RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this Document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to invest in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. Any of these risks may cause the [REDACTED] price of our H Shares to decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also harm our business. These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring.

The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business and financial performance are heavily influenced by demand from the PCB market and its downstream industries. Any downturn in these industries could reduce our customers' needs for our solutions.

We primarily provide PCB quality control solutions to domestic and international PCB manufacturers, including PCB optical inspection solutions and PCB electrical testing solutions. Our operations are affected by the macroeconomic conditions in China and around the globe. Any economic downturns, geopolitical tensions and inflation in our or our customers' key geographical markets, whether actual or perceived, could reduce downstream demand for PCB and materially and adversely affect our business, financial condition and results of operations. In addition, our business and financial performance depend on the overall performance of the PCB market and its downstream industries. If the PCB market or our customers' end markets do not sustain growth, our business and profitability may be adversely affected. In recent years, demand for PCB has risen with technological advancement and the proliferation of electronic products in China and globally. While growth in end markets such as AIDC, intelligent robot, next-generation communications, automotive electronics and consumer electronics has increased the demand for PCBs, which in turn drives procurement needs of PCB manufacturers for quality control equipment, we cannot guarantee that such growth would continue in the future. Any adverse changes in these end markets, such as a slowdown caused by reduced consumer spending or a reduced reliance on PCB due to technological shifts, may lead to a reduced demand for PCB and, in turn, PCB quality control solutions, which could materially and adversely affect our business. In addition, our business may be impacted by new rules and regulations affecting the PCB market and its end markets, which may require us to change or adapt our business focus. However, we may not be able to do so in a timely and efficient manner and any such failure may adversely affect our business, financial condition and results of operations.

We operate in a highly competitive industry. If we are unable to compete effectively and successfully, our business, results of operations and financial condition may be materially and adversely affected.

We operate in a highly competitive global market characterized by constant technological advancements, evolving industry standards and continual improvements in performance and features. According to CIC, the global PCB quality control solutions market is relatively fragmented, with the top five players accounting for approximately 32.3% of the total market share in 2025. We primarily compete against our peers in terms of technological R&D capabilities, comprehensive offerings and the ability to respond quickly to customer needs and provide high-quality customer services, as well as the ability to effectively manage production and logistics costs. Failure to compete successfully on such aspects may adversely affect our results of operations and financial performance.

To compete effectively, we must introduce new products and technologies, upgrade existing products and acquire new customer orders on a continuous basis. We also rely substantially on our ability to maintain robust cooperative relationships with our customers and respond rapidly to customer requirements to maintain mutually beneficial relationships with our existing and new customers. To continue to compete successfully on these fronts, we will require significant managerial, financial and human resources and we cannot assure you that such investments will yield expected returns. Certain competitors have greater financial, marketing, technological or other resources, enabling them to respond to industry changes more quickly, develop more competitive products and better withstand market downturns. Intense competition may also lead to alliances among competitors, allowing them to benefit from economies of scale and compete more effectively. There can be no assurance that we will continue to compete successfully and failure to do so could materially and adversely affect our business, financial condition and results of operations.

If we fail to stay abreast of technological advancements in our industry, our business may be materially and adversely affected.

The PCB quality control solutions industry is characterized by rapid technological advancements and frequent new product iterations as customers demand solutions capable of inspecting more subtle PCB defects with higher accuracy and inline speed. The swift introduction of new technologies may render our existing solutions uncompetitive and we may need to incur significant R&D and other expenses to develop new solutions or upgrade our existing offering to meet market demands. To remain competitive, we must develop new technologies and iterate solution upgrades or launch new solutions that incorporate these technological advancements in a timely and cost-effective manner. If we fail to correctly predict technological changes, stay abreast of technological advancements, or to continuously, timely and effectively improve our offering in line with market trends, we may lose our competitive edge in the market and our business, financial condition and results of operations may be materially and adversely affected.

We have been and intend to continue investing significantly in R&D. If our R&D efforts do not generate the expected outcome, our business may be materially and adversely affected.

We have made substantial investments in research and development to enhance our technologies and PCB quality control solutions. Our long-term growth and success depend on our ability to develop new technologies and upgrade and refine our existing solutions in response to technological advancements and evolving customer preferences. In 2023, 2024 and 2025, we incurred research and development expenses of RMB43.9 million, RMB45.9 million and RMB53.1 million, respectively. As the PCB quality control solutions industry is subject to rapid technological changes, we need to continue investing significant resources in R&D in order to keep our solutions innovative and competitive in the market.

However, given that the outcome of R&D activities is inherently uncertain, there is no guarantee that our R&D efforts will yield the anticipated benefits or result in commercially viable products or solutions. We may not be able to accurately anticipate market trends or technological developments and new technologies could render our existing or planned solutions less competitive or obsolete, thereby limiting our ability to recover related research and development costs. Our R&D activities require considerable financial and human resources and there is no guarantee that we will be able to attract or retain the necessary talent to support our R&D efforts. Even if we are successful in developing new technologies or solutions, we may encounter challenges in commercializing such developments or achieving market acceptance. As a result, our R&D investments may not generate sufficient revenue to offset related costs, which could adversely affect our profitability, operating cash flow and financial condition. If our R&D initiatives do not achieve the desired results, our business prospects, competitive position and results of operations may be materially and adversely affected.

In addition, a portion of our research and development expenses is allocated to foundational technologies rather than specific products. While this investment is important for long-term innovation and capability building, it may not immediately enhance the competitiveness of our products or produce the expected benefits or returns in the short term. Furthermore, there can be no assurance that our existing or potential competitors will not develop products that are technologically similar or superior to ours or are more competitively priced, which may cause us to lose market share. Given uncertainties in the time required to develop new products and the length of the market window for such products, there is a risk that we may have to abandon a product that is no longer commercially viable, even after significant resources have been invested in its development.

We are subject to risks of supply shortages, delays in delivery and increased costs of raw materials and components, any of which could disrupt our supply chain, increase our production costs, delay the fulfillment of customer orders and adversely affect our results of operations.

