An investment in our H Shares involves various risks. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to purchase our H Shares. If any of the circumstances or events described in this section actually arises or occurs, our business, results of operations, financial position and prospects would likely suffer. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment. The following is a description of what we consider to be our material risks, some of which are beyond our control. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may develop and become material and could also harm our business, financial position and results of operations.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We rely on a limited number of major customers, which collectively accounted for more than 46% of our total revenue during the Track Record Period.

A substantial portion of our revenue is derived from a small number of customers. For FY2023, FY2024 and FY2025, sales to our five largest customers in each year during the Track Record Period accounted for 55.5%, 46.9% and 48.6% of our total revenue, respectively, and sales to our single largest customer of the relevant year accounted for 20.3%, 14.9% and 17.7% of our total revenue, respectively.

We are subject to the risks of substantial losses if our major customers significantly reduce orders from us. Specifically, our business, financial condition and results of operations may be adversely affected if any of the following occur: (i) a reduction, delay or cancellation of purchase orders from one or more of our major customers; (ii) a reduction in the selling price of our products to major customers; (iii) rejection of our products due to manufacturing defects or failure to meet customer specifications; (iv) loss of one or more major customers without our ability to secure alternative or replacement customers on comparable terms; or (v) financial difficulties or payment delays by any of our major customers.

We expect our reliance on a limited number of customers to continue for the foreseeable future. While we strive to diversify our customer base, there is no assurance that our relationships with existing customers will be maintained or that these customers will continue to contribute significantly to our revenue. Any deterioration or termination of these relationships, or our inability to acquire new customers, could materially and adversely affect our business and financial performance.

We have made, and intend to continue making, substantial investments in R&D, which may not yield the anticipated outcomes and could adversely affect our profitability and operating cash flow.

The industries in which we operate are characterised by rapid technological advancements and continuous innovation. We have made and plan to continue making substantial investments in R&D. We recorded R&D expenses of RMB98.4 million, RMB144.7 million and RMB168.2 million for FY2023, FY2024 and FY2025, respectively, which reflected our commitment to maintaining product competitiveness and expanding our portfolio through R&D. To maintain our market position, we must allocate substantial resources and continue investing in R&D. Accordingly, we expect to continue incurring significant R&D costs going forward.

However, there is no assurance that these efforts will deliver the expected results. R&D outcomes are inherently uncertain, and even successful breakthroughs may result in practical challenges such as short-term cash flow and liquidity in commercialising products that incorporate these outcomes. In addition, technological advancements by competitors could render our existing or in-development products obsolete or less competitive, jeopardising our ability to recover R&D expenditure. Furthermore, our R&D efforts may not contribute to our results of operations for an extended period, if at all. Even if they do, such contributions may fall short of our expectations, and we may never fully recover the costs associated with these efforts. This could materially and adversely affect our business, results of operations, and financial condition.

Failure to develop and introduce new technologies and products or improve existing product portfolio to address customer needs and achieve market acceptance in a timely and cost-effective manner could adversely affect our future business, operating results, financial condition, and competitive position.

Our future business, results of operations, financial condition and competitive position depend on our ability to develop and introduce new technologies and products. The rapid pace of innovation, coupled with uncertainties in the direction, timing and adoption of these advancements, may pose further challenges to our R&D efforts.

To remain competitive, we must develop expertise across diverse application industries, tailor our offerings to specific sectors, stay abreast of industry trends and anticipate the impact of emerging technologies. However, we may encounter unexpected technical challenges in developing new technologies and products or upgrading existing products. Successful technology or product development and upgrades require us to make significant investments in R&D and also depend on our ability to: (i) design innovative, efficiency-enhancing features that differentiate our products from competitors; (ii) continuously enhance and expand our technology stack; (iii) respond effectively to competitors' technological advancements and product launches; and (iv) adapt swiftly and cost-effectively to evolving customer demands, market conditions, and industry trends.

If we fail to develop or enhance products and technologies in a timely manner, or fail to do so at all, we may be unable to meet customer demand or achieve broader market acceptance of our products. This could materially and adversely affect our business, financial condition, results of operations, and competitive position.

Our business operations and financial performance may be subject to risks associated with conducting operations in overseas markets, including but not limited to the recent global trade policies imposed on our products to the United States.

