You should carefully consider all of the information in this Document and, in particular, the risks and uncertainties described below, before making an [**REDACTED**] *in our H Shares. We are affected materially by requirements and restrictions that arise under laws, regulations, judicial interpretations and government policies in nearly all aspects of our businesses in the jurisdictions where we operate.*

The risks described below are not the only risks that may affect us or our [**REDACTED**]. *Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, results of operations, financial condition and growth prospects. If any of the possible events described below occurs, our business, results of operations, financial condition and growth prospects could be materially and adversely affected. The* [**REDACTED**] *of our H Shares could decline owing to any of these risks, and you may lose all or part of your* [**REDACTED**].

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We may not be able to compete successfully in the rapidly evolving construction equipment and agricultural machinery industries.

We face significant competition from other manufacturers and suppliers of axles and transmissions, including multinational companies and domestic manufacturers. Key competitive factors include initial purchase price, efficiency, product reliability, safety, ease of operation, after-sales service availability and quality.

The industries we serve are experiencing evolving market trends. See "Business — Overview". Our future success depends on our ability to respond to these developments with technologically-advanced and commercially attractive products and services. Our competitors may possess greater financial, technological and other resources, enabling them to innovate more rapidly or offer more efficient or lower-cost products. Failure to develop new or enhanced technologies, to react to changes in existing technologies, to anticipate evolving customer demands or adapt to regulatory changes could delay new product development, resulting in loss of competitiveness, decreased revenue and profitability and loss of market share.

Additionally, certain customers possess the technical expertise, manufacturing capabilities and financial resources to engage in backward integration. If our customers choose to manufacture themselves the products we supply to them, this could materially and adversely affect our business, financial condition and results of operations.

Any adverse changes affecting the construction equipment and agricultural machinery industries can adversely impact our business, financial condition, results of operations, cash flows and prospects.

Our business depends on conditions in the downstream industries to which we supply axles and transmissions, including the construction equipment and agricultural machinery markets, and these markets have historically been subject to significant cyclical fluctuations. The construction equipment industry is affected by the level of economic activity, government spending, urbanization, industrialization and large-scale infrastructure projects, as well as interest rates, credit availability and real estate market conditions. The agricultural machinery industry is influenced by factors such as climate and weather events, government minimum support prices and other incentives, commodity prices, farm income levels and changes in farming practices.

A downturn in any of these industries could significantly reduce demand for our products. We may not be able to predict accurately the timing, duration or severity of these cyclical downturns, which could reduce demand for our products and have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain our technological competitiveness or implement our growth strategies would have an adverse impact on our business prospects, results of operations and financial condition.

Our business strategy and competitive position depend on the success of our engineering and product development activities to tailor products to customer needs and develop new products. Starting in 2027, we plan to significantly invest in our R&D capabilities. These investments will include expanding our production facility in Qingdao to support a higher installed production capacity, further develop our capabilities to introduce new products, and increase associated infrastructure around our production lines to support our growing workforce. We also plan to establish our R&D center of excellence for the design, integration and testing of new products, including electrified and hydrostatic driveline systems for construction equipment.

More broadly, our growth strategy involves focusing on strengthening our manufacturing capabilities through targeted investments in our facilities, equipment, and workforce, deepening our market penetration, strengthening our market leadership in China through expansions into new product lines and new customers, and expanding our international exposure through our relationships with the Carraro Group and our customers with international exposure.

The outcome of our growth and R&D projects is inherently uncertain, and there is no assurance that our investments of time and resources will result in commercially viable products, processes or technologies. While continued investment is necessary to remain competitive, the substantial costs may not be recoverable and could strain our financial resources particularly if the anticipated commercial benefits do not materialize, which may result in lower-than-expected returns on our investments. Furthermore, our growth may strain management resources and our operational, financial and management information systems, potentially requiring significant additional expenditures to support our expanded operations.

We are subject to strict quality requirements and any defects in our products or after-sales services, or our or our raw material suppliers' failure to comply with quality standards, may lead to order cancellations, recalls, product liability and warranty claims and reputational harm.