Our production and operations depend significantly on our ability to obtain an adequate supply of high-quality raw materials and components on a timely basis. The raw materials and components used in our production of PCB optical inspection equipment and PCB electrical testing equipment mainly include cameras, lenses, light-source units, computer accessories, mechanical parts, pneumatic components, transmission components, servo drive components, electronic components and beds of nails. We primarily procure our raw materials and key components from domestic suppliers. For certain high-precision components, such as servo and pneumatic components, we primarily purchase from established suppliers in China, Japan and Germany. In 2023, 2024 and 2025, our costs for raw materials and components were RMB140.5 million, RMB191.2 million and RMB332.7 million, respectively, representing 72.5%, 74.6% and 77.0% of our cost of sales for the same years, respectively. Furthermore, the prices of our raw materials and components are subject to various factors beyond our control, such as supply and demand fluctuations, inflation and import taxes on overseas procurement. If we experience a surge in the prices of our raw materials and key components, we may not be able to timely adjust our pricing in response, thereby negatively affecting our business, financial condition and results of operations.

In addition, we may experience supply disruptions if our suppliers face operational issues, financial instability or other unforeseen circumstances. Any supply shortages or delays may negatively affect our production, resulting in delivery postponements or an inability to fulfill customer orders, thereby adversely affecting our reputation and business. Any quality issues associated with our raw materials and components may also affect our product quality, which may lead to reputational damage and a loss of customers.

If we fail to retain existing customers or attract new customers, our business and results of operations may be materially and adversely affected.

The success of our business depends on our ability to maintain and expand our customer base, which, in turn, depends on factors such as our ability to offer high-quality and technologically advanced solutions, optimize offerings in response to diverse and evolving customer demand, maintain relationships with our existing customers and attract new customers. In order to achieve the foregoing, we may need to incur substantial costs and invest substantial resources to develop new and more advanced solutions, improve our customer services to ensure that we are able to meet customer demands promptly, have our management and sales personnel invest greater effort in maintaining customer relations and participate in industry exhibitions and other activities to promote our offering. If such investments of financial, managerial and human resources fail to effectively translate into a larger customer base or increased customer spending, we may not be able to achieve our business goals and our results of operations may be materially and adversely affected. Our customers generally do not provide long-term volume commitments and place orders based on their own needs. As a result, our customers may reduce or cease orders at any time. In addition, customer spending may fluctuate due to a variety of factors, certain of which are beyond our control, such as budget constraints, more attractive prices offered by competitors during tender processes and other activities and general economic conditions. Customers may also determine that the existing solutions they purchased from us are sufficient for a considerable period of time. If we fail to retain existing customers, increase customer spending or attract new customers, our revenue may decline and our results of operations may be materially and adversely affected.

Any quality issues associated with our solutions and products may expose us to potential liabilities and risks related to warranty claims, which could materially and adversely affect our business, results of operations and reputation.

Our commercial success and the strength of our brand image depends on our ability to consistently deliver high-quality, reliable PCB inspections and quality control solutions and PCB inspection equipment. Maintaining such quality also requires us to maintain an effective quality control system, including timely updates to our procedures and the provision of appropriate employee training as our business evolves, and depends on our employees' adherence to our quality control policies and guidelines. If the quality of our solutions or products deteriorates or fails to meet customer expectations, we may face complaints, return requests or order cancellations from customers, and lose existing and prospective customers as a result. Any defects in our solutions, whether due to defects in raw materials and components, substandard production processes or any deterioration in our quality control system, could expose us to potential liabilities, such as warranty claims, product returns, product liability claims or claims for damages. Our solutions carry warranties. We generally provide a warranty period of one year for our solutions. We have limited experience with warranty claims regarding our products or with estimating provisions for warranties. There is no guarantee that significant warranty claims will not arise in the future and materially and adversely affect our business, results of operations and financial condition. In addition, we may also be required by law to modify or introduce new warranty policies in different jurisdictions where we conduct sales, which may cause us to incur additional costs and expenses. Furthermore, we cannot assure you that our warranty policies will not be misused by our customers. If a significant number of customers misuse our warranty and return policies, it could substantially increase our costs and adversely affect our results of operations.

Any failure to offer high-quality services for our customers may harm our relationships with them and, consequently, our business operations or financial conditions.

Our full-lifecycle support services are an integral part of our PCB quality control solutions. We provide customer support and technical services across the planning, implementation and post-sales phases of our solutions' lifecycle, including solution design, installation and after-sales maintenance and upgrades. We place great emphasis on customer experience and recognize prompt and high-quality customer service as essential to attracting new customers, retaining existing customers and maintaining our competitive edge in the market. Our customer service team comprises our largest team by function. As of December 31, 2025, we have 321 customer service personnel, accounting for 38.5% of our total full-time employees, including six customer service personnel based in Thailand, to ensure that we timely respond to the needs of local customers. Despite our established team and dedication to customer satisfaction, we cannot guarantee that our coverage will be comprehensive enough or that our personnel will consistently address all customer needs effectively. As our business expands, we may face challenges in continuing to provide efficient and high-quality customer support services. We may not be able to recruit sufficient customer support specialists with sufficient experience or continue to timely process and respond to customer requests. As our ability to attract new customers depends in part on recommendations from our existing customers, if we are unable to provide customer support services efficiently and at a satisfactory quality to our customers, our reputation, business and prospects may be adversely affected.

We may not be able to increase our production capacity and implement other expansion plans as planned.

