achieve design-wins with end customers with whom we have achieved design-wins in the past. As manufacturers take on new projects, there is no obligation on their part to continue to design our solutions into their product offerings. In the power inductor solutions for advanced process chips industry, co-development cycles typically span several years depending on the end customers' demands. This may involve large R&D investment, a long product development cycle, and the possible failure of product verification test. Accordingly, if we fail to achieve design-wins with end customers that embed power inductors in their products, our market share or revenue could be adversely affected. Furthermore, to the extent that our competitors secure design-wins, our ability to grow our business in the future will be impaired.

Despite our customized offerings, our products remain highly price-sensitive, and intensified price competition may materially and adversely affect our profitability and results of operations. We have experienced and expect to continue facing strong pricing pressure and price comparisons due to increasingly competitive conditions in the verticals we serve. Unless we can increase unit sales volume or successfully introduce higher-value offerings, our revenue derived from existing products and solutions may decline. Historically, we have incurred and expect to continue to incur significant amounts of research and development expenses to develop new products and solutions with more advanced features that can be sold at higher prices and/or manufactured at a lower cost. However, if we are unable to do so in a timely manner, or if we are unable to successfully develop more cost-effective technologies, our financial results could be adversely affected. Sustained pricing pressure could adversely affect our gross profit margin. If we are unable to offset declining prices through cost reductions or product improvements, our profitability will be negatively impacted, which could materially affect our business, financial condition and results of operations.

Our research and development activities may not result in successful products or generate sufficient returns, which could adversely affect our business.

Our products are primarily based on our in-house R&D capabilities, including application technology platform, design technology platform, materials technology platform, process technology platform, and verification test technology platform. Our future success depends on the successful expansion of our inductors product portfolio and customer base. Our customers are constantly seeking new products with more features and functionality at lower cost, and our success depends on our ability to develop and deliver new and improved products. In order to gain market share and remain at the forefront of the power inductor solutions industry, we must constantly introduce new and innovative products and respond to new and evolving customer demands.

Product design, development, innovation and iteration are often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. In 2023, 2024, and 2025, our research and development expenses amounted to RMB25.7 million, RMB28.8 million, and RMB28.3 million, respectively, accounting for 7.1%, 6.6%, and 6.0% of our revenue for the same years. The power inductor solutions industry is highly competitive, characterized by rapidly changing technologies and technological obsolescence. We may invest significant resources in R&D activities and incur significant R&D expenses in the future to achieve technological breakthroughs, as well as maintain our technological leadership and the competitiveness of our products and solutions. There can be no assurance that we will be able to develop and introduce new and enhanced products in a timely or efficient manner or that we will continue to achieve technological breakthroughs and successfully commercialize such breakthroughs through our R&D activities. Failure to timely develop new technologies or to react quickly to changes in existing technologies could materially delay our development of new and enhanced products, which could result in product obsolescence, decreased revenue, and/or a loss of market share to competitors. Our investment in R&D activities may not generate sufficient revenue to offset liabilities assumed and expenses associated with these investments.

Any unexpected interruption to our production facilities could materially and adversely affect our business, results of operations and financial condition.

We have three production bases located in China (Kunshan and Haining) and Thailand (Samut Prakan), of which two production bases in China (Kunshan and Haining) are in operation. We rely on our production facilities, manufacturing equipment and related systems to support the large-scale production of our products. We cannot assure you that our production equipment and facilities will not experience failures or other operational risks, including equipment aging, hardware or software failures, information system disruptions, employees' failure to comply with operating procedures, labor disputes and other unforeseen events, or that we will be able to promptly remedy such issues or obtain suitable replacement equipment. If any key machinery at one or more of our production facilities is damaged, malfunctions or otherwise becomes unavailable, our production capacity may be adversely affected. As a result, delivery schedules may be delayed, and we may incur significant repair or replacement costs. Moreover, our production facilities depend on the continuous and stable supply of utilities, including electricity, water and telecommunications services. Due to fires, explosions, floods, earthquakes, typhoons and other natural disasters, any interruption, instability or failure in the supply of such utilities could disrupt our manufacturing processes or result in damage to or loss of raw materials, work-in-progress or finished products. We cannot assure you that we can prevent all accidents, failures or interruptions. If our production facilities suffer any unexpected, recurring or prolonged interruption, we may incur substantial losses, and our business, results of operations and financial condition could be materially and adversely affected.

If we fail to successfully implement our capacity expansion plans, maintain or upgrade our equipment, or effectively utilize our production facilities, our business, financial condition and results of operations could be materially and adversely affected.

We believe that our future success depends in part on our ability to enhance production capacity. Expanding capacity, and maintaining and upgrading production facilities, are important to improve production efficiency and resource utilization. If we fail to take these measures, we may experience low-capacity utilization, excess capacity or inefficient use of resources. These conditions could adversely affect our profitability and results of operations. Our capacity expansion and equipment upgrade plans may be affected by various factors. These factors include the availability of funds for facility construction or equipment purchases, delays in equipment supply or delivery, difficulties in installation and commissioning, challenges in implementing new production processes, and the training and operational capabilities of relevant personnel. We cannot assure you that these plans will be completed on time or within budget. We also cannot guarantee that they will achieve the expected operational or financial outcomes.

Additionally, even if we successfully expand or upgrade our production facilities, future market demand may not meet our expectations. As a result, we may not be able to fully utilize the additional capacity. This may lead to higher unit costs or lower profit margins. Any delay, cancellation or failure to achieve the intended results of our capacity expansion plans could materially and adversely affect our business, financial condition and results of operations.

Restrictions arising from geopolitical, regulatory or origin-related considerations may require us to rely on third-party partners or brands to access certain overseas markets, which could materially and adversely affect our business and growth prospects.

As part of our business development strategy, we have committed to building long-term cooperation with our selected overseas partner. In certain overseas markets, our market access, customer reach and commercialization channels may depend on cooperation with local partners or the use of third-party brands. Such arrangements may be influenced by geopolitical, regulatory or origin-related considerations, which may limit our ability to independently enter or expand into certain markets under our own brand.

Concurrently, we may be required to manufacture products under a partner's brand or rely on the partner's sales and distribution channels in the relevant markets. These arrangements may limit our control over branding, pricing, customer relationships and market development and may reduce our ability to directly realize the full commercial value of our products. In addition, our overseas market access may become dependent on the stability and willingness of such partners to continue the cooperation. Any changes in geopolitical conditions, regulatory requirements or origin-related rules, or any deterioration in our relationships with these partners, may restrict our ability to expand in overseas markets and could have a material adverse effect on our business and growth prospects.

Due to changes in the geopolitical environment, historically, certain of our major customers have relocated a portion of their manufacturing activities from the Chinese Mainland to overseas jurisdictions such as Vietnam, Mexico and Thailand. If we are unable to adjust our sales plan in line with our customers' overseas production arrangements in a timely manner, our order volumes, customer relationships and business stability may be adversely affected. In response to our customers' overseas capacity expansion, we may need to establish or expand our operations outside the Chinese Mainland, while our domestic facilities would mainly serve the Chinese Mainland market. Such adjustments may increase our operational complexity, capital expenditure and management burden. There is no assurance that our overseas expansion plans can be implemented efficiently or deliver the expected results, and any delays, cost overruns or operational challenges may have a material adverse effect on our business, financial condition and results of operations.