Our products must meet strict quality and performance standards prescribed by our internal policies, our customers and relevant authorities. Any failure to meet these standards, whether due to flaws in our design or manufacturing processes or defects in parts from third-party suppliers, could result in order cancellations, production delays, product recalls and increased costs for repairs, replacements or customer support. We are exposed to potential product liability and warranty claims if our products fail to perform as expected, are proven defective or are alleged to cause personal injury, property damage or other losses. Such claims, regardless of merit, can be costly and time-consuming to defend. Any of these events could damage our reputation, customer relationships and brand image and materially and adversely affect our business, financial condition and results of operations.

We maintain warranty provisions based on our estimates of amounts needed to settle current and future claims and regularly evaluate their adequacy. However, we may experience warranty costs in excess of our provisions. As our sales and product lines expand, warranty claims could increase, requiring us to increase our provisions. We also maintain product liability insurance, but we cannot guarantee that we can maintain such insurance on acceptable terms or that it will adequately cover all potential claims. A successful claim in excess of our available provisions or insurance coverage could have a material adverse effect on our financial condition and business.

Our five largest customers account for more than half of our revenue, and any failure to retain our existing customers could materially and adversely affect our business, financial condition and results of operations.

In 2023, 2024 and 2025, sales to our five largest customers accounted for 74.8%, 73.7%, and 68.4% of our total revenues, respectively. Our customers are generally not contractually required to continue purchasing from us at any particular volume or for any specified period. Our customer concentration means a loss of, or significant reduction in purchases by, any of our major customers could result in reduced revenue, underutilization of our production capacity, increased fixed costs per unit and the need to write down the value of customized inventory or equipment that was developed specifically for that customer, any of which could materially and adversely affect our business, results of operations and financial condition.

Our top five customers may subject us to pricing pressure due to their own cost-cutting initiatives, market competition and the significant leverage our customers hold as large-volume purchasers. If we are unable to compete effectively on price while maintaining acceptable margins, our business, financial condition and results of operations could be materially and adversely affected.

Any interruption in the availability of, or increase in the cost of goods and materials, or any disruption of our supplier base or effective supplier management could adversely impact our operations.

Our manufacturing process relies on a stable supply of raw materials and components from domestic and international suppliers, including castings, steel components such as gears and shafts, bearings, hydraulic parts, and other materials such as lubricants, oils and paints. In 2023, 2024, and 2025, our purchases of goods and materials were RMB499.0 million, RMB575.1 million, and RMB544.1 million, respectively, representing 67.8%, 66.1%, and 62.2% of our total revenues in the same years. Any shortage, delivery delay, or price volatility for these materials could disrupt our production schedule or increase our costs.

In addition, we rely on a limited number of suppliers for certain raw materials, some of which are specialized, custom-made, or difficult to source from alternative suppliers. There can be no guarantee that we will be able to procure such products from alternative suppliers.

There can be no guarantee that we will be able to pass on incremental costs to our customers or ensure continued supply from our suppliers at reasonable prices. Any of the foregoing may materially and adversely affect our business, financial condition and results of operations.

We depend partially on other entities in the Carraro Group for our operations, including manufacturing, the license of certain intellectual property, engineering and product development, and general support of our operations. Any disruption in this relationship could have a material adverse impact on our operations.

We depend on the Carraro Group for several aspects of our business. The Carraro Group is both a significant customer and supplier of our Company, and we are partially dependent on the Carraro Group's continued willingness to source products and services from us. During the Track Record Period, sales to the Carraro Group accounted for 37.2%, 25.4% and 26.3% of our total revenues in 2023, 2024 and 2025, and purchase of raw materials and services from the Carraro Group accounted for 10.0%, 11.0% and 7.6% of our total purchases during the same years, respectively. See "Business — Sales, Distribution and Marketing".

In addition, we expect to enter into certain framework agreements with respect to contract manufacturing, engineering services, sales of semi-finished goods and components, technology licencing, services and secondment and trademark licencing with the Carraro Group. See "Connected Transactions".

If any of these arrangements are terminated, not renewed, or modified on terms less favorable to us, or if there is any deterioration in our relationship with the Carraro Group, changes in the Carraro Group's strategies, or operational and financial condition, these could adversely affect our business, revenue and results of operations.