We intend to maintain our competitive advantages by, among other things, expanding our production capacity and exploring new business opportunities. To capture growth opportunities brought by increasing market demand for our solutions, we plan to increase our production capacity by enhancing and expanding our production facilities. Such plan requires significant capital investments in acquiring new production equipment, expanding our production facilities and engaging additional qualified personnel. A number of factors could delay our expansion plans or increase our costs, including (i) failure to raise sufficient funds to establish and maintain working capital to operate our business at the new premises; (ii) delays in obtaining regulatory approvals, permits or licenses from the relevant government authorities; (iii) failure to find new sites for our production facilities; (iv) shortage or late delivery of building materials and production equipment resulting in late delivery of the premises for occupancy and use; (v) various factors affecting construction progress and resulting in late delivery of the premises for occupancy and use; (vi) technological changes, production capacity expansion or other changes to our plans for the new premises necessitated by changes in market conditions; and (vii) challenges in recruiting a sufficient number of adequately skilled employees at the time and in the locations we need. Failure to expand our production capacity could hinder our capability to satisfy customer demand and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the capital expenditure incurred for the construction of new premises and the maintenance of expanded production capacity. The expansion of existing facilities also requires significant capital investment upfront and it may take a considerable amount of time before such facilities achieve their expected capacity or breakeven point. Failure to manage our cash flow and financial condition prior to such breakeven point may drain our financial resources and adversely affect our business, financial condition and results of operations. A delay in or cancellation of our expansion plans could also subject us to disputes with various counterparties, including general contractors and subcontractors, equipment suppliers, financiers and relevant government authorities, thereby adversely affecting our business, results of operations and financial condition. The integration of such expansion plans into our existing operations may be also subject to unforeseeable difficulties, which may, among other things, increase our operational costs, strain our production capacity at other locations and cause delays in delivery of customer orders. There can be no assurance that we will be successful in implementing our expansion plans, and even if we are successful, there can be no assurance that the plans will lead to successful achievement of our business objectives. If we are unable to achieve our desired results through our expansion plans, our business, financial condition and results of operations may be materially and adversely affected.

Our production processes are potentially vulnerable to disruptions that can increase our production costs. We may experience potential disruptions in operations due to production difficulties or potential accidents.

Our production process is relatively complex, requiring regular equipment upgrades and renovations, ongoing maintenance and the expansion of our skilled assembly team to improve product performance while reducing unit production costs. From time to time, production difficulties may arise that could cause delivery delays or reduced output. There is no guarantee that we will not encounter production issues in achieving acceptable output or timely product delivery due to factors such as construction delays, challenges in upgrading or modifying existing production lines, building new plants, adapting to new production technologies or processes or delays in equipment deliveries. Any of these issues could constrain our production capacity and adversely affect our results of operations.

Furthermore, our production processes entail certain risks, such as industrial accidents, which could lead to significant property damage or personal injury. Any such incident, regardless of its location, could result in substantial production interruptions and delays, or claims for significant damages due to personal injuries or property damage, thereby adversely impacting our business, financial condition and operational results.

Failure to optimize our production utilization and maintain cost-effective production may materially and adversely affect our business, financial condition and results of operations.

Our success is attributable to our ability to produce our PCB quality control solutions in a cost-effective manner, which, in turn, depends on our ability to maintain optimal utilization of our production facilities and to effectively expand our production capacity to achieve economies of scale and enhance production efficiency. In 2023, 2024 and 2025, the production utilization rates for our optical inspection equipment plant were 98.0%, 99.5% and 96.9%, respectively, and the production utilization rates for our electrical testing equipment plant were 92.0%, 93.2% and 95.7%, respectively. Maintaining relatively high utilization of our production plants allows us to align production capacity with order demand and maintain operational efficiency in meeting customer requirements. Conversely, low utilization of our production plants would reduce our ability to spread fixed costs over a larger quantity of products, resulting in higher unit production costs. However, our production utilization may be adversely affected by various factors, including decreases in customer orders, excessive production capacity, machinery malfunctions and interruptions in utility availability. In particular, if customer demand falls short of expectations, we may face downward pricing pressure, margin compression from industry-wide oversupply and underutilization of our production plants. If customer demand declines significantly, parts of our production facilities may become idle, which can lead to facility obsolescence. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

Our ability to optimize our production utilization or upgrade our production facilities is subject to risks and uncertainties that are beyond our control, including fluctuations in the demand for our products, prices of new and advanced production machinery and relevant local laws and regulations. Failure to mitigate such risks may lead to increased production costs, thereby adversely affecting our financial condition and profitability. In addition, if we scale up our production in the future, we may face additional quality control risks, additional costs relating to capital investments and other inherent risks. We cannot guarantee that we will efficiently utilize our production capacity, or that we will achieve an adequate return on any investment in our production facilities. As a result, any failure to continue maintaining cost-effective production facilities may have a material and adverse effect on our business, results of operations and financial condition.

We are subject to the risk of customer concentration.

Our business depends significantly on our major customers and our ability to maintain business relationships with them. We derived a significant portion of our revenue from our five largest customers during the Track Record Period. Our sales to our five largest customers amounted to RMB101.6 million, RMB213.3 million and RMB348.2 million in 2023, 2024 and 2025, respectively, accounting for 29.8%, 44.9% and 45.7% of our total revenue for the same years, respectively. Any decrease in customer spending from some or all of our major customers or their failure to make timely payments may have a material adverse effect on our business, results of operations and financial condition. In addition, we cannot assure you that our major customers will not change their business scope or business focus, suspend their operations, fail to comply with applicable laws in their operations or encounter any operating or financial difficulties. Neither can we assure you that we will be able to continue to generate significant revenue from existing customers or that we will be able to maintain existing or further expand customer relationships. If we lose one or more of our significant customers and fail to acquire suitable new customers within a reasonable time or at all, our business, results of operations and financial condition may be materially and adversely affected.

We are subject to the risk of supplier concentration.

We are subject to the risk of supplier concentration, as a large portion of our revenue is derived from a small number of suppliers. In particular, we depend on a small group of suppliers for key components such as cameras and lenses. In 2023, 2024 and 2025, our purchases from our five largest suppliers were RMB71.0 million, RMB100.4 million and RMB143.6 million, respectively, accounting for 37.8%, 35.8% and 31.3% of our total purchase amounts for the same years, respectively. This high supplier concentration exposes us to various operational risks, including the potential for supply delays and increased costs if our suppliers encounter difficulties, such as capacity constraints, raw material shortages or geopolitical tensions. Moreover, the loss of any of our key suppliers, or significant changes in the terms of our supplier relationships, could severely disrupt our supply chain, leading to delays in production, increased production costs and a failure to meet customer demand. Any deterioration in our relationship with key suppliers could materially and adversely affect our business, results of operations and financial condition.