Our business, financial condition and results of operations may be materially and adversely affected by international trade actions, laws, regulations and policies and international export controls and economic sanctions.

During the Track Record Period, we sold our products to overseas customers and distributors in the United States, Japan, Malaysia, Vietnam, and Seychelles, and we generate a small portion of revenues from such non-domestic markets. We also procured parts and technologies from Japanese suppliers. As such, our business operations and financial performance may be influenced by international trade policies, geopolitics, trade protection measures, export controls, and economic or trade sanctions.

In the event that global trade tensions worsen or countries adopt restrictive trade policies, we could experience a reduction in orders from overseas customers, requests for price cuts, or demands for us to absorb additional tariff costs. While we do not have key suppliers overseas, any trade restrictions could still impact our cost structure and business operations. In addition to trade policy measures, the United States and certain other governments have imposed and may adopt additional sanctions, export controls and other regulatory measures that directly or indirectly affect China-based technology companies. These types of laws, policies and measures may be subject to frequent changes, and their implementation, interpretation and enforcement involve substantial uncertainties, which may be heightened by potential national security concerns or other factors that are out of our control. Similar or more expansive restrictions may be imposed by different jurisdictions in the future. We will need to maintain heightened internal control and risk management policies to comply with such restrictions, which may require significant resources and efforts. Any of these developments could adversely affect our business and financial condition. In addition, our business operations or reputation may be adversely affected if our business partners, including our customers, are subject to sanctions.

The Export Administration Regulations ("**EAR**"), administered by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**"), govern the export, re-export, and transfer of U.S.-origin products, software, and technology ("**items**") as well as certain non-U.S. items that are subject to the EAR (e.g., non-U.S. manufactured items that contain more than *de minimis* controlled U.S.-origin content).

BIS maintains several lists of parties subject to enhanced export control restrictions under the EAR, including the Entity List. During the Track Record Period, the Group has engaged third-party screening vendor to conduct sanctions screening of the Group's suppliers and customers it dealt with. During the Track Record Period, we had a one-off sale to an entity listed on the Entity List. As the items sold are of Chinese origin and are not subject to the EAR, we believe the sales did not violate applicable international sanctions or U.S. export controls.

During the Track Record Period, we did not enter into any transactions in or with respect to any countries or regions subject to comprehensive economic or trade sanctions. However, we sold to certain distributors which are not sanctioned targets during the Track Record Period, who may later resell our products to end customers which are unknown to us. We cannot assure you that our customers will not sell, resell, export, re-export, or transfer our products to countries or regions subject to sanctions, which may materially and adversely affect our business and reputation.

We depend on a limited number of major customers for a significant portion of our revenue. The loss of, or a significant reduction in business from, any of these customers could materially and adversely affect our business and results of operations.

Historically, our top five customers in each year/period accounted for a substantial portion of our revenue. In 2023, 2024 and 2025, our revenue from our five largest customers amounted to RMB285.1 million, RMB341.8 million and RMB330.9 million, accounting for 78.7%, 78.4% and 70.2%, respectively, of our revenue in the respective year. Revenue generated from our single largest customer for each year during the Track

Record Period accounted for 34.1%, 34.7% and 32.5%, respectively, of our revenue in the respective year. Any material delay, alteration, cancelation or reduction of purchase orders from, or change in the purchasing patterns of such customers, which may in turn be attributable to changes in their respective customers' demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects will be affected by our ability to retain our existing customers and to attract new customers, as well as on the financial condition and success of our customers, including their ability to retain their respective customers and attract new customers. Furthermore, our major customers may have substantial bargaining power and leverage when negotiating contractual arrangements with us. Such customers have and may continue to seek advantageous pricing and other commercial terms and may require us, from time to time, to develop additional features in the solutions we sell to them. As a result, we may have to reduce the average selling price and/or incur increased average cost of our solutions, which may have a negative impact on our gross profit margin. If we are unable to retain one or more of our major customers, or if we are unable to maintain our current level of revenue and gross profits from such customers, our business, financial condition and results of operations could be impaired.

During the Track Record Period, we incurred net loss and may not be able to achieve or sustain profitability in the future.

We have incurred, and may continue to incur, significant research and development expenses, selling expenses, administrative expenses and other expenses related to our ongoing operations. For the years ended December 31, 2023, 2024 and 2025, we had net loss of RMB37.8 million, RMB22.3 million and RMB17.9 million, respectively. Our ability to generate revenue will depend primarily on our ability to sell our products and expand our customer base, which is subject to significant uncertainty. In addition, we may continue to incur significant costs and expenses for the foreseeable future, such as continued investments in R&D and production expansion, which may affect our ability to achieve future profitability. As such, we cannot assure you that we will be able to generate profits in the future.

We had net liabilities and net current liabilities positions in the past and may not be able to achieve or maintain net assets and net current assets position in the future.

As of December 31, 2023 and 2024, we recorded net liabilities of RMB115.0 million and RMB137.3 million, respectively. As of December 31, 2023 and 2024, we recorded net current liabilities of RMB335.6 million and RMB326.6 million, respectively. Although our redemption liabilities had converted into the equity of our Company, which resulted in the change from a net liability position to a net asset position, there is no assurance that we will not record net liabilities in the future. Having significant net liabilities or net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future liquidity needs, we may need to rely on additional external borrowings for funding. If adequate funds are not available, whether on satisfactory terms or at all, we may be forced to delay or abandon our growth plans, and our business, financial condition and results of operations may be materially and adversely affected.

Our operations may be subject to transfer pricing adjustments by relevant tax authorities.

Our operations may be subject to transfer pricing adjustments by relevant tax authorities. We have certain intra-group transactions that may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, the Company and certain of our subsidiaries in the Chinese Mainland and Hong Kong have engaged in intra-group transactions. Please see "Business – Intra-Group Transactions." As such, we could face adverse tax consequences if the relevant tax authorities determine that some of our intra-group transactions do not represent arm's length principle or confer income tax advantage to the Group and consequently adjust any of those entities' taxable income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities or reduce our tax losses, the relevant tax authorities may impose late payment charge and/or interest and/or other penalties on us for any unpaid taxes. In addition, double taxation arisen as a result of transfer pricing adjustment may give rise to tax recoverable under double taxation relief arrangement (if applicable) in certain jurisdictions. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be adversely affected.

Further, we expect that the intra-group transactions will continue in the foreseeable future and we will determine transfer pricing arrangements that we believe to be the same as those transacted with unrelated third parties on an arms' length basis or do not confer any income tax advantage to the Group. However, there is no assurance that relevant tax authorities would share the same view, or such transfer pricing laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm's length basis or confer any income tax advantage to the Group that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We generate significant revenue from our distribution sales and distributors are expected to remain important in our sales network.