For FY2023, FY2024 and FY2025, our revenue from overseas customers amounted to RMB41.3 million, RMB189.7 million and RMB250.5 million, accounting for 5.9%, 22.0% and 23.9% of our total revenue, respectively. In addition, we have subsidiaries in Hong Kong, the United States, Mexico and Vietnam. Accordingly, we face numerous risks associated with conducting operations in various jurisdictions, which may affect the demand for our products, including: (i) changes in foreign tax regulations, rates and statutory and judicial interpretations of tax laws; (ii) possible conflicts of laws resulting from sanctions or import/export controls across jurisdictions; (iii) changes in foreign regulatory requirements, including data privacy laws; (iv) complexities in complying with anti-bribery, anti-corruption, anti-money laundering regulations and antitrust laws; (v) challenges in obtaining or enforcing intellectual property rights; (vi) difficulties in enforcing agreements or collecting overdue receivables through local legal systems; (vii) changes in geopolitical situations in jurisdictions where we operate; (viii) foreign currency exchange rate fluctuations; (ix) strict foreign exchange controls and cash repatriation restrictions; (x) inflation and/or deflation, and changes in interest rates; (xi) labour disputes or work stoppages at our operations and suppliers; and (xii) increased costs of understanding local markets and maintaining effective marketing and distribution networks.

Furthermore, our overseas sales may be affected by unfavourable changes in global trade policies and trade protectionism measures, including sanctions, trade barriers and boycotts. Such measures in major markets such as Asia (excluding the PRC), Europe and the U.S. could adversely affect international trade and our export volume and value. Additionally, trade protectionism may create financial market volatility, which may slow down economic activity in our major export markets and, consequently, negatively impact our business strategies and financial performance. We cannot guarantee that our products will not be subject to anti-dumping duties, or quota fees when exported to our major markets, including the U.S.

In particular, for FY2023, FY2024 and FY2025, our revenue from customers in the U.S. amounted to RMB5.3 million, RMB41.9 million and RMB111.1 million million, accounting for 0.8%, 4.9% and 10.6% of our total revenue, respectively. Intensifying geopolitical tension among major economies, in particular, between the PRC and the U.S., could lead to heightened tariffs or other tightened restrictive measures. For instance, in 2025, the U.S. government imposed additional tariffs on imports from the PRC, to which the PRC responded with countermeasures, including tariffs on U.S. imports. The U.S. tariff and trade policies are constantly changing due to various factors including changing geographical tensions, economic priorities and regulatory development. Accordingly, the timing, extent, or impact of any potential future changes in the U.S. tariff and trade policies cannot be predicted.

Given the ongoing trade tensions between the U.S. and the PRC, there is no assurance whether such tariffs would be reduced or further increased in the future. These tensions have created uncertainties to the global economy, potentially affecting our business operations and our plans to expand our market presence in the U.S..

Specifically, the imposition of tariffs can cause an increase in the costs of our products, negatively affecting our financial conditions and results of operations. In addition, we cannot assure you that the increased costs will not be passed on to our customers, in which case we may adjust the selling price of our products, which may negatively affect the demand from our U.S. customers. As such, this could result in reduced revenue while we continue to face elevated costs, potentially imposing a material adverse effect on our business, financial condition, and results of operations.

There is no assurance that the implementation of our future plans and strategies will be successful. If our expansion into the C2M business is not successful, our business, prospects and growth momentum may be materially and adversely affected.

We have formulated our future plans with the view to increase our market share and sustain business growth. The future plans and strategies of our Group as described in the sections headed "Business — Business Strategies" and "Future Plans and [**REDACTED**]" in this document are based on current intentions and assumptions. In particular, we have been principally focused on the design, production and sales of customised smart TMC equipment for industrial customers. We plan to continue to expand and develop our newly launched consumer flexible manufacturing segment in which we are adopting a C2M model, allowing consumers to input their ideas or customisation requirements in the user creation platform operated by our third-party business and technology partner(s) directly and complete the production of consumer goods swiftly. The development of such new products and the entering into of such new market requires us to allocate significant operational and financial resources. The development of these products may also require management and technical expertise which are different from that required for our current product lines. We cannot assure you that we will have the requisite resources and expertise to undertake such developments.

In addition, whether our future plans and strategies can be implemented successfully may be affected by various factors which are beyond our control, such as business environment, economic conditions, market demand and regulatory framework, and other contingencies which are beyond control. Such uncertainties and contingencies may lead to postponement of our future plans or may increase the costs of implementation. There can be no assurance that our future plans will materialise. Further, if our expansion into the C2M business is not successful, our business, prospects and growth momentum may be materially and adversely affected.

There is uncertainty as to the tender success rate of our Group in the future.

During the Track Record Period, some of our revenue was generated from projects awarded through public tenders or invitations by tender. Our Group's tender success rates for FY2023, FY2024 and FY2025 were 26.7%, 25.4% and 31.2%, respectively.

There is no guarantee that we will continue to be invited to participate in future tender processes and even if we are invited, our tender success rate is subject to various factors, including but not limited to (i) our production capacity; (ii) the number of tenders submitted by our Group; and (iii) the pricing and other terms offered by our competitors, which are beyond our control. As such, there is no assurance that we will succeed in future tenders or that we will be able to maintain or increase our tender success rate. In addition, we may not be awarded new contracts by our customers upon expiry of the existing contracts. If we are unable to sustain our current tender success rate or secure new orders with a contract sum similar to or larger than the contract sum of our current ones on a continuous basis, our revenue and operation may be materially and adversely affected.