We are subject to risks in relation to our distributors, whom we do not completely control. Our business may be adversely affected due to risks relating to the acts of our distributors and their potential breach of distributorship agreements or applicable laws and regulations as well as our failure to maintain and expand our distributor network.

We engaged certain distributors to expand the marketing and sales of our products. During the Track Record Period, our distributors were located both domestically and in overseas regions, including Hong Kong SAR, Taiwan China, Japan, Korea, Singapore and Germany. As of December 31, 2023, 2024 and 2025, we had six, six and nine distributors, respectively. In 2023, 2024 and 2025, we generated revenue of RMB12.2 million, RMB9.7 million and RMB69.5 million from sales to distributors, respectively, accounting for 3.6%, 2.0% and 9.1% of our revenue for the same years, respectively. There can be no assurance that we will be successful in detecting any contractual or legal non-compliance by our distributors. As a result, we may be exposed to risks of distributor misconduct and violations, which may occur in the form of unauthorized misrepresentation to our downstream end customers, misappropriation of third-party intellectual property and other proprietary rights and bribery or other unlawful payments during the course of their distribution.

If our distributors' cash flows, working capital, financial condition or results of operations deteriorate, they may be unable, or they may otherwise be unwilling, to make payments owed to us promptly or at all. We cannot assure you that there will not be any defaults or delays in the future. Any substantial defaults or delays could adversely affect our business and financial condition, and we may terminate our relationships with such distributors in a manner that will impair the effective distribution of our products. If our distributors are unable to effectively develop new markets or acquire new customers, or if they also sell products from our competitors, our sales and market share may be adversely affected. Our distributors may lack adequate sales networks or sufficient technical knowledge of our products, which could weaken their ability to promote our products to end customers. In addition, if our distributors are unable to meet our strategic objectives or fail to comply with our requirements, our market expansion may be hindered.

We also face challenges in maintaining and growing our distributor network. For instance, if price controls or other factors reduce margins from reselling our products, distributors may terminate agreements. Larger competitors may offer better incentives or strategies, prompting distributors to favor rivals, refuse renewals or terminate partnerships. While we may terminate underperforming or breaching distributors, finding suitable replacements can be costly and time-consuming and there is no assurance that we will be able to engage new distributors in a timely manner. Failure to maintain or expand our distributor network could slow our business expansion and adversely affect our sales performance.

We are subject to risks associated with our overseas operations.

During the Track Record Period, we sold our products to overseas markets including Japan, Korea, Singapore, Vietnam, Germany and others. We also operate subsidiaries in Thailand and Vietnam. In 2023, 2024 and 2025, we generated RMB18.8 million, RMB30.4 million and RMB133.6 million from overseas markets, accounting for 5.5%, 6.5% and 17.5% of our total revenue for the same years, respectively. We intend to continue expanding our operations and exploring business opportunities in selected overseas markets. The expansion of our overseas operations is subject to a variety of risks and uncertainties, including: compliance with foreign laws and regulations and local industry standards; overseas litigation risks; exposure to political and economic instability;

geopolitical tensions; foreign exchange fluctuations, currency controls and cash repatriation restrictions; unfamiliarity with local market conditions and competitive landscapes; difficulty attracting local customers; competition from local players; difficulty attracting and retaining local talent; difficulty aligning the operations, culture and systems of the international team with our existing operations; increased logistics costs and risks; foreign tax issues; and potential disputes and difficulties in managing relationships with overseas customers and distributors. Any failure to manage the foregoing and other risks and uncertainties could negatively affect our business and results of operations and distract our management's attention from other matters.

We are subject to risks associated with engaging third parties for services in connection with our business, such as logistics.

During the Track Record Period, we engaged certain third-party service providers, such as logistics service providers, to support our business operations. The performance of these service providers may not always be timely or meet required quality standards. For example, delivery delays or improper handling by third-party courier companies may adversely affect our product delivery, thereby harming our reputation and relationship with customers. If third-party service providers fail to perform satisfactorily, materially increase their service fees or terminate their relationships with us, we may need to replace them or implement alternative arrangements, which could increase our operating costs and cause disruptions to our business.

Changes in international trade policies, geopolitics and trade protection measures, export control, economic or trade sanctions and tariffs may materially and adversely affect our business, financial condition and results of operations.

Our overseas operations subject us to applicable sanctions and export controls regulations. During the Track Record Period, we sold our PCB quality control solutions to over 10 countries and regions. In 2023, 2024 and 2025, revenue from our overseas operations comprised approximately 5.5%, 6.5% and 17.5% of our total revenue, respectively. Our overseas sales were primarily derived from customers located in regions including Thailand, Vietnam and Malaysia. In the event that any of these countries or regions to which we export imposes economic sanctions or enforces import restrictions or tariffs in relation to our products, our business and operations may be adversely affected.

We are subject to laws and regulations related to economic sanctions and export controls that prohibit the provision of products and services to certain countries, regions, governments and sanctioned individuals or entities. These laws are subject to frequent changes and their interpretation and enforcement can be uncertain, often influenced by national security or political factors beyond our control. If we become subject to any enforcement actions, penalties or import restrictions, our business may be materially and adversely affected. Additionally, broader government policies affecting international trade and investment — such as tariffs, capital controls, foreign investment regulations and outbound investment restrictions — may reduce the demand for our products, hinder our competitiveness or limit our ability to operate in certain overseas markets.

Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. Certain of these above-mentioned jurisdictions may from time to time be subject to export control measures, trade policy adjustments or regulatory restrictions imposed by major jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments and persons targeted by U.S. sanctions. European Union sanctions also have similar regimes to prohibit the provision of products and services to countries or regions, governments and persons on their respective target list. Such laws and regulations are subject to constant evolution and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. Any failure to effectively manage these evolving regulatory requirements and related uncertainties could increase our compliance burden and disrupt our operations and may divert our management's attention to responding to such matters.

We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorized parties from copying or reverse engineering our products and such efforts to defend and protect our intellectual property rights may be costly. We may also face intellectual property infringement claims, which could be expensive to defend and may disrupt our business operations.