During the Track Record Period, our products were partially sold to end customers via third-party distributors. In 2023, 2024 and 2025, our sales through distribution channels amounted to RMB270.9 million, RMB320.1 million and RMB277.0 million, accounting for 74.8%, 73.5% and 58.8%, respectively, of our revenue in the respective years.

Our success is relevant to our effective management and coordination of our distribution network. If our distributors fail to market and sell our products effectively, our market reputation and ability to grow our business may be adversely affected. In addition, we may not be successful in managing our distributors' sales activities, nor may we be successful in identifying or preventing any non-compliance with the terms of our and/or existing distribution agreements by any of our distributors. If any distributor does not comply with the terms of our distribution agreements, such as expanding their sales regions and/or channels without authorization, insufficient cooperation in executing our sales management policies, as well as any decline in the operational or financial capacity of certain distributors, our relationships with other distributors could be negatively impacted, our sales could be disrupted and our results of operations may be affected.

We have limited control over our distributors and our distributor management may not be as effective as we anticipate, which may adversely affect our business and reputation.

While we have implemented a series of internal control procedures and other measures to regulate our distributors, including through our distribution agreements with them, our control over distributors is limited, and we cannot assure you that we can successfully manage our distributors or they can fully discharge their responsibilities. We may fail to detect incidents of misconduct or non-compliance on the part of our distributors that violate the terms of our distribution agreements or applicable laws and regulations in a timely manner, or at all. Misconducts and violations may occur in the form of unauthorized misrepresentation to our end customers, misappropriation of third-party intellectual property and other proprietary rights and bribery or other unlawful payments during the course of their distribution. Such incidents by any of our distributors could tarnish our brand, disrupt our sales and damage our relationship with such distributors and end customers. These and similar actions could also negatively affect our corporate and product image, resulting in further loss of customers and decline in sales, or even incur liabilities and claims against us. Moreover, if any of our distributors sell the same products in overlapping markets, this may result in cannibalization or even competition among these distributors, which reduces the efficiency of such distribution channels.

Products ordered through distributors are generally not interchangeable or resalable to sub-distributors. However, we cannot assure you that if our distributors engage any sub-distributors, the sub-distributors will at all times comply with our overall sales and distribution policies or that they will not compete with each other for market share in respect of our products. If any sub-distributor fails to distribute our products to its customers in a timely manner, overstocks or carries out actions inconsistent with our business strategies, it may affect our future sales, which may in turn materially and adversely affect our business, results of operations and financial condition.

Our production is highly sensitive to the fluctuation in raw material prices. If we are unable to pass on cost increases caused by price volatility in raw materials, our profitability may decline.

Our core raw materials include copper wires and magnetic materials. The materials cost accounted for 63.0%, 52.1% and 45.4% of our total cost of sales in 2023, 2024 and 2025, respectively. Our ability to control our costs, in part, depends on our ability to secure core raw materials that meet our quality standards at reasonable prices. The procurement price of raw materials may fluctuate significantly due to factors beyond our control, such as shifting market conditions, increases in global demand or force majeure events including, but not limited to, wars, acts of terrorism and environmental disasters. We do not currently depend on any single supplier to a material extent, and key inputs are generally sourced from multiple vendors, whereas we may still experience delays or interruptions in supply. Such disruptions may arise from natural disasters, transportation issues, geopolitical developments, public health events or operational difficulties encountered by our suppliers. If our current suppliers are not able to satisfy our requirements on a timely basis, or at all, or if the price of raw materials fluctuates significantly, we may need to seek alternative sources of these raw materials or redesign our products to manufacture substitutes. We cannot assure you that we will be able to secure alternative sources in a timely manner at a reasonable cost. If we fail in the above-mentioned responses, our business, financial condition, results of operations and prospects may be adversely affected.

Any interruption to our supply chain may affect production planning and increase procurement costs or delay product deliveries. If we could not increase the price of our products to maintain competitiveness despite the increases in costs, it would render us unable to pass on such costs to our customers and adversely affect our profitability. These could have a material adverse effect on our business, financial condition and results of operations.

If our outsourced service providers do not produce products meeting our specifications in sufficient volume or at the appropriate quality levels at commercially acceptable prices, our sales volume and profit margins for these products could be adversely affected.

During the Track Record Period, we outsourced some standardized and labor intensive manufacturing process of power inductors under consumer electronics sector to outsourced service providers. We have less control over their production processes and may face the risks of such products not being produced in the necessary volume or at the appropriate quality levels. In addition, outsourced service providers may fail to maintain the necessary licences, permits and certificates to carry out the manufacture of our products, breach their obligations to manufacture and deliver our products on a timely basis, or fail to abide by our quality control requirements. Quality issues related to products our outsourced service providers produce for third parties may also be imputed to the products they manufacture for us and adversely affect our reputation. As a result, it may result in the consumers losing confidence in our Group as well as our products, and in turn materially and adversely affect our business, financial condition or results of operation.

Our business depends on reliable and adequate transportation provided by third parties. Disruptions to transportation could disrupt our deliveries and adversely affect our business, financial condition and results of operations.

We rely on third-party logistics service providers for the delivery of certain work-in-process and finished products. Any disputes with, or termination of, our logistics service providers may result in delivery delays or increased costs. We may not be able to continue, renew or establish logistics service arrangements on terms acceptable to us, which could affect the accuracy, timeliness and cost-effectiveness of our deliveries. If we fail to maintain stable relationships with our logistics service providers, our ability to deliver products in sufficient quantities and at prices acceptable to customers may be adversely affected. Any disruption in our relationship with our preferred logistics service providers could lead to business interruptions and have a material adverse effect on our business, financial condition, and results of operations.

As we do not have direct control over these logistics service providers, we cannot guarantee the quality of their services. Delivery delays, product damage, transportation shortages, natural disasters, strikes or other unforeseen events may cause us to lose customers and sales and harm our reputation. In addition, some of our suppliers deliver materials to us through third-party logistics service providers, and any delivery delays may adversely affect both their ability to supply materials to us and our ability to deliver products to customers.

Sharing R&D results with partners may expose us to risks of compromised interests, intellectual property disputes, or restrictions on the ownership, use or commercialization of technologies developed for such partners, which could materially and adversely affect our competitiveness.

In our R&D activities, we are required to develop customized technologies or solutions for certain end customers with stringent performance requirements. In such circumstances, the ownership, use and commercialization of the relevant technologies, structures or intellectual property may be subject to contractual restrictions, customer-specific arrangements or confidentiality obligations. As a result, we may not be able to freely apply, license or commercialize certain R&D achievements developed for specific customers in our own products or offer them to other customers.

In certain cases, we may develop proprietary technical solutions or structures for a core customer to meet its specific performance requirements. However, other customers operating in the same industry or market may therefore request similar solutions. Where the relevant technology, structure or design is subject to exclusivity, non-authorization or other usage restrictions imposed by the original customer, we may be unable to provide such solutions to other customers. As a result, such customers may be unwilling to continue or expand their cooperation with us, which could limit our customer base, restrict our business opportunities and adversely affect our revenue growth and market competitiveness.