Failure to adequately protect our intellectual property rights or any infringement claims brought by third parties against us may have an adverse effect on our business, financial condition and results of operations.

Our success depends upon our ability to protect our intellectual property rights, technologies and know-how that came into our possession for the production of our products. We rely on patent laws, proprietary technology and contractual restrictions to safeguard our intellectual property. As at the Latest Practicable Date, we possessed a total of 51 trademarks, 422 patents and 110 registered software copyrights.

We may not be able to promptly detect or effectively address infringements of our intellectual property rights. Our competitive position may be weakened in the event that the measures we have taken do not adequately safeguard our intellectual property and other proprietary rights. In addition, our business involves the production of customised products based on customer specifications, and we cannot guarantee that all such specifications are free from infringement of third-party intellectual property rights. While our suppliers, subcontractors and employees are subject to contractual obligations to protect our intellectual property rights, there is no assurance that such measures will effectively prevent leakage of confidential information or infringement of intellectual property rights, or at all. As at the Latest Practicable Date, we were not aware of any incident of failure to protect our intellectual property rights.

There is no assurance that our intellectual property will not be challenged, misappropriated or circumvented by others. Furthermore, we may not succeed in obtaining or maintaining patent registrations, which could materially and adversely impact our business, financial condition and results of operations. We may also be subject to claims of infringement of patents, trademarks or other intellectual property rights of third parties. Defending or otherwise responding to such claims, whether with or without merit, could be time-consuming, costly, detrimental to our reputation, reduce our sales and require us to enter into licensing agreements that may not be favourable or acceptable to us.

Any disruption to our production facilities could reduce or restrict sales and materially and adversely affect our business.

As at the Latest Practicable Date, we operated four and one manufacturing bases in the PRC and Vietnam, respectively, and we plan to establish two new manufacturing bases in eastern China and Mexico, respectively. See "Business — Our Production — Our Manufacturing Bases — Expansion Plans" for further details of our expansion plans. Natural disasters or other catastrophic events, such as storms, fires, explosions, earthquakes, terrorist attacks or wars, as well as changes in governmental land-use planning, could significantly disrupt our manufacturing operations. Such events may damage or destroy inventory, interrupt production, or force temporary or long-term closure of our facilities.

In addition, the operation of overseas manufacturing bases is subject to various risks, including those relating to political and economic instability, local labour market conditions, trade barriers, governmental expropriation and differences in business practices. We may incur increased costs or experience delays or disruptions in product deliveries that could cause loss of revenues and earnings. Unfavourable changes in the political, regulatory and business climates could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Failure to successfully implement our equipment maintenance, upgrade and capacity expansion plans, or effectively utilise our manufacturing bases, may have an adverse effect on our business, financial condition and results of operations.

Our future growth and profitability depend on, among others, our ability to maintain, upgrade and expand our production capabilities and capacity in a cost-effective and timely manner, whether generally or in response to customer demand for specific products.

To successfully execute such upgrades and expansions, we must expand or acquire new facilities or equipment and recruit and train personnel to operate them, which may be affected by, including but not limited to: (i) the availability of working capital for purchasing facilities or equipment; (ii) shortages or delays in the delivery of required machinery, equipment or materials; (iii) unexpected difficulties or delays in installing new facilities or equipment; and (iv) challenges in implementing new manufacturing processes.

There is no assurance that any upgrade or expansion plan we implement will achieve the intended operational or financial outcomes, or that such plans will be supported by sufficient market demand for our products. Implementation of our expansion plans may also result in increased operating expenses, including higher staff costs, depreciation and amortisation charges, which may adversely affect our financial condition.

If we are unable to implement our upgrade or expansion plans efficiently and cost-effectively, our business operations and profitability may be adversely affected. In particular, failure to secure sufficient customer orders to fully utilise our manufacturing bases may lead to low utilisation rates, over-capacity or increased depreciation charges for our manufacturing bases, all of which could adversely affect our profitability and results of operations.

Moreover, if market demand declines in the future, we may not be able to recover the costs associated with the construction of new facilities, expansion of any existing facilities, or maintenance of expanded production capacity. Any delay or cancellation of our expansion plan may also expose us to disputes with suppliers, contractors or other counterparties. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Failure to maintain effective quality control or address product defects could lead to product liability claims, which could adversely affect our reputation, business and financial performance.