We regard our intellectual property rights as essential to our business operations and success. See "Business — Intellectual Property." We rely on a combination of intellectual property laws and contractual arrangements, including confidentiality and non-compete agreements with our employees, to protect our intellectual property rights. However, patent applications and other filings of intellectual property rights may be time-consuming and costly. There is no guarantee that we will be able to file our application at a reasonable cost, or our application will be approved in a timely manner. Although our contracts with our employees prohibit the unauthorized use of our intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any infringement claims against such parties, or misappropriate our intellectual property despite our protective measures. Furthermore, our intellectual property rights may be challenged by a third party or be declared invalid or unenforceable. If we are unable to adequately protect our intellectual properties, our competitors may offer products with similar features or utilize similar technologies in their products, causing us to lose our competitive edge, thereby adversely affecting our business, results of operations and financial conditions.

In addition, we may be accused of infringing the intellectual property rights of others. We cannot guarantee that our operations or any aspects of our business do not, or will not, infringe upon or otherwise violate intellectual property rights held by third parties. There is no assurance that such challenges will not arise in the future. We may also inadvertently infringe existing intellectual property rights. If we are found to have violated the intellectual property rights of others, we may be subject to liabilities, prohibited from using such intellectual property, and required to pay licensing fees or develop alternative technologies. In addition, we may incur significant expenses and be forced to divert managerial and financial resources from our business operations to defend against these infringement claims, regardless of their merits. Successful infringement or licensing claims made against us may result in substantial costs and materially disrupt our business operations by restricting or prohibiting our use of the intellectual property in question. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Our business operations and expansion depend upon the continued service of our senior management and key employees, as well as our ability to recruit, train and retain sufficient qualified personnel.

Our success relies on the contribution of our senior management and key employees. Losing the services of any of them could lead to a loss of institutional knowledge and expertise, which may harm our competitiveness and future prospects. In addition, our operations depend significantly on our ability to attract, train and retain qualified talent, particularly research and development personnel. If we are unable to attract and retain sufficient qualified personnel, our ability to sustain growth and maintain our competitive edge may be adversely affected. To compete for talent, we may need to offer higher compensation, better training, more attractive career development and other benefits to our employees, which may cause us to incur additional costs. We cannot guarantee we will be able to attract or retain the skilled employees needed to achieve our strategic objectives or meet the demand of our growing business in a timely fashion, or at all.

We may be exposed to inventory management risks.

Our inventories primarily consist of raw materials, work in progress, finished goods and goods in transit. In 2023, 2024 and 2025, Our inventory turnover days were 482.2 days, 449.0 days and 348.9 days, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Inventories" for details. If we underestimate product demand or face supply disruptions, we may experience inventory shortages that could disrupt production, delay deliveries and harm customer relationships. We cannot guarantee our inventory will meet customer needs promptly, which may reduce revenue and adversely affect our business and financial condition. On the other hand, we cannot ensure all inventory will be sold within a reasonable time and any such inventory may be subject to a decline in value. Any of the above could materially adversely affect our results of operations and financial condition.

Our Controlling Shareholders have substantial influence over our Group and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including, but not limited to, mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors and other significant corporate actions. Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders will together be entitled to control the exercise of approximately [REDACTED]% of the voting rights and thus remain as the Controlling Shareholders of our Company. The interests of our Controlling Shareholders might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders and our other shareholders may also materially and adversely affect aspects such as the decision and implementation of our business plans, which may, in turn, affect our operations and prospects.

Our IT networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches. Any cybersecurity breach or failure to protect confidential information may result in legal and financial exposures and reputational damages.

We rely on information technology networks and systems for electronic communications among our personnel, suppliers, customers and other business partners. Our information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. Any such breach could compromise our IT networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

Maintaining our brand reputation is critical to our success and any failure to do so could have a material adverse effect on our business and prospects.

Our business success depends on our reputation and brand name. Negative publicity involving us, our solutions, senior management and industry could adversely harm our reputation and brand image. Such negative publicity could also cause a deterioration in our market recognition and damage customer trust, resulting in decreased sales, difficulty attracting and retaining customers and challenges in establishing business partnerships. Such negative publicity may also result in the diversion of management's attention, government investigations or other forms of scrutiny, thereby adversely affecting our business, financial condition, results of operations and prospects.

Our insurance may not sufficiently cover all losses or potential claims that could affect our business, results of operations and financial condition.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we had obtained and maintained insurance policies that we believe are customary for businesses of our size and type and in line with standard commercial practice in China. See "Business — Insurance." However, our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our future strategic acquisitions or investments, if any, may not be successful and we may not realize anticipated strategic benefits and financial returns from such transactions.

We may engage from time to time in acquisitions and other strategic investments in order to expand our production capacity, diversify our product portfolio, gain access to new markets and stable sources of raw materials or acquire new technologies. However, there can be no assurance that our efforts, as well as any past or future acquisitions or investments, will be successful or that we will achieve the anticipated strategic benefits and financial returns from such transactions. As of the Latest Practicable Date, we were not in the process of identifying acquisition targets and were not pursuing any acquisition opportunities.

There are various risks associated with our acquisitions and investments, which include the following: (i) challenges related to the integration of the acquired company's or investee's operations into our business; (ii) substantial delays or reductions in anticipated synergies; (iii) events beyond our control, including changes in regulations, technology and economic conditions, which could adversely affect our ability to realize benefits and returns from such transactions; (iv) failure to train, motivate, integrate and retain employees of the acquired company or investee; and (v) diversion of management time and attention from our existing operations to address the transactions and related challenges or those associated with integration processes.

If we fail to address any of the foregoing risks, our business, financial condition and results of operations may be materially and adversely affected.

Failure to fully pay social insurance and housing provident funds for and on behalf of our employees in accordance with applicable laws and regulations may materially and adversely affect our business, financial position and results of operations.

During the Track Record Period, we did not make contributions to social insurance and housing provident funds in full amounts for our employees in the PRC as required by the relevant PRC laws and regulations, primarily because certain employees were unwilling to pay the social insurance and housing provident funds in full as it requires additional contributions from our employees.