Our overseas production facilities are subject to operational risks, including disasters and utility interruptions, labor disputes and supply chain disruptions, which could materially and adversely affect our business, financial condition and results of operations.

During the Track Record Period, we had a planned production base in Thailand which was newly constructed in 2025. As of the Latest Practicable Date, the planned production base in Thailand was in trial operation phase and had not commenced production. Moreover, due to changes in the geopolitical environment, several of our major customers have relocated a significant portion of their manufacturing activities from Chinese Mainland to Vietnam, Mexico, Thailand and other regions. If our customers continue to expand their overseas manufacturing capacity, we may need to establish or expand our own overseas operations accordingly. The operation of such facilities is subject to various operational and environmental uncertainties. These uncertainties include natural disasters such as fires, floods, earthquakes, and typhoons, as well as public health incidents and disruptions in the supply of utilities, such as electricity, water, and telecommunications, all of which are equally detrimental to our orderly production operations. The occurrence of any such events may result in temporary shutdowns or interruptions at our overseas production sites, disrupting our manufacturing schedules. As a result, we may incur additional expenses to repair facilities, replace equipment or restore normal operations, which could adversely affect our business and results of operations. Although we have adopted certain risk management and contingency measures, there can be no assurance that such measures will be adequate to prevent or reduce all potential losses.

Any failure by us or our employees or our business partners to comply with applicable anti-money laundering, anti-terrorism, anti-bribery, export controls, economic and trade sanctions regulations and similar laws could lead to significant penalties and damage to our reputation, adversely affecting our operating performance, financial condition and results of operations.

Any failure by us or our business partners to comply with applicable anti-money laundering ("**AML**"), anti-terrorism, anti-bribery, export controls, or economic and trade sanctions laws and regulations could lead to significant penalties and damage to our reputation. We and our business partners are often required to comply with certain AML requirements set out by regulators in the jurisdictions where we and our business partners operate. We are also subject to various AML, anti-terrorism anti-bribery, export controls and economic and trade sanctions laws and regulations that prohibit, among other things, any involvement in transferring the proceeds of criminal activities and the import and export of controlled products and technologies. To comply effectively with such laws and regulations, we and our business partners must establish sound internal control policies and procedures with respect to AML, anti-terrorism, anti-bribery, export controls, economic and trade sanctions, which can require significant resources and expenditures.

The policies and procedures we and our business partners have adopted may not be effectively implemented in protecting our solutions from being exploited for money laundering, terrorist financing, bribery and corruption, terrorism, economic and trade sanctions and other illegal purposes. If we fail to comply with AML, anti-terrorism anti-bribery, export controls and economic and trade sanction law and regulations, we could be subject to fines, enforcement actions, regulatory sanctions, additional compliance requirements, increased regulatory scrutiny of our business, or other penalties levied by government authorities, and damages to our reputation, all of which may adversely affect our business, results of operations and financial condition. Similarly, if any of our subsidiaries, employees, business partners or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

In addition, we are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations and proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are inadequate or not functioning properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. Similar risks apply to our subsidiaries, employees, or other persons whose misconduct could expose us to enforcement actions and reputational harm. Given the uncertainty, complexity and scope of many of these litigation matters, their outcome generally cannot be predicted with a reasonable degree of certainty. Therefore, our provision for such matters may be inadequate. Moreover, even if we eventually prevail in these matters, we could incur significant legal fees or suffer significant reputational harm, which could have a material and adverse effect on our prospects and future growth, including our ability to attract new business partners and customers, expand our relationships with governmental regulators and industry groups and recruit and retain employees and agents.

Certain of our lease agreements have not been duly registered, and any defects in title, unenforceability of our leases or unexpected relocation of our leased premises could materially and adversely affect our business.

Certain of our lease agreements have not been registered and filed with the relevant real estate administration bureaus in the PRC. As of the Latest Practicable Date, we leased 21 properties in the PRC, with an aggregate GFA of approximately 18,414.0 sq.m., primarily used for production, office, and employee dormitories purposes. As of the Latest Practicable Date, we had not registered for 18 leased properties in the PRC with the competent authorities. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each such lease agreement, therefore the aggregate amount of the maximum fine will be RMB180,000. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so.

We may also be exposed to risks of unexpected early lease termination at the request of the lessors or other reasons out of our control, and the relevant facilities need to be temporarily closed if we are not able to identify suitable premises on acceptable terms to relocate in a timely manner. The occurrence of such events could disrupt our operations, and materially and adversely affect our business, financial condition and results of operations.

In addition, our leased property interests may be subject to the risk of defective titles and could be challenged by third parties or governmental authorities. If our lessors are not the owners of the properties and they have not obtained consents from the property owners or, where applicable, from upstream lessors, or permits from the relevant government authorities, the relevant lease agreements might be deemed unenforceable in accordance with the relevant laws and regulations. In such cases, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties and we might incur additional costs and resources to relocate relevant properties into new locations.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our selected property interest as of January 31, 2026 prepared by Zhongqin Asset Appraisal Co., Ltd., an independent property valuer, are set forth in the valuation report set out as Appendix IV to this Document. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

Our business requires substantial capital investment, and our inability to obtain necessary financing for our capital-intensive operations may limit our capacity expansion or research and development capabilities.

Our business is capital-intensive and requires significant capital expenditure. We have historically undertaken, and may continue to undertake in the future, capital-intensive projects or businesses as part of our growth strategy.

Our operating funds are primarily derived from cash generated from operating activities, bank borrowings, equity offerings, bonds and other debt financing. However, there is no assurance that our existing cash flow will be sufficient to meet our future development and expansion needs. In addition, the availability of external financing is subject to various factors beyond our control, including governmental approvals, market conditions, available credit facilities, interest rates and our operating performance. If additional financing required for a particular investment or acquisition is unavailable or can only be obtained at a prohibitively high cost, we may be forced to restructure, delay or abandon such transactions. As a result, our capacity expansion plans, research and development initiatives and overall growth strategy may be adversely affected, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

Our future business growth may generate additional working capital requirements, and failure to effectively manage our accounts receivable and inventory may result in liquidity constraints.

During the Track Record Period, our financial performance experienced fluctuations and we remained in a loss-making position. Our revenue amounted to RMB362.2 million, RMB435.8 million and RMB471.5 million in the years ended December 31, 2023, 2024, and 2025, while our net losses were RMB37.8 million, RMB22.3 million and RMB17.9 million for the same years, respectively. As we have not yet achieved sustained profitability, there can be no assurance that our operating cash flow will be sufficient to meet our future working capital needs.

As of December 31, 2025, we had cash and cash equivalents of approximately RMB73.1 million. Although we believe that such cash balance, together with cash flows generated from our operations, is currently expected to be sufficient to meet our budgeted operating, capital expenditure and research and development requirements for the next 12 months without taking into account the **[REDACTED]** from the **[REDACTED]**, such assessment is based on our current business plan and market conditions. There can be no assurance that our actual funding requirements will not exceed our current expectations due to changes in business conditions, customer demand, project schedules or other factors beyond our control.