During the Track Record Period, we manufactured our products at our manufacturing bases and outsourced the processing of certain non-core and relatively simple components such as PCB to our suppliers for custom production. We also engaged subcontractors and labour subcontractors to meet our production needs during the Track Record Period. See "Business — Our Suppliers" for further details. We believe that product quality is fundamental to our success, but we cannot guarantee that our products will be free from defects, errors, security vulnerabilities or software issues, particularly during initial launches or updates. Some issues may only become apparent after commercialisation and deployment by customers. Additionally, we may not be able to maintain effective quality control in our manufacturing processes as our employees or outsourced producers may not consistently adhere to our quality control policies.

If product defects are identified by our customers or end users, we may need to allocate significant resources to repair or replace defective products, investigate root causes, implement corrective measures and enhance quality control processes to prevent similar issues in the future. Failure to address these issues promptly could result in substantial costs for product recalls, repairs or replacements, legal liabilities and customer dissatisfaction. Customers may seek compensation or terminate business relationships. Defending against product liability claims could be time-consuming and costly, potentially damaging our reputation, which in turn could negatively impact our business, results of operations, and financial condition.

Failure to provide high-quality maintenance and support services may adversely affect our customer relationships, business reputation and financial performance.

Our ability to maintain strong customer relationships and support business growth depends on the consistent delivery of high-quality maintenance and support services. Under our current policy, products with defects are eligible for free repairs within the applicable warranty period. We maintained an extensive integrated sales network, featuring PRC service centres and international service centres in locations such as Thailand, South Korea, Malaysia, the U.S., and Germany. As our customer base expands, it is essential that our support services scale accordingly to meet rising demand.

There is no assurance that we will be able to recruit or retain a sufficient number of qualified personnel with the necessary experience to deliver effective customer support. If we fail to respond in a timely manner to increased demand for technical assistance or maintenance services, customer satisfaction may decline and our reputation may be negatively affected. In addition, we may face challenges in adapting the scope and delivery of our maintenance and support offerings in response to evolving customer expectations and competitive benchmarks. An increase in demand for support services may also lead to higher operational costs, which could impact our financial results. Any failure to uphold high service standards, or any perception that our support is inadequate, may harm our reputation, reduce customer trust and materially and adversely affect our business, results of operations and prospects.

We have leased properties and may not be able to renew existing leases or relocate in a timely manner or on reasonable commercial terms.

We currently leased various properties. For details, see "Business — Properties — Leased Properties". We cannot assure you that our rights to use these properties will not be challenged, or that we will be able to renew the relevant leases on similar terms upon expiry.

If we are required to relocate any of our leased premises, we may not be able to relocate in a timely manner or on reasonable commercial terms, which could materially and adversely affect our operations. Relocation may result in additional costs, which could negatively impact our business operations and financial condition. Moreover, due to rapid rental increases, we may not be able to renew the existing leases at reasonable prices. Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms, in a timely fashion or at all, resulting in the closure or relocation of the leased properties, which could adversely affect our business and results of operations.

Some of our leased properties have title defects and the lease agreements for our leased properties have not been registered with the relevant PRC government authorities as required by PRC law.

As at the Latest Practicable Date, the lessors of 20 of our leased properties in the PRC, of which 15 were used as staff dormitories and five were used as office, had not provided us with valid title certificates, or relevant authorisation documents evidencing their rights to lease the properties to us. As a result, the relevant leases may not be valid, or there is a risk that we may not be able to continue to use such property. We cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the leased properties. If the title of any leased properties were successfully challenged, we may be forced to relocate our operations on the affected properties. Pursuant to the applicable PRC laws and regulations, property lease agreements must be registered with the relevant local housing administrative authorities.

As at the Latest Practicable Date, certain lease agreements for our leased properties in the PRC which had been mostly used as staff dormitories have not been registered with the relevant PRC government authorities. According to the relevant PRC laws, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. Although failure to do so does not in itself invalidate the leases, the lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As advised by our PRC Legal Advisers, if we are challenged by third parties or government authorities upon any of the circumstances stated above, we may be subject to fines and may be forced to relocate, as the case may be, and, as a result, our business, results of operations, financial performance and prospects may be adversely affected. For details, see "Business — Properties — Lease Properties".

We are subject to risks related to work safety and occurrence of accidents, as well as other operational, transportation and occupational-related risks.

We bear the related risks associated with our manufacturing activities, including work injury accidents. Such dangers may result in personal injuries or fatalities and damage to property and equipment, which may cause personal injury claims, cessation of business, or civil, administrative and criminal penalties. If any such accident occurs, we may also be liable for claims from third parties. If we fail to protect third parties or ourselves from such potential liabilities, we may incur significant costs, which would have a material and adverse effect on our financial condition and results of operations.

Any downtime for maintenance and repair of our equipment could lead to disruption of our operations, cause significant costs, and harm our reputation and to our business.

Our machinery is susceptible to breakdowns, and substantial maintenance-related downtime at our manufacturing bases can temporarily halt our production. Despite we have implemented maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections of facilities and equipment, the failure of our equipment suppliers or our team to provide timely repairs on our equipment could interrupt the operation of our production facility for extended periods of time. Such extended downtime may result in revenue losses for us, and we risk losing customers. As a result, our business and operating results could be materially and adversely affected.