According to the relevant PRC laws and regulations, (i) if we fail to pay the full amount of social insurance contributions as required, the relevant PRC authorities may demand us to pay the outstanding contributions within a stipulated deadline and we may be liable for a late payment fee of 0.05% of the outstanding amount of social insurance contributions for each day of the delay. If we fail to make such payments within the stipulated deadline, we may also be liable to a fine from one to three times the amount of the outstanding amount of social insurance contributions; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. If payment is not made within such a time limit, an application may be made to the PRC courts for compulsory enforcement. While we did not receive any fines or penalties or orders of correction from the competent authorities in relation to our inadequate contribution to our employees' social insurance and housing provident funds during the Track Record Period, if the relevant local authorities require us to pay the outstanding amount and impose late fees or fines on us, our business, financial condition and results of operations could be adversely affected.

During the Track Record Period and up to the Latest Practicable Date, (1) (i) we had not been subject to any administrative penalties imposed by the competent authorities of social insurance and housing provident funds in the PRC in relation to social insurance and/or housing provident fund contributions (the "**Competent Authorities**"); (ii) we had not received any notice from, nor been required by, the Competent Authorities demanding rectification or making back payments within a prescribed period; (iii) we had not been subject to any investigation in relation to the shortfall of social insurance and/or housing provident fund contributions; (iv) there had been no outstanding disputes or claims raised by our employees against us in respect of social insurance or housing provident fund contributions; and (v) we had not received any objections from the Competent Authorities in respect of social insurance or housing provident fund contributions; (2) (i) according to the certificates issued by the Competent Authorities, we had not been subject to any penalties for non-compliance with PRC laws and regulations relating to social insurance and housing provident fund contributions during the Track Record Period; and (ii) we learned from the interviews with relevant authorities where the majority of our employees are located that the Competent Authorities would not proactively require companies to make supplementary payments of our historical shortfalls, nor administrative fines in relation to our historical shortfalls, unless complaints have been filed and pending; and (3) we undertake that, in the event of any employee complaints or reports, or if we are required by the Competent Authorities to rectify, make contributions or make up any shortfall in social insurance and/or housing provident fund contributions and/or late payment surcharges within a prescribed period, or in the event of any disputes, complaints or reports, we will rectify the relevant issues and make full payments in a timely manner, and resolve any such disputes, complaints or reports accordingly. In addition, pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilizing the Levy of Social Insurance Payments (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018 by the Ministry of Human Resources and Social Security, administrative enforcement authorities are prohibited from organizing and conducting the centralized collection of enterprises' historical social insurance arrears. Based on the foregoing, our PRC Legal Advisor is of the view that the risk that we would be subject to the centralized collection of historical shortfalls and material administrative penalties by the competent authorities regarding our contribution to the social insurance and housing provident funds during the Track Record Period is remote, provided that there are no material changes in the current policies, laws and regulations or the enforcement and supervision practices of the local governments or competent authorities, and in the absence of any pending complaints or reports lodged by employees with the Competent Authorities in relation to social insurance and housing provident fund contributions. However, we cannot assure you that we will not be subject to any order to rectify this in the future, nor can we assure you that there will not be any relevant employee complaints against us. Any such order may adversely affect our business, financial condition and operating results.

We are subject to risks relating to our leased properties.

Our rights to use some of our properties could be challenged by property owners or other third parties due to usage defects, which may adversely affect our business operations and financial condition. As of December 31, 2025, we leased nine properties in the Chinese Mainland, with an aggregate gross floor area of approximately 25,309 sq.m., which were primarily used as production facilities, warehouses and office spaces. As of the Latest Practicable Date, we had not filed our lease agreements for five properties we leased with the local housing administration authorities. As advised by our PRC Legal Advisor, the absence of registration will not affect the validity of the lease agreements. However, if the lease registration procedures are not completed within the prescribed period, we may be subject to administrative fines ranging from RMB5,000 to RMB50,000 in aggregate.

As of the Latest Practicable Date, we had one leased property with an aggregate gross floor area of approximately 1,100 sq.m. for which the lessor did not provide us with the relevant property ownership certificates. We mainly use these properties for production activities that are not material to our business operations. As advised by our PRC Legal Advisor, if the competent authorities determine that the relevant lease is void due to the lessor's lack of authority, we may be required to vacate the premises, in which case we would be entitled to request the return of prepaid rent.

In addition, as of the Latest Practicable Date, we had one leased property with a gross floor area of approximately 1,463 sq.m. where the actual use is inconsistent with the designated use stated in the property ownership certificate. As advised by our PRC Legal Advisor, for the leased properties that were subject to title defects or with inconsistent usage, we may not be able to lease, occupy and use such leased properties as a result of the lessors' lack of authority to lease the properties.

We cannot assure you that we will not be subject to any fines for our non-compliance, or that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties we use or lease. We may also be required to vacate the relevant properties and relocate, which may cause us to incur additional relocation costs.

Labor issues and rising labor costs may adversely affect our business operations.

We may be subject to major labor-related issues, such as strikes and other work stoppages, which could cause significant disruption of our operations. In addition, labor costs in certain regions where we operate have been increasing and may continue to increase, which may further increase our operating costs. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. We may not be able to pass on these increased costs to customers in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our business, financial condition and results of operations may be adversely affected.

We may be subject to liabilities and disruptions in operations arising from workplace accidents occurring at our production facilities.

As part of our manufacturing activities, we engage in certain inherently risky operations, including the use of forklifts, lifting equipment, machinery and other special equipment in our daily production processes. These activities expose us to risks such as equipment malfunction, improper operation and other safety incidents. We have established internal safety management systems and require our employees to comply with occupational safety, fire safety and equipment operation procedures in accordance with our internal policies and applicable laws and regulations. We also conduct routine employee training and implement safety protocols with respect to the operation of production equipment.

However, due to the complexity of our manufacturing processes and the involvement of manual operations and machinery, there can be no assurance that all safety measures and procedures will be strictly followed. Notwithstanding the foregoing, workplace accidents may still occur in the future, including those involving personal injury or fatality, damage to production facilities or production interruptions. Any such incidents, if significant, could disrupt our operations, adversely affect employee morale, damage our reputation and subject us to claims, compensation liabilities, administrative scrutiny or other legal consequences. In addition, the insurance coverage we maintain may not be sufficient to fully cover losses arising from such accidents. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to detect and prevent fraud committed by third parties.