Our liquidity position is significantly affected by our ability to manage accounts receivable. Any delays in collection, deterioration in customers' creditworthiness, disputes with customers or changes in payment patterns may lead to an increase in outstanding receivables and longer receivable turnover days, which could in turn adversely affect our cash flows. In addition, our liquidity is also affected by the level and management of our inventories. As of December 31, 2025, our inventories primarily consisted of finished goods of approximately RMB40.2 million, raw materials of approximately RMB21.2 million and work-in-progress of approximately RMB6.3 million. Despite our established inventory management and control procedures, there can be no assurance that we will be able to prevent excess inventory accumulation, slow-moving stock or potential inventory write-downs.

Our future business expansion may result in increased costs and expenses, and our profitability may be materially and adversely affected if we fail to effectively control such costs.

As part of our long-term development strategy, we intend to continue expanding our business scale and product offerings, particularly in areas related to advanced power management driven by the development of artificial intelligence technologies. Our expansion plans primarily include increasing investment in research and development to enhance our core technologies and product performance, upgrading and expanding our production capabilities and technological processes, and developing new markets and customer channels for our existing and new products. We plan to maintain significant research and development efforts to support the continuous upgrade of our magnetic materials and power inductors. The transition of power inductor solutions industry from traditional lower-voltage architectures to higher-voltage and more integrated solutions requires ongoing technological iteration, product miniaturization and system-level integration. These initiatives involve substantial and sustained investments in research and development personnel, equipment, testing capabilities and digital transformation, which may materially increase our operating expenses. If we cannot effectively manage our costs and expenses during business expansion, our profitability may be adversely affected by rising costs and increased spending.

In addition, to expand our presence in overseas markets, especially in the AI power supply sector, we may need to incur additional costs in product development, customer qualification, certification, marketing and cooperation with business partners. The process of entering new markets and obtaining approval from major customers is typically lengthy and uncertain, and may require significant upfront expenditure before any corresponding revenue can be realized. There can be no assurance that such market expansion efforts will be successful or that the expected sales growth will be achieved within the anticipated timeframe.

Inflationary pressures and other factors may increase labor costs, which could adversely affect our growth and profitability

Our labor costs may increase due to various factors, including potential inflationary pressures and other circumstances beyond our control. Inflationary pressures could exert upward pressure on labor costs as well as other production and operating costs. As the general price level rises, employees may demand higher wages and compensation to maintain their purchasing power, which may result in increased labor costs for our operations.

In addition to inflation, our labor costs may also increase due to a number of other factors, including, increases in statutory minimum wages, changes in labor laws and regulations, heightened competition for skilled and experienced labor, rising social insurance and employee welfare contributions, as well as changes in workforce structure and employee retention requirements. An increase in labor costs would directly raise our operating expenses and may partially erode our cost competitiveness. If we are unable to effectively control such increases in labor costs or fully pass them on to our customers through pricing adjustments in a timely manner, our growth prospects, profitability, financial condition and results of operations could be materially and adversely affected.

If the tax incentives associated with high-tech enterprise certification are lost or reduced, it may adversely affect our profitability.

Our Company and certain of our subsidiaries are currently certified as a high-tech enterprise and pay corporate income tax at the preferential rate of 15%. This tax incentive plays a crucial role in enhancing our profitability. High-tech enterprise certification requires periodic re-evaluation, and the certification criteria along with related tax incentives may change due to adjustments in national industrial, fiscal, and tax policies. Should we fail to maintain compliance with certification standards in the future, resulting in the loss of certification, or should the scope of relevant tax incentives be reduced or eliminated, our tax burden would increase and operating costs would rise. This could adversely impact our profitability.

We are subject to risks associated with potential acquisitions, including integration and synergies, any challenge and failure in the process may hinder our business growth.

We may pursue potential acquisitions based on strategic development needs. The acquisition process involves multiple uncertainties, including transaction negotiations, compliance approvals, and target valuations, which makes it susceptible to various implementation challenges and even the possibility of acquisition failure. Concurrently, upon completion of an acquisition, we would face integration challenges concerning the acquired assets, business systems, management teams, and corporate cultures. Should integration outcomes fall short of expectations, synergies between the acquired entity and our existing operations may not materialize smoothly, potentially incurring additional integration costs. Should significant challenges arise during the acquisition process or the acquisition fail, our prior investments may prove unrecoverable. Furthermore, such outcomes could divert resources and attention away from our core business, directly impeding our growth momentum and adversely affecting our operational development.

If our expansion into new industry sectors and application scenarios is not successful, our business, prospects and growth momentum may be materially and adversely affected.

To broaden our business scope and cultivate new growth drivers, we may expand into new industries and application scenarios. New domains present uncertainties regarding technical standards, competitive landscapes, and customer demands. We also face multiple challenges including technology adaptation, market development, and resource integration. Should expansion fail to achieve expected results, related upfront costs may prove unrecoverable. This could further lead to the dispersion of existing resources and impact the development of our core business, thereby significantly adversely affecting our business layout, development prospects, and growth momentum.

We may not be able to adapt in a timely manner to significant changes in market demand, technological developments, or regulatory policies, which could materially and adversely affect our business, results of operations, and financial condition.

Market demand in our industry continuously evolves alongside downstream industrial development and shifting consumer trends. The technological landscape is also undergoing rapid research, development, and renewal. Concurrently, relevant regulatory policies may undergo significant adjustments based on national industrial planning, market standardization requirements, macroeconomic controls, and other factors. The aforementioned changes in market dynamics, technology, and regulation carry substantial uncertainty and occur at a rapid pace. Our product development, production operations, and business strategy are highly dependent on market demand, technological trends, and regulatory requirements. Should we fail to promptly discern and capitalize on evolving market trends, fail to continuously advance cutting-edge technology R&D and industrial applications, or fail to adjust operational strategies to comply with major regulatory changes, our products may experience diminished market competitiveness, loss of market share, and impeded business expansion. We may even face operational compliance risks, which could significantly adversely impact our business development, operating performance, and financial condition.

Our business depends substantially on the continued services and efforts of our experienced management and capable employees, and any failure to attract, motivate and retain our personnel could severely hinder our ability to maintain and grow our business.

Our continued success depends significantly on our ability to retain experienced management and highly qualified employees, and to ensure their ongoing commitment and capability in our management and strategic planning efforts, both now and in the future. The departure of any key personnel or a reduction in their focus on our company could have a material adverse effect on our business, financial condition, operating results, and growth prospects.

We currently rely on, and will continue to depend on, the services of our management team members. Our future performance will also depend on their continued service contributions in formulating and executing our business plans, as well as identifying and pursuing new opportunities. The loss of any such member's services, or the failure to manage any leadership transition effectively, could significantly delay or impede the achievement of our development and strategic objectives, thereby adversely affecting our business, financial condition, results of operations, and prospects.