We rely on subcontracted labour for production in our business.

During the Track Record Period, we procured labour by way of labour subcontracting to meet our need in daily business operations. We may not be able to monitor the performance of these subcontracted labour as directly and efficiently as our own staff. Qualified workers may not always be readily available when our needs for labour subcontracting arise. If our labour subcontractor agencies are unable to provide adequate and qualified subcontracted labour, our ability to complete the production or other contracts could be impaired. The subcontracted labour also expose us to risks associated with non-performance, delayed performance or sub-standard performance by them. As a result, we may experience a deterioration in quality or late delivery of our products, incur additional costs due to delays of the subcontracted labour. Any such disruptions could materially and adversely affect our profitability, financial performance, and reputation, and could give rise to litigation or claims for damages against us.

We rely on third-party logistics service providers and courier companies to deliver our products.

We generally engage independent logistics service providers for the transportation and delivery of our products to both domestic and overseas markets as we do not have our own transportation team. Our logistics service providers may experience operational disruptions due to equipment breakdowns, information technology system failures, commercial disputes, labour shortage or strikes, natural disasters, non-compliance issues or other economic, business, labour, environmental, public health or political issues. In addition, we may not be able to identify alternative logistics service providers who are capable of supplying logistics services on terms that are commercially acceptable to us. Any failure by our logistics service providers to discharge their delivery obligations or our inability to promptly secure suitable replacements may adversely affect our business operation and reputation.

Our business may be significantly affected by changes in the prices and availability of raw materials.

Our business operations depend on our ability to secure stable and adequate supplies of raw materials, which can be categorised into non-standard components, standardised components and basic materials, and be used for a wide range of equipment across different production lines. We generally procure such raw materials from Independent Third Parties in the PRC. Prices of raw materials depend on factors which are beyond our control, such as PRC economic conditions, government policies and industry demand. We cannot assure that raw material prices will remain stable or that supply shortages will not occur. In addition, we may not be able to shift the increase in raw material costs to our customers promptly, if at all, which could materially impact our financial results. Any future disruptions in supply of raw materials could adversely affect our product availability and financial performance.

Failure to meet contractual commitments could adversely affect our business, financial condition and results of operations.

We enter into contracts with customers that typically contain representations and warranties on the performance, quality and delivery of our products and solution offerings. As our products such as testing equipment and manufacturing processing equipment are deployed in customers' manufacturing facilities, unexpected technical issues, delays at customer sites, supply chain disruptions, or other logistical difficulties may affect our ability to deliver projects on schedule and within budget. If our products or solutions do not perform as warranted during their warranty period, we may be required to rectify defects, incur additional costs or pay penalties, and we may not always be able to recover such losses from suppliers of raw materials or components. These circumstances could have a material adverse impact on our business and results of operations.

In addition, our contract liabilities are recognised when the payment is received or a receivable is recorded (whichever is earlier) before our Group transfers goods to the customer. For FY2023, FY2024 and FY2025, we had contract liabilities of RMB78.5 million, RMB74.5 million and RMB75.4 million, respectively. If we fail to perform our contractual obligations, such amounts may not be recognised as revenue, which could in turn adversely affect our revenue, liquidity and financial position.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our financial condition and results of operations.

During the Track Record Period, we received government grants and subsidies which amounted to RMB2.1 million, RMB1.2 million and RMB4.2 million, for FY2023, FY2024 and FY2025, respectively, which mainly represent government grants and subsidies for our R&D expenditures.

Our Company qualified as a "High and New Technology Enterprise" in 2015, and the qualification was subsequently and successively renewed, and the validity period was extended to 2027. Our subsidiaries, Suzhou Jingchuang and Suzhou OctopX, were also qualified as a High and New Technology Enterprise in 2023 and 2024, respectively. As a High and New Technology Enterprise, each of our Company, Suzhou Jingchuang and Suzhou OctopX Communication enjoys a preferential corporate income tax rate of 15%. For details, see Note 13 to the Accountants' Report in Appendix I. We cannot assure you that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and result of operations may be materially and adversely affected.

Our insurance policies may not be adequate to cover all risks of loss associated with our business operations.

We maintain various insurance policies, including employer's liability insurance and property insurance. See "Business — Insurance" for details. However, there is no assurance that our current insurance coverage will address all potential risks involved in our business operations or be sufficient to cover the full extent of any loss or liability we may incur. As a result, we may need to cover uninsured losses, damages or liabilities from our own resources. In addition, we cannot guarantee that we can renew our policies on similar or other acceptable terms, or if at all. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospects.

Failure to obtain or renew required licences, certificates and permits could adversely affect our business, financial condition and results of operations.