We are exposed to the risk of fraud committed by agents, customers, suppliers or other third parties that could subject us to financial losses and sanctions imposed by governmental authorities as well as seriously harm our reputation. Our internal control system and procedures are designed to monitor our operations and overall compliance. However, they may be unable to identify non-compliance and/or suspicious transactions in a timely manner, or at all. Further, it is not always possible to detect and prevent fraud and the precautions we take to prevent and detect such activities may not be effective. There will therefore continue to be the risk that fraud may occur, which may have an adverse effect on our business, reputation, financial performance and results of operations. Failure by any of our suppliers to fulfill the commitment to integrity may lead to ethical issues and subject us to potentially severe reputational risk and loss of profit and decline in the trust of customers and partners.

Our business may be adversely affected by force majeure events, natural disasters or other issues beyond our control.

Natural disasters, including earthquakes, floods and landslides, could result in deaths, significant economic losses and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any natural disasters, public health and public security hazards may, among other things, materially and adversely affect or disrupt our operations. Furthermore, such natural disasters, public health and public security hazards may severely restrict the level of economic activity in affected areas, which may, in turn, materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATED TO OUR FINANCIAL PERFORMANCE

Our historical results may not be indicative of our future performance and we may not be able to manage future growth effectively.

The historical financial information included in this Document is not indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods. Our future growth is, to a certain extent, based upon our forward-looking assessment of market prospects. We cannot guarantee that our assessment will always turn out to be correct. We may not be able to achieve sales results that meet our forecasts, overcome unforeseen business challenges, or scale our production and operations effectively to meet growing demand. Such risks and uncertainties may affect our ability to grow our business and compete with our competitors. Accordingly, our historical results may not be indicative of our future performance and you should consider our prospects and future profitability in light of the risks, uncertainties and difficulties encountered by any new offerings.

We are exposed to credit risks arising from our trade and bills receivables.

We are exposed to credit risk relating to our trade and bills receivables. Our trade receivables and bills receivables primarily represent amounts due from our customers for the solutions and services we provided in our ordinary course of business. Our current trade and bills receivables amounted to RMB210.3 million, RMB294.4 million and RMB370.8 million as of December 31, 2023, 2024 and 2025, respectively, while our non-current trade and bills receivables amounted to RMB7.9 million, RMB8.2 million and RMB11.8 million as of the same dates, respectively. See "Financial Information — Discussion of Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables (Current and Non-current)." During the Track Record Period, we generally granted our customers a credit period of 6 to 18 months. We may not be able to collect our trade receivables in a timely manner, or at all, due to various factors beyond our control, such as customers' financial difficulties or long payment cycles. We recorded impairment losses on trade and bills receivables of RMB13.9 million, RMB23.4 million and RMB28.2 million as of December 31, 2023, 2024 and 2025, respectively. We face the risk that our customers may delay payment or fail to pay us at all. In addition, as our business continues to scale up, our trade and receivables may continue to grow, which may increase our credit risk. Any substantial payment delay or default from our customers could materially and adversely affect our liquidity and cash flow.

We are exposed to liquidity risk related to our prolonged cash conversion cycle.

During the Track Record Period, we recorded relatively long trade and bills receivables and inventory turnover days, which may lead to delays in converting our sales into cash. Our cash conversion cycle, a metric to measure how efficiently we manage the working capital, is calculated by adding inventory turnover days and trade and bills receivables turnover days, then subtracting trade and bills payables turnover days. In 2023, 2024 and 2025, our cash conversion cycle is 580.4 days, 467.4 days and 342.5 days, respectively. A long cash conversion cycle may increase our reliance on working capital or external financing to support our operations and growth. If we are unable to manage our inventory, contract assets and receivables efficiently or to secure adequate financing on acceptable terms, our liquidity position, financial condition and results of operations could be materially and adversely affected.

To manage our liquidity risk, we monitor our working capital position and cash flow requirements on an ongoing basis and adopt internal policies to manage inventory levels, trade and bills receivables collection and supplier payment terms. However, there can be no assurance that such measures will be sufficient to mitigate liquidity risk arising from our long cycle.

We received government grants and preferential tax treatment during the Track Record Period, the discontinuation or change of which may adversely affect our financial condition.

During the Track Record Period, we benefited from various government grants and preferential tax policies in accordance with applicable regulations. These government grants represent subsidies and other incentives provided by PRC local governments under prevailing supportive policies, mainly related to operational expansion as well as technology advancements. In 2023, 2024 and 2025, we received government grants of RMB26.9 million, RMB17.0 million and RMB25.6 million, respectively. In addition, certain of our subsidiaries qualified for preferential corporate income tax rates during the Track Record Period. These grants were mainly non-recurring and their amounts were determined at the discretion of local government authorities. There is no assurance that we will continue to receive similar government grants or preferential tax treatment in the future. Any discontinuation or change in such grants and preferential tax treatment may adversely affect our business, financial condition and results of operations.

Fluctuations in exchange rates could adversely affect our results of operations.

Fluctuations in exchange rates, particularly among the Renminbi, US dollars, HK dollars and other currencies, could affect our profitability. We may not be able to accurately predict the impact of exchange rate fluctuations on our results of operations and may incur net foreign exchange losses, which may have a material and adverse effect on our business, financial condition and results of operations.

In addition, an appreciation in the value of the Renminbi against foreign currencies could increase the prices of some of our products, thereby making them less appealing to our overseas customers, which could adversely affect our strategy in our overseas markets. On the other hand, depreciation in the value of the Renminbi against foreign currencies could result in an increase in the costs of certain raw materials, parts and components that are primarily sourced from overseas suppliers, which could, in turn, adversely affect our profit margin for certain products.

RISKS RELATED TO OUR LEGAL AND REGULATORY REQUIREMENTS

Changes to the existing regulatory regime relating to the sectors in which we operate our business may limit our ability to offer certain products, thereby adversely affecting our business, financial condition and results of operations.