Furthermore, our success depends on our ability to attract and retain a large number of other qualified employees, particularly technical personnel. Specifically, we rely on our R&D team to design, develop, and improve our product lines and enhance the quality of our products, and on experienced sales personnel to maintain customer relationships. In competing for talent, we may need to offer employees higher compensation, better training, more attractive career opportunities, and other benefits, which could result in significant costs. We cannot guarantee that we will be able to attract, recruit, develop, or retain the qualified personnel necessary to support our future growth. Even if we attract and retain qualified personnel, our ability to train new employees and integrate them into our business may not meet our growing operational needs. Furthermore, any disputes with employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact employee morale, reduce our productivity, or damage our reputation and future recruitment efforts. Any of the above issues related to our workforce could have a material adverse effect on our business and future development.

Failure to obtain or maintain the requisite licenses, permits, and certificates for our business operation may materially and adversely affect our business, financial condition and results of operations.

In accordance with the laws and regulations of the jurisdictions in which we operate, we are required to hold various approvals, licenses, permits, and certificates to conduct our business. Please refer to "Business – Licenses, Approvals and Permits." Compliance with these laws and regulations may involve significant expenditures and impose substantial burdens, and any non-compliance may subject us to liability. Furthermore, as new laws and regulations are enacted and existing ones are interpreted and applied more rigorously, we cannot guarantee that we will not be found to be in violation of any future or current laws, regulations, or policies due to such changes and developments. Should we fail to comply with the law, or should we be unable to complete, obtain, or maintain any necessary licenses or approvals, or make required filings in any jurisdiction where we operate, we may face adverse consequences.

Furthermore, if we are required to renew our existing licenses or permits or obtain new ones due to the enactment of new laws and regulations or for other reasons, there is no guarantee that we will be able to meet the necessary conditions and requirements or obtain all necessary approvals, licenses, permits, and certificates in a timely manner. Should we fail to obtain the required governmental approvals or experience significant delays in obtaining them, our operations may be severely disrupted, which could have a material adverse effect on our business, financial condition, and results of operations.

If our risk management and internal control systems fails to detect potential risks in our business as intended, our business, financial condition and results of operations could be materially and adversely affected.

We have implemented risk management and internal control systems and adopted available risk management tools for our business operations. However, there can be no assurance that our risk management, internal control systems, and risk management tools are sufficient or will effectively protect us from all potential risks inherent in our business. We have engaged an independent internal control consultant to identify risks related to our operations and provide advice on mitigating such risks. For further details, please refer to "Business – Risk Management and Internal Controls". Should we fail to identify and address any potential risks or internal control deficiencies, our business, operating results, and prospects may be materially and adversely affected.

We may also face litigation if we are accused of infringing upon third-party intellectual property rights, which could result in liability or market share loss.

We cannot guarantee that any aspect of our operations or business will not inadvertently infringe or otherwise violate trademarks, copyrights, patents, technologies, trade secrets, or other intellectual property rights held by third parties, either now or in the future. Consequently, we may face additional infringement or misuse claims related to third-party intellectual property rights in the future. Defending against any infringement or misuse claims may be costly and time-consuming, and the outcomes of such claims are unpredictable. Should we be found to have infringed upon a third party's intellectual property rights, we may be required to suspend production or sales activities related to such intellectual property, pay substantial damages, or enter into licensing agreements that may be unfavorable to us. Consequently, our business, financial condition, and operating results could be adversely affected.

Our patent applications may not be issued as patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting products or solutions similar to ours.

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application covering the same subject matter, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results. Also, the costs associated with enforcing patents, confidentiality and invention agreements, or other intellectual property rights may make aggressive enforcement impracticable.

We, our management, directors, employees and shareholders and their affiliates may be subject to lawsuits and other legal and administrative proceedings or fines, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

We may be involved in legal proceedings and commercial disputes, and consequently, penalties and new claims may arise in the future that could have a material adverse effect on our business, financial condition, operating results, and reputation. Additionally, we may enter into agreements that occasionally include indemnification provisions, and in the event of claims against indemnified third parties, we may be required to bear the associated costs and damages.

Regardless of the merits of any particular claim, legal proceedings such as lawsuits, injunctions, and government investigations may be costly, time-consuming, or disruptive to our operations and may divert management's attention. In light of these considerations, we may enter into new or further licensing agreements or other arrangements to settle lawsuits and resolve related disputes. There can be no assurance that such agreements will be reached on acceptable terms, nor that litigation will be successful. Such agreements may also significantly increase our operating expenses.

The directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, neither we nor any of our directors had been involved in any pending or threatened legal proceedings or commercial disputes that could, individually or collectively, have a material impact on our business, financial condition, or operating results. However, new legal proceedings and commercial disputes may arise in the future, and those currently pending involve inherent uncertainties. Should one or more legal matters against us or indemnified third parties be resolved at an amount exceeding management's expectation, or should injunctions be issued prohibiting our use of certain technologies in the settlement, our business and financial condition could be materially and adversely affected. Furthermore, the outcomes may result in substantial compensatory or punitive monetary damages, restitution of revenues or profits, corporate remedies, injunctive relief, or enforcement actions, which could adversely affect our financial condition and results of operations. For further details regarding our legal proceedings and compliance matters, please refer to Business – Legal Proceedings and Compliance and Business – Licenses, Approvals, and Permits.

Our insurance coverage may be inadequate to cover all significant risk exposures, potentially leading to material costs in company operation.

Our insurance may not be adequate to fully compensate for all kinds of losses we may suffer in the future. Our insurers will review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, results of operations, financial condition and prospects.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Fluctuations in foreign exchange rates could materially and adversely affect our results of operations and financial condition.

Our operations involve foreign exchange receipts and payments, as well as foreign currency assets and liabilities. The exchange rate between the Renminbi and relevant foreign currencies is influenced by multiple complex factors, including international political and economic conditions, global monetary policies, and market supply and demand dynamics. This exchange rate exhibits significant uncertainty and volatility. Should future exchange rates experience substantial fluctuations, this would directly impact the foreign exchange gains or losses from our foreign currency operations, the cost and revenue accounting for import and export transactions, as well as the carrying value of foreign currency assets and liabilities. Consequently, it would directly affect our financial metrics including operating revenue, net profit, and cash flow. If exchange rates fluctuate unfavorably and we fail to effectively hedge such risks, it could have a material adverse effect on our operating performance and financial condition.

The remittance of Renminbi into and out of the PRC and government regulations on currency conversion may affect our ability to pay dividends and other obligations and affect the value of your [REDACTED].