Our business operations are subject to various licences, certificates, and permits, which must be obtained and maintained in accordance with applicable laws and regulations. In particular, our production centres in the PRC are subject to annual product quality inspections by regulatory authorities to ensure compliance with relevant standards. If we fail to pass these mandatory inspections, or otherwise obtain or renew our licences, certificates and permits, it could result in temporary or permanent suspension of some or all of our production activities which would adversely affect our business, financial condition and results of operations.

We may be subject to fines and penalties as a result of our inadequate contribution to social insurance and housing provident fund.

During the Track Record Period, we failed to make full contribution to the social insurance and housing provident fund for certain employees as required by the relevant PRC laws and regulations. The aggregate shortfall of social insurance and housing provident fund amounted to RMB20.0 million, RMB25.7 million and RMB30.3 million for FY2023, FY2024 and FY2025, respectively. For details, see "Business — Legal Proceedings — Social Insurance and Housing Provident Funds".

As advised by our PRC Legal Advisers, 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 that equals to 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 of 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 the payment is not made within such time limit, an application may be made to PRC courts for compulsory enforcement.

Our business depends on our ability to retain our Directors, senior management, and other key R&D personnel, and our capacity to attract and retain new qualified talents.

Our future growth and success are highly dependent on the continued contributions of our Directors, senior management and key R&D personnel, whose industry experience, leadership and expertise are crucial to our business development and day-to-day operations. See "Directors and Senior Management" for details.

Our ability to conduct R&D and introduce new technologies and products depends on the ongoing contributions of our key R&D personnel. We cannot assure you that the service of our Directors, senior management and key R&D personnel will continue in the future. Should any of our current Directors, senior management or key R&D personnel become unable or unwilling to work for us, we may incur additional costs and time in identifying, recruiting and training suitable replacements. Such disruptions could negatively affect the quality and timeliness of our R&D and other business functions.

There is no assurance that we will be able to recruit individuals with the necessary qualifications and experience. If we fail to do so, or if any of our Directors, senior management or key R&D personnel were to join our competitors or establish competing businesses, our business, innovation capabilities and market competitiveness could be adversely affected.

We are exposed to credit risks from our customers.

Our credit risk arises from default by our counterparties, primarily including our customers. As at 31 December 2023, 2024 and 2025, our trade and notes receivables amounted to RMB428.4 million, RMB443.0 million and RMB719.5 million, respectively. We normally grant our customers with credit periods up to 180 days. Our major customers may default on their payment to us as a result of deteriorating financial condition or liquidity issues. For FY2023 and FY2025, the allowance for impairment of trade and notes receivables amounted to RMB7.9 million and RMB11.3 million, respectively. For FY2024, we recorded reversal of impairment for trade and notes receivables of RMB6.0 million. We cannot guarantee that our customers would settle our outstanding trade balance on time, or at all. If our customers delay in settling the payments or default in making payments, our cash flow may be negatively affected, and our Group may have to make provision for impairment, write off the receivables, incur legal costs to recover the outstanding sum from our customers and/or seek alternative financing to maintain our operating cash flow so as to fulfil our business payment obligation, which may in turn have a material and adverse impact on our financial condition and results of operations.

Our business is subject to seasonality.

We experience significant seasonal fluctuations in our revenue and profitability. In line with industry norm, we typically complete final acceptance of our products, including our production line testing equipment, manufacturing processing equipment, smart laboratory equipment and software and standardised testing equipment, in the second half of the year, due to the business practices of downstream customers. As a result, we generally record much higher revenue in the second half of each financial year. Any failure to plan our business developments taking into account of the seasonality of our business will result in negative impact on our operating cash flow and business performance which may in turn adversely affect our business, results of operations and financial condition.

We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face liabilities as a result.

Our operational and financial stability are subject to other litigation or legal proceedings we face from time to time. During the ordinary course of our business operations, our Group is exposed to liability arising from labour disputes, contractual claims under customer and supplier agreements, and other potential third party disputes. In addition, we may encounter additional compliance issues in the course of our operations in the case that we cannot promptly respond to the change of the regulation environment, which may subject us to administrative proceedings and unfavourable results.

Due to the inherent uncertainties of the ultimate outcome of litigation and regulatory proceedings, litigation and legal proceedings might adversely affect our brand image and reputation. Our management attention may be diverted in defence of such proceedings from our business and operations. Our financial performance may be materially and adversely affected by substantial legal costs and potential settlements or judgments against us.

We are subject to various risks relating to third party payments.

During the Track Record Period, one of our customers (the "**Relevant Customer**") settled payments with us through third-party payor (the "**Third-Party Payment Arrangements**"). For FY2023, there was one Relevant Customer with one third-party payor and the aggregate amount of such third-party payment was accounted for less than 0.1% of our total revenue, respectively. Since the beginning of FY2024 and up to the Latest Practicable Date, there is no Third-Party Payment Arrangements. For details, see "Business — Third-Party Payment Arrangements".