New laws and regulations relevant to our business and industry may be introduced, or existing requirements may be amended or replaced, thereby increasing our regulatory oversight and compliance obligations. We may need to modify our offerings, production facilities or personnel structure to remain compliant, which could increase our capital expenditures and operating costs. If we cannot respond to regulatory changes in a timely or cost-effective manner, our business operations, financial condition and results of operations may be materially and adversely affected.

Any uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. We are subject to certain uncertainties embedded in the legal systems of some geographic markets where we operate. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject the enforcement of foreign judgments or arbitral awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims or threats in an attempt to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are based, in part, on their respective government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effects.

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

We may be involved in legal proceedings and disputes, which could materially and adversely affect our reputation, business, results of operations and financial condition.

We may be involved in litigation and other legal proceedings during the ordinary course of business operations such as product liability, labor disputes, contract disputes or intellectual property disputes. In addition, we may have to pay legal costs associated with such disputes and proceedings. Legal proceedings and disputes may lead to inquiries, investigations and proceedings by governmental and regulatory authorities and may result in damage to our reputation, additional operating costs and the diversion of resources and management's attention from our business operations. Disruption due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our business, financial condition and results of operations.

Policies and regulations regarding foreign currency conversion may affect our foreign exchange transactions, including dividend payments to holders of our Shares and our ability to finance in foreign currencies.

We receive the majority of our revenue in Renminbi and may need to convert Renminbi into other currencies to fund our business activities outside the Chinese Mainland. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the Chinese Mainland are subject to certain regulatory requirements under PRC laws over foreign currency conversion and remittance. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to satisfy our foreign currency-denominated obligations. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of the Chinese Mainland or otherwise fund any future business activities that are conducted in foreign currencies.

You may experience difficulty effecting services of legal process and enforcing foreign court judgments against us and our management.

We are a company incorporated under the laws of China, and a substantial majority of our assets are located in China. In addition, most of our Directors and senior management reside within Chinese Mainland. As a result, the service of process, investigation, collection of evidence, ratification and enforcement procedure inside China should follow the rules set forth in the Civil Procedure Law of the People's Republic of China as well as other applicable laws, regulations and interpretations. These generally require more time and associated costs. On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Pursuant to the 2006 Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial in accordance with a choice of court agreement in writing, may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which became effective on January 29, 2024. The 2019 Arrangement supersedes the 2006 Arrangement and affords greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement took effect. However, there remain uncertainties as to the outcome of any specific applications to recognize and enforce such judgments and arbitral awards in China.

Anti-corruption, anti-bribery and anti-money laundering laws and regulations may expose us to potential compliance risks.

We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the countries and regions where we have business operations. As these laws and their enforcement practices continue to evolve, changes in applicable requirements or heightened regulatory scrutiny may create uncertainties for our operations and increase our compliance burden. Any failure to manage the uncertainties could negatively affect our business and results of operations and distract our management's attention from other matters.

We are a PRC enterprise and subject to PRC tax on our global income. Any gains from the sales of our H Shares and dividends on our H Shares may be subject to PRC income taxes.

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

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

We are subject to environmental protection laws and regulations as well as complex and evolving ESG requirements, which require us to devote substantial time and resources to compliance and could adversely affect our business and financial performance.

Our business is subject to extensive and increasingly stringent environmental protection laws and regulations. Compliance with ESG requirements and relevant environmental protection laws and regulations requires additional investments of resources. We risk damage to our brand and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties. In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could result in negative publicity and our business operations could be adversely impacted.

RISKS RELATED TO THE [REDACTED]

There has been no prior public market for our H Shares and their liquidity, trading volume and [REDACTED] price following the [REDACTED] may be volatile, which could result in substantial losses to our investors.

There was no public market for our H Shares prior to the [REDACTED]. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, which may not be indicative of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares may be materially and adversely affected.

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

The initial price of our H Shares sold in the [REDACTED] is expected to be determined on the [REDACTED]. However, the H Shares will not commence [REDACTED] on the Stock Exchange until they are delivered, which is expected to be several business days after the [REDACTED]. As a result, investors may not be able to sell or otherwise [REDACTED] in the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares could be lower than the [REDACTED] when trading begins as a result of adverse market conditions or adverse developments that may occur between the time of sale and the time of initial trading.

Future sales or perceived sales of substantial amounts of our H Shares in the public market could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The [REDACTED] price of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the [REDACTED] market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [REDACTED], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their shareholdings if we issue additional Shares other than on a pro rata basis to existing Shareholders. New Shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

We may need additional capital and our future financing could result in additional dilution to our Shareholders or place restrictions on our operations.

In order to raise capital and expand our business, we may consider [REDACTED] and issuing additional Shares or other securities convertible into, or exchangeable for, our Shares in the future other than on a pro rata basis to our then-existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may further limit our ability or discretion to pay dividends, increase our risks in adverse economic conditions, adversely affect our cash flows, or limit our flexibility in business development and strategic plans.

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

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. In order to expand our business, we may consider [REDACTED] and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per H Share of their H Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per H Share at that time. Furthermore, we may issue Shares pursuant to any existing or future share option incentive scheme, which would further dilute our Shareholders' interests in our Company.

We cannot assure you whether and when we will declare and pay dividends in the future.

We protect our Shareholders' interest by ensuring a consistent dividend policy. See "Financial Information — Dividend." However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, and subject to approval at the general meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Certain facts, forecasts and other statistics in this Document are derived from official government sources, which had not been independently verified.

This Document, particularly the section headed "Industry Overview", contains information and statistics relating to the PCB industry in China and globally, as well as other economic data. Such information and statistics are derived from official government sources, which had not been independently verified by us, the Joint Sponsors, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of our or their respective affiliates or advisors. You should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters. The words "aim," "anticipate," "believe," "could," "predict," "potential," "continue," "expect," "intend," "may," "might," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Consequently, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on them.

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

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us, our Shares and the [REDACTED]. Prior to the publication of this document, there may be press and media coverage regarding the [REDACTED] and us. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our investors should not rely on such information.