China implements strict foreign exchange management and regulatory policies governing cross-border remittances in and out of the country, foreign exchange conversion, and cross-border capital flows. Relevant regulatory requirements, enforcement criteria, and approval procedures may be dynamically adjusted based on factors such as the national macroeconomic situation and balance of payments conditions, creating a degree of policy uncertainty. Should restrictive requirements be imposed on cross-border Renminbi remittances in the future, or should government foreign exchange conversion regulations be tightened, this may impact the timeliness and smoothness of our cross-border fund receipts and payments. Consequently, this could adversely affect our ability to make timely payments to shareholders, including dividend distributions and debt repayments. Such limitations on payment capacity may prevent **[REDACTED]** from realizing their expected **[REDACTED]** returns, thereby adversely affecting the value of your **[REDACTED]**.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities [REDACTED] and [REDACTED] issued by PRC government authorities.

On July 6, 2021, relevant Chinese government departments issued the "Opinion on Strictly Cracking Down on Securities Violations in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》)". The opinion emphasizes the need to strengthen oversight of illegal securities activities and enhance supervision of Chinese companies listing overseas. It recommends implementing effective measures, such as advancing the development of relevant regulatory systems, to address risks and incidents faced by Chinese companies listed abroad.

On February 24, 2023, the CSRC, the Ministry of Finance, the State Administration for State Secrets Protection, and the National Archives Administration of China jointly issued the "Regulations on Strengthening Confidentiality and Archival Management for Domestic Enterprises Issuing Securities and Listing Overseas"(《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archival Regulations**"), which took effect on March 31, 2023. The Archives Regulations require that in overseas securities issuance and listing activities, whether directly or indirectly, domestic enterprises, as well as securities companies and securities service institutions providing related securities services, must strictly comply with relevant confidentiality and archives management requirements. They must establish sound confidentiality and archives management systems and take necessary measures to fulfill their responsibilities in confidentiality and archives management. The interpretation and implementation of the Archival Regulations may continue to evolve. Failure to comply with the Archival Regulations could have a material adverse effect on our business, operating results, or financial condition.

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

Based on business development, strategic planning, and capital requirements, we may engage in various financing activities, including equity and debt financing. The implementation of such financing activities may require obtaining approval, authorization, or filing with the CSRC and other relevant government authorities, as well as meeting other conditions and requirements stipulated by regulatory bodies. The progress and outcomes of relevant approval and filing procedures are subject to uncertainty and require compliance with corresponding review processes, potentially involving extended approval cycles. Failure to obtain timely approvals, authorizations, or filings, or to meet regulatory requirements, may result in delays, adjustments, or even termination of financing plans. This could adversely impact our capital raising progress and negatively affect our project investments, business expansion, and operational development.

Failure to comply with evolving cybersecurity, information security, data privacy and protection laws and regulations could materially and adversely affect our business, financial condition, and results of operations.

Our operations are subject to various laws and regulations concerning data privacy and security. Failure to comply with China's increasingly stringent data protection laws, as well as data security and privacy laws in other jurisdictions where we operate including Thailand and Hong Kong, could result in significant reputational damage and adversely impact our business performance. Our efforts to ensure compliance with such laws, regulations, and standards may not be sufficient or effective. Improper handling of our business and transaction data by our employees due to any misconduct, or any information leakage caused by external factors, may result in non-compliance with relevant laws and regulations, leading to civil or regulatory liability that could subject us to significant legal, financial, and operational consequences. Unauthorized access, loss, or misuse of data may result in increased security costs, reputational damage, regulatory proceedings, litigation, fines, investigations, remedial measures, compensation payments, and disruption to our business activities. Such incidents may also incur additional costs associated with defending legal claims.

The failure to comply with the PRC laws and regulations regarding contribution of social insurance premium and housing provident fund regulations may subject us to fines and other legal or administrative penalties.

In signing employment contracts with employees and paying statutory employee benefits such as basic pension, housing provident fund, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance to designated government agencies, we must comply with stricter regulatory requirements. Under the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) , which took effect in January 2008 and was amended in December 2012, and its implementing regulations that took effect in September 2008, employers must comply with stricter requirements regarding the signing of labor contracts, minimum wage standards, compensation payments, determination of employee probationary periods, and unilateral termination of labor contracts. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a PRC enterprise is required to set up housing provident fund accounts and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a PRC enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for our employees, as required by relevant laws and regulations. For details, please refer to "Business – Employee – Social Insurance and Housing Provident Funds". As of the Latest Practicable Date, we had not received any notice or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities in relation to the above-mentioned arrangements as to our social insurance and housing provident funds contribution. However, we cannot assure you that the relevant governmental authorities will not require us to pay the shortfall amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If the relevant PRC authorities determine that we shall make supplemental social insurance and housing fund contributions or that we are subject to fines, penalties, and compulsory execution in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

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.

Increasing focus with respect to environmental, social and corporate governance (the "ESG") matters may impose additional costs on us or expose us to additional risks.

The market and regulatory authorities are increasingly focusing ESG matters, with related requirements becoming progressively stricter. ESG performance has emerged as a key indicator for measuring a company's sustainable development capabilities. To comply with these evolving standards, we may need to increase our investments in environmental protection, social responsibility fulfillment, and corporate governance optimization. These efforts include, but are not limited to, upgrading environmental protection facilities, establishing green production systems, safeguarding employee rights, and implementing ESG management across the supply chain. Such investments will increase our operating costs and may impact short-term profitability. Concurrently, failure to adapt promptly to market and regulatory ESG requirements, or falling short of expected ESG performance, may expose us to risks such as reputational damage, tightened cooperation terms from partners, and regulatory penalties. These risks could adversely affect our market competitiveness and business development.

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

Our business operations and development are significantly influenced by domestic and international tax regulations and tax rate policies. The currently applicable tax rates, tax calculation rules, and tax administration requirements may be adjusted due to factors such as national macroeconomic regulation, industrial restructuring, and international tax policy coordination. New tax regulations and policies may also be introduced domestically and internationally, establishing new provisions regarding our tax obligations, tax bases, and the applicability of tax incentives. Should future tax rate increases or new tax regulations expand our tax liability scope or reduce available tax incentives, our overall tax burden would rise accordingly, increasing operating costs and directly adversely impacting profitability. Additionally, tax matters involve specialized interpretations and varying administrative standards. During tax filing and tax-related matter handling, if we encounter discrepancies due to misinterpretation of tax regulations, adjustments in tax administration criteria, or differences in the recognition of tax-related documentation, we may be deemed by tax authorities to have tax-related issues. This could result in additional tax liabilities such as back taxes, late payment penalties, or fines. Such scenarios would directly increase our financial expenditures, impacting our cash flow and operating performance.

[REDACTED] of our H Shares may become subject to PRC taxation on dividends received from us and gains from the disposition of our H Shares.

Pursuant to applicable Chinese tax laws, regulations, and normative documents, non-resident individuals and enterprises may be subject to taxation on dividends received and gains arising from the sale of H-shares. Non-resident individuals are generally required to pay Chinese individual income tax at a rate of 20% on income or gains sourced from China under the Individual Income Tax Law of the People's Republic of China, unless specifically exempted by the State Council tax authorities or entitled to relief under applicable tax treaties. We are required to withhold the relevant taxes from dividend payments.