We are subject to various risks associated with Third-Party Payment Arrangements during the Track Record Period, including possible claims from third-party payors seeking return of funds as they were not contractually indebted to us, and potential claims from liquidators of third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may, as a result, be adversely affected.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are able to raise funds, the value of your investment in us may be negatively impacted.

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can secure additional funds on acceptable terms, if at all. Moreover, our ability to raise additional funds in the future is subject to various uncertainties, including, but not limited to the prevailing market conditions for capital raising and debt financing activities.

Furthermore, raising additional funds through equity or equity-linked sources may dilute your equity interest in our Company. Alternatively, if we raise funds through debt financing, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

Negative publicity or damage to our business reputation may have a potential adverse impact on our business.

Our reputation is crucial to maintaining and expanding our business. Any negative publicity, whether justified or not, by our counterparties such as customers, suppliers, or distributors, could harm our reputation and lead to loss of business and therefore adversely affect our results of operations and growth prospects.

We may experience failures in our information technology systems.

We rely on our information technology systems, particularly our ERP system, for daily operations including contract management, safety and quality control, documentation management, production management, human resources and accounting and finance management. The ERP system also supports our key operation processes, including project management and procurement. Our operating efficiency and risk management practices have been enhanced by such information technology systems. However, there is no assurance that any damage or interruption caused by power outages, computer viruses, hardware or software failures, telecommunications failures, fires, natural disasters and other similar events relating to our information technology systems will not happen in the future. Additionally, restoring any damaged information technology systems may incur significant costs and require additional workforce. If any serious damage or significant interruption occurs, we may experience errors in the systems and our operations may be disrupted.

Any catastrophe, including outbreaks of health pandemics, such as COVID-19, and other extraordinary events, could severely disrupt our business operations.

Our operations are susceptible to various risks and potential interruptions beyond our control. In particular, public health emergencies, such as COVID-19, could affect the global economy and consumer demand. Apart from reducing demand, COVID-19 also has also caused disruptions to business activities such as cargo logistics along the supply chain of different industries. There is no assurance that any other similar public health emergencies, such as avian flu, SARS, Ebola, will not adversely affect our business, results of operations, and financial condition. Additionally, we are exposed to risks from catastrophes such as fires, earthquakes, hurricanes, floods, tornadoes, other severe weather conditions, as well as terrorist acts or disruptive global political events. The unpredictable nature of these events makes it difficult to predict their frequency, timing, and severity. Any of these occurrences could have a material and adverse impact on our business operations and financial performance.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Failure to respond to development in the economic, government policies, and laws and regulations in the principal place where we operate may have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our businesses, assets and operations are located in the PRC. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to economic, political and legal and regulatory developments in the PRC. The PRC economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. Failure to respond to such development may materially and adversely affect our business in the PRC.

The evolving legal systems in the jurisdictions where we operate could affect our business, financial condition and results of operations.

The legal systems in the jurisdictions where we operate vary significantly and, in some jurisdictions, are quickly evolving, subject to administrative discretion and divergent interpretation or enforcement. As a result, the application of laws and regulations to our business may differ across jurisdictions, contractual rights or foreign judgments and arbitral awards may be difficult to enforce, and regulatory requirements may be applied retroactively or inconsistently. In addition, legal and regulatory proceedings in certain jurisdictions may be lengthy, unpredictable and costly, and changes in laws, regulations or enforcement practices could increase compliance burdens, disrupt operations or adversely affect our business, financial condition and results of operations.

We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities and future major events.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorisation, or perform filing procedures, for this [**REDACTED**] or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the [**REDACTED**] from the [**REDACTED**] into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

Fluctuations in the value of Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, our expenditures were mainly denominated in Renminbi, while the [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rate between Renminbi and Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by us. Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between Renminbi and other currencies in the future.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your H Shares.

Currently, the conversion and remittance of foreign currencies from RMB are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, the foreign exchange policies regarding payment of dividends in foreign currencies may change from time to time in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

Holders of H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realised through the sale or transfer by other means of H shares by such shareholders. According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), both of which came into effect on 1 January 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Taxation Arrangements**") executed on 21 August 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owners of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was newly revised and implemented on 29 December 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which was newly revised and implemented on 23 April 2019, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Double Taxation Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; or (ii) otherwise, 10% of the total amount of dividends.

Considering the foregoing, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realised through sales or transfers by other means of the H Shares.

Payment of dividends is subject to restrictions under PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

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

We are a company incorporated under the laws of the PRC and a substantial majority of our assets are located in the PRC. Most of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within the PRC. As a result, it may be difficult to effect service of process upon most of our Directors and senior management outside the PRC.

Although we will be subject to the Listing Rules and the Takeovers Code upon the [**REDACTED**] of our H Shares on the Stock Exchange, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Takeovers Codes do not have the force of law in Hong Kong.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial conditions and results of operations.

We are subject to the laws governing anti-bribery and anti-money laundering in the PRC. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, and our reputation could be harmed, all of which could have a material adverse effect on our business, financial conditions and results of operations.

RISKS RELATING TO OUR H SHARES AND THE [REDACTED]

There has been no prior public market for our H Shares. Liquidity and market price of our H Shares may be volatile. If the price of our H Shares declines or fluctuates, this could result in substantial losses for [REDACTED] purchasing our H Shares in the [REDACTED].

Prior to the [**REDACTED**], there has been no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of [**REDACTED**]. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the H Shares will develop or, if it does develop, that it will be sustained.

In addition, the initial [**REDACTED**] for our H Shares to the public will be agreed by us and the [**REDACTED**], and the [**REDACTED**] may differ significantly from the market price of the H Shares following this [**REDACTED**]. The trading price and trading volume of the H Shares may be volatile and subject to factors beyond our control, including overall market conditions in Hong Kong, China, regulatory developments or market changes across the globe affecting us or the industries in which we participate.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Stock Exchange, have both experienced price and volume fluctuations, some of which were unrelated or did not fully correspond with the operating performance of the relevant companies. These broad market and industry fluctuations may materially and adversely affect the market price of our H Shares in a similar manner.

Any further issue of Domestic Shares and subsequent conversion into H Shares in the future could dilute your shareholding under H Shares, increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

In the case that there is any further issue of Domestic Shares and subsequent conversion into H Shares in the future, your shareholding under the class of holders of our H Shares will be diluted. Further, according to the PRC Company Law, the Shares issued by our Company prior to the [**REDACTED**] are restricted from trading within one year from the [**REDACTED**]. Such restriction from trading will limit the number of H Shares tradable on the market, which will in turn adversely affect the liquidity of the H Shares during such restriction period. Any future sales (after the expiration of the restrictions set out above) of Converted H Shares by relevant Shareholders in the public market may affect the market price of our H Shares.

Potential [REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED].

[**REDACTED**] will pay a price per H Share that substantially exceeds the per H Share value of the tangible assets after subtracting the total liabilities and will therefore experience immediate dilution when they purchase our H Shares in the [**REDACTED**]. As a result, if we were to distribute our net tangible assets to our Shareholders immediately following the [**REDACTED**], [**REDACTED**] purchasing our H Shares in the [**REDACTED**] would receive less than they paid for their Shares. See "Unaudited [**REDACTED**] Financial Information" in Appendix II for further details.

Our Single Largest Group of Shareholders has substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately following the completion of the [**REDACTED**] without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Single Largest Group of Shareholders will be entitled to exercise voting rights of [**REDACTED**]% of the total issued share capital of our Company. The interests of our Single Largest Group of Shareholders may differ from the interests of our other Shareholders. Our Single Largest Group of Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters submitted to our Shareholders for approval. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. In addition, to the extent the interests of our Single Largest Group of Shareholders conflict with the interest of our other Shareholders, the interests of our other Shareholders may be disadvantaged or harmed.

Our historical dividends and dividend policy may not be indicative of our future dividend policy.

There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Board may deem relevant, and subject to the approval at Shareholders' meeting. For details, see "Financial Information — Dividend".

We have not independently verified certain facts, forecasts and other statistics obtained from various government publications contained in this document.

Some facts, statistics, and data in this document are derived from official government sources that we believe to be reliable and appropriate for such information. However, we cannot guarantee the quality or reliability of such source materials. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. While our Directors have taken reasonable care in extracting and reproducing the information, they have not been prepared or independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], our Single Largest Group of Shareholders, any of their or our Company's respective directors, officers or representatives, or any other person involved in the [**REDACTED**]. Hence, none of them makes any representation as to the accuracy or completeness of such facts, statistics, and data. In light of the possibly flawed or ineffective collection methods or discrepancies between published information, market practice, and other problems, the statistics in this document may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

[REDACTED] should read the entire document carefully and should not consider any particular statements in this document or in published media reports without carefully considering the risks and other information contained in this document.

We caution [**REDACTED**] not to rely on press or media reports regarding our Company or the [**REDACTED**]. Such coverage may contain information, including financial data, projections or valuations, that is not included in this document and has not been authorised by us or any party involved in the [**REDACTED**]. We do not accept responsibility for the accuracy or completeness of such information. In case of any inconsistency, you should rely solely on the information contained in this document.

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 "anticipate", "believe", "could", "potential", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would", or "will" and similar expressions. The 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 the risks and uncertainties associated with the forward-looking statements, the inclusion of these 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 out in this section. 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.