We may be unable to adequately protect our intellectual property rights and may be subject to intellectual property infringement claims.

We rely on intellectual property laws, as well as contractual arrangements and confidentiality procedures, to establish and protect our proprietary technologies. However, we do not have any material registered or registrable intellectual property. Our competitors may misappropriate our proprietary information to manufacture competing products at lower prices, or reverse engineer our products. We may become involved in costly and time-consuming litigation to enforce our intellectual property rights or to defend against infringement claims from third parties. An adverse outcome in such litigation could require us to cease selling certain products, pay substantial damages, or expend significant resources to develop or license non-infringing technology. Moreover, any unauthorized use of the Carraro brand or related intellectual property rights could harm our image and business.

We or the Carraro Group may not succeed in maintaining and strengthening the Carraro reputation, which could be harmed by complaints and negative publicity, leading to an adverse impact on our reputation, business, results of operations and financial condition.

As part of the Carraro Group, we use the Carraro corporate name, logo, trademarks and certain technologies in our operations. Accordingly, our business success depends on our and the Carraro Group's ability to maintain and strengthen the Carraro reputation.

Negative publicity about Carraro branded products or Carraro Group companies, including any actual or perceived defects in the products or services of any member of the Carraro Group, could harm our, or the Carraro Group's reputation. Managing such publicity could divert our management's attention and resources and require significant expenditure. If we or the Carraro Group are unable to maintain our market recognition and strong reputation, or are unable to enhance our market recognition, our ability to attract and retain customers, third-party partners and key employees could be harmed and, as a result, our business, financial position and results of operations could be materially and adversely affected.

Our global operations are subject to challenges and risks, including global economic conditions, political instability and changes in diplomatic and trade relationships and tariff policies, that could increase our expenses and adversely affect our business and results of operations.

During the Track Record Period, we derived a portion of our total revenues from sales to overseas markets through direct sales and sales to the Carraro Group, including Europe, the Asia-Pacific region and the Americas. Our revenue from overseas markets was RMB287.7 million, RMB227.9 million and RMB241.1 million in 2023, 2024 and 2025, respectively, accounting for 39.1%, 26.2%, and 27.6% of our total revenues in the same years.

We operate within a global supply chain that is exposed to risks from global economic conditions, political instability and evolving diplomatic and trade relationships. As such, our global operations subject us to risks inherent in doing business in such geographies, including: unexpected deterioration in relationships between China and countries to which we export products or from which we import raw materials, including the imposition of sanctions, tariffs or revocation of free trade agreements; the need to adapt our business approach, product offerings and logistics to local preferences and customs; exposure to economic and political instability, inflation and fluctuations in interest and foreign currency exchange rates; and changes in the legal, and regulatory conditions or policies of the countries where our products are sold.

Throughout 2025 and 2026, the U.S. government and its trading partners, including China, have engaged in a cycle of implementing, suspending and escalating tariffs, which has created substantial uncertainty regarding the interpretation, implementation and administration of these trade measures. It is uncertain whether these tensions will cause further disruptions to international trade or lead to a global economic downturn. Potential future measures, such as new tariffs or import/export restrictions, could create additional challenges for our cross-border business. The scope and impact of these trade policies remain subject to negotiation and change, and we cannot predict their ultimate effect on our industry or the global economy.

While we did not have any customers in the U.S. in 2023, 2024 and 2025, some of our customers sell finished equipment and machinery incorporating our products to the U.S., which may indirectly expose us to the effects of U.S. tariffs. Any substantial increases in tariffs or trade restrictions implemented by governments could lead to retaliatory measures by affected countries, potentially disrupting global supply chains. If we are unable to successfully manage the impact and the increased costs resulting from increased tariffs, or to effectively avoid or mitigate any of these risks, our ability to sell products in international markets will be impaired, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Inaccuracies in forecasting customer demand could lead to misallocation of production capacity and ineffective inventory management, which could adversely affect our business and financial results.

We manufacture products based on confirmed orders. We forecast production requirements and determine inventory levels based on rolling volume estimates provided by our customers, historical sales, existing order quantities, and anticipated market conditions. Our inventory primarily includes raw materials, work-in-progress and finished goods. As of December 31, 2023, 2024 and 2025, we had inventories of RMB101.2 million, RMB111.2 million and RMB116.3 million, and made provisions for inventories of RMB9.6 million, RMB11.8 million and RMB10.3 million, respectively.

Our ability to accurately forecast demand is affected by numerous factors beyond our control, such as end-consumer demand, competitor actions and changes in customer requirements. Errors in forecasting can lead to misallocation of production capacity and decreased efficiency. Inaccurate forecasting can also result in excess inventory, leading to write-downs, discounted sales and increased storage costs, or conversely, a shortage of raw materials, causing production delays. Any of these factors could materially and adversely affect our business, financial condition, results of operations and reputation.

Failure of our information technology systems and cybersecurity breaches may adversely affect our business, financial condition, results of operations, cash flows and prospects.

We rely on IT systems, some of which are supported by third-party vendors, to manage and operate our business. We may be subject to IT system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or other events. Our system redundancy, cybersecurity measures and disaster recovery planning may not be sufficient for all eventualities.

If the IT systems, networks or service providers we rely upon fail to function properly, or if we or one of our third-party providers suffer a loss, significant unavailability of, or disclosure of our business or stakeholder information, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

We depend on the continued services and contributions of our senior management and other qualified employees. Failure to attract or retain talent and maintain a stable workforce could materially and adversely harm our operations.

We depend on the continued services and contributions of our senior management and other qualified employees to execute our business plans, pursue growth opportunities and develop new products. The loss of any key management personnel or technical employees, or our inability to attract, recruit, train and retain suitably qualified personnel in a highly competitive labour market, could disrupt our operations, delay the execution of our strategies and adversely affect our business, financial condition and results of operations.

Competition for skilled personnel is intense and the pool of qualified candidates is limited. To attract and retain talent, we may need to offer higher compensation and invest additional time and resources in recruitment and training, which could increase our operating costs. If we are unable to pass such cost increases on to customers, our profit margins may be adversely affected.

More broadly, our success depends on labour availability and stable workforce relations. Although we have not experienced material labour disruptions to date, labour unrest, including disputes, strikes, lock-outs, industrial accidents or labour shortages, could interrupt our operations, increase costs and adversely affect our financial condition and results of operations.

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

As part of our business strategy, we may pursue strategic partnerships, investments and acquisitions that complement our existing business, enhance our capabilities and strengthen our competitive position. However, we may not be successful in identifying or consummating such transactions on favorable terms or at all. Even if consummated, there is no assurance that we will achieve the anticipated strategic benefits or financial returns.

Our strategic transactions are subject to various risks, including: challenges integrating the operations and workforce of acquired companies or investees into our business; unforeseen changes in regulations, technology, or economic conditions that adversely affect our ability to realize the benefits of such transactions; exposure to unforeseen liabilities; and/or the unanticipated incurrence of additional indebtedness, charges, write-offs or impairment of goodwill. Our failure to address any of these could materially and adversely affect our business, financial condition and results of operations.

Our insurance coverage may not adequately protect us against all operating risks.

We have obtained insurance to cover certain risks and liabilities, including insurance for directors' and officers' liabilities, product liabilities, and other general liabilities, and have obtained transportation and third-party logistics insurance for product shipments. For details, see "Business — Insurance". However, our insurance coverage may not be adequate to protect against all operational risks and we may not be able to obtain insurance for all types of risks we face. Furthermore, there is no assurance that we will be able to successfully claim our losses in a timely manner, or at all. Any uninsured or underinsured losses resulting from events such as business disruptions, litigation, regulatory actions or natural disasters could expose us to substantial costs and materially and adversely affect our business, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, customers, suppliers or other third parties.

We are exposed to fraud, unauthorized or unlawful activities, bribery and corruption, or other misconduct committed by our employees, customers, suppliers or other third parties, which could harm our reputation and subject us to litigation, financial loss and regulatory penalties. While our internal controls are designed to monitor our operations and ensure compliance with our risk management policies, they may not detect all instances of misconduct in a timely manner, if at all. It is not always possible to prevent fraud and other misconduct by our employees or third parties, and the precautions we take may not be effective. Any such misconduct could result in negative publicity and materially harm our business.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, and non-compliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses, all of which could adversely affect our business, prospects, financial condition, results of operations and cash flows.

We are subject to anti-corruption, anti-bribery, anti-money laundering, financial, export control regulations and similar laws and regulations in various jurisdictions in which we conduct our business, including the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act 2010, and other anti-corruption laws and regulations. If we fail to comply with anti-corruption, anti-bribery, anti-money laundering, financial and export control regulations and similar laws and regulations, we could be subject to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, results of operations, financial condition and reputation. Any violation or even an alleged or suspected violation could harm our reputation and cause our suppliers, customers, financial institutions or other counterparties to refuse to do business with us, which may adversely affect our business, our results of operations, or the [**REDACTED**] of our Shares.

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

Our historical financial information should not be viewed as indicative of our future results. Historical financial information is not intended to represent or predict our results of operations for any future periods. Our growth depends on our forward-looking assessment of market prospects. We cannot guarantee that our assessment will prove accurate or that we will grow as planned. Our expansion plans may be affected by factors beyond our control, including changes in general economic conditions, the competitive landscape of our industries, applicable regulations and policies and demand for our products.

Legal proceedings and claims could have a material adverse effect on our business, results of operations, or financial condition.

We may be subject to or involved in lawsuits, contract disputes, employment-related controversies and other legal and administrative proceedings or fines relating to our business operations, including tax and duty matters. Such matters can be costly and time-consuming, involving expenses for investigation, litigation and potential settlements, judgments or penalties, and divert management and personnel resources from our normal business operations. Additionally, our directors, management, shareholders and employees may face litigation, regulatory investigations or other proceedings, which could adversely affect our reputation and results of operations. Any of these events could materially and adversely affect our business, financial condition, results of operations, or liquidity.

We cannot guarantee a favorable outcome in any such legal action. An adverse judgment or an unfavorable settlement could result in substantial monetary damages, fines, or changes to our business practices, materially harming our business, financial condition, results of operations, cash flows and reputation. Even if we prevail, we may incur significant legal fees and suffer reputational damage. We may also face indemnification claims related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial performance.

Any disruptions at our manufacturing plant caused by extraordinary events could adversely impact our operations, financial condition and results of operations.

We manufacture all our axles and transmissions at our manufacturing plant in Shandong, China. Our operations are concentrated in this single geographical area and are therefore susceptible to regional disruptions and force majeure events, including outbreaks of contagious diseases and other extraordinary events, such as typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events.

The concentration of our operations in a single location means that we do not have alternative or back-up production facilities to which we could readily relocate or transfer manufacturing capacity in the event of a material disruption. Any prolonged interruption to our operations could lead to significant losses of revenue, increased costs associated with remediation, recovery or the procurement of alternative supply arrangements, potential contractual liabilities to our customers, and reputational damage.

In particular, any outbreak of a contagious disease could disrupt our operations with respect to our global supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce and make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional requirements in freight, policies affecting the movement of products between regions, delays in the ramp-up of manufacturing capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other operational, transportation-related, occupational and environment-related risks, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to extensive environmental, health and safety laws and regulations in China, requiring us to maintain safe production conditions and protect our employees. Our operations involve handling hazardous substances and operating machinery under high pressure and temperature, which presents inherent risks. Failure to comply with these regulations could lead to fines, penalties and compensation claims from employees. Accidents could result in personal injury or fatalities, property or facility damage, environmental pollution, business interruption, legal liability and reputational harm. Although we implement safety measures, conduct regular inspections and maintenance and adhere to safety protocols, we cannot guarantee that accidents or work-related injuries will not occur or that employees will always follow procedures. Any such incident could materially and adversely affect our business, financial condition and results of operations.

Our business is subject to labor laws and regulations, and any non-compliance with applicable labor laws may have an adverse effect on our business.

The interpretation and implementation of labor-related laws and regulations continue to evolve, and their application may change significantly. We cannot predict how these laws and regulations will be interpreted or enforced. There can be no assurance that our employment practices will not violate such laws in the markets where we operate, which could expose us to labor disputes or administrative actions. If we are found to have violated relevant labor laws, we could be