Under applicable regulations, when domestic non-foreign-invested enterprises issuing shares in Hong Kong pay dividends, they may generally withhold individual income tax at a 10% rate initially. However, if we are aware of an individual shareholder's status and applicable tax rate, distributions paid to non-Chinese individuals may be subject to withholding tax at other rates under applicable tax treaties. Uncertainty remains regarding whether gains realized by non-Chinese individuals upon disposal of shares listed on overseas stock exchanges are subject to Chinese individual income tax.

Pursuant to the Enterprise Income Tax Law and other applicable Chinese tax laws, regulations, and normative documents, if a non-resident enterprise in China has not established an institution or place of business within China, or has established such an institution or place of business but its income is not connected with that institution or place of business, it shall be subject to a 10% Chinese enterprise income tax rate on dividends received from Chinese companies and on realized gains from the disposal of equity interests in Chinese companies. Taxes may be reduced or exempted pursuant to special arrangements or applicable agreements concluded between China and the jurisdiction of residence of the non-resident enterprise.

Significant uncertainties remain regarding the interpretation and application of relevant Chinese tax laws by Chinese tax authorities, including whether and how to impose individual income tax on gains realized by H-share holders from disposing of H-shares on overseas stock exchanges. Should any such tax be levied, the value of the H-shares could be materially and adversely affected.

You may experience difficulties in effecting service of the legal process upon us and our management and seeking recognition and enforcement of judgments against them across jurisdictions.

Due to potential differences in the jurisdictions where we and our management entities operate, and significant variations in legal systems, mutual legal assistance regimes, service of process rules, and statutory conditions for recognition and enforcement of judgments across jurisdictions, you may face risks of cumbersome service procedures, limited service channels, prolonged service periods, or even failure to effect service when attempting to serve legal documents on us and our management. Furthermore, if you obtain a judgment against us and our management through judicial proceedings, applying for the recognition and enforcement of such judgments across jurisdictions may prove difficult due to non-compliance with local judicial authorities' statutory requirements for judgment recognition and enforcement, conflicts of jurisdiction, or lack of effective international judicial assistance. The aforementioned circumstances may hinder the timely and effective realization of your lawful rights and interests, increase your costs and time required for rights protection, and consequently adversely affect your relevant rights and interests.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] market for our H Shares, and an active [REDACTED] may not develop or be sustained, which could cause the [REDACTED] and [REDACTED] of our H Shares to be volatile.

Prior to the completion of the **[REDACTED]**, there has been no **[REDACTED]** market for our H Shares. There can be no guarantee that an active **[REDACTED]** market for our H Shares with adequate **[REDACTED]** and **[REDACTED]** will develop or be sustained following the completion of the **[REDACTED]**. The **[REDACTED]** will be determined through negotiations between our Company and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), and it may not be indicative of the **[REDACTED]** at which our H Shares will be **[REDACTED]** after the **[REDACTED]**. Investors should be aware that the **[REDACTED]** of our H Shares may drop below the **[REDACTED]** at any time following the completion of the **[REDACTED]**. If an active **[REDACTED]** market fails to develop or is not sustained, the **[REDACTED]** and **[REDACTED]** of our H Shares could be materially and adversely affected.

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

The **[REDACTED]** at which our H Shares will **[REDACTED]** after the **[REDACTED]** will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost structures that independent research analysts may publish, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the industry we operate in;
- changes in laws and regulations of Chinese Mainland, Thailand, and Hong Kong;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

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

We cannot assure you whether, when, and in what form or size we will declare and distribute dividends in the future, and our historical dividend distributions may not be indicative of our future dividend policy.

The declaration and payment of dividends are at the absolute discretion of our Board and are subject to the approval of our Shareholders at the general meeting. A decision to declare or pay dividends, as well as the specific amount, depends on a variety of factors, including our results of operations, financial position, cash flows, operating and capital expenditure requirements, our strategy and plans for business development, market conditions, and contractual or regulatory restrictions. Furthermore, under the Articles of Association and applicable PRC laws, dividends may only be paid out of distributable profits. The calculation of our profit under the PRC GAAP may differ in certain respects from the calculation under IFRS; as a result, we may not be able to pay dividends in a given year even if we are profitable under one of these accounting standards. Additionally, as a holding company, our ability to pay dividends depends substantially on receiving sufficient distributions from our subsidiaries in Chinese Mainland and other jurisdiction. If our subsidiaries do not have distributable profits as determined under the PRC GAAP, or if they are unable to make distributions due to legal or contractual constraints, our ability to make dividend distributions to our Shareholders could be materially and adversely affected, even during periods in which we are profitable. Accordingly, we cannot guarantee that we will be able to pay dividends in accordance with our dividend policy, or at all.

Should the [REDACTED] be higher than the [REDACTED] book value per Share, subject to [REDACTED], you may experience an immediate dilution in the book value of the [REDACTED] you [REDACTED] in the [REDACTED] and may experience further dilution if we issue additional Shares in the future.

The **[REDACTED]** of the **[REDACTED]** may be higher than the **[REDACTED]** book value per Share immediately prior to the **[REDACTED]**. As a result, you and other **[REDACTED]** of the **[REDACTED]** in the **[REDACTED]** may experience an immediate dilution in **[REDACTED]** **[REDACTED]** asset value. In order to expand our business, we may consider **[REDACTED]** and issuing additional Shares in the future. **[REDACTED]** of the **[REDACTED]** may experience dilution in the **[REDACTED]** asset value per share of their Shares if we issue additional Shares in the future at a **[REDACTED]** which is lower than the **[REDACTED]** asset value per Share at that time. Furthermore, we may issue Shares pursuant to share incentive schemes, which would further dilute the shareholding interests and the **[REDACTED]** asset value per Share of our existing Shareholders.

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

Certain facts, forecasts and statistics in this Document, particularly those relating to the PRC economy and the industry in which we operate, are derived from various official government publications. While we believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing it, such information has not been independently verified by us, the Sole Sponsor, **[REDACTED]** or any of their respective affiliates or advisors. Therefore, we make no representation as to the accuracy or completeness of such facts and statistics. Due to potentially flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics may be inaccurate or may not be comparable to statistics produced for other economies. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case in other jurisdictions. In all cases, **[REDACTED]** should give careful consideration as to how much weight or importance they should attach to or place on such facts, forecasts and statistics.

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.

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

Prior to the publication of this Document, there may have been, and subsequent to the date of this Document but prior to the completion of the **[REDACTED]**, there may continue to be, 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, projections, valuations and other forward-looking information. None of us, the Sole Sponsor, **[REDACTED]** or any other person involved in the **[REDACTED]** has authorized the disclosure of any such information in the press or media, or accepts any responsibility for the accuracy, completeness or reliability of such information or publication. We make no representation as to the appropriateness or accuracy of any such information. To the extent that any such statements are inconsistent or conflict with the information contained in this Document, we disclaim responsibility for them. Accordingly, prospective **[REDACTED]** are cautioned to make their **[REDACTED]** decisions solely on the basis of the information contained in this Document and should not rely on any other information. By applying to **[REDACTED]** our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this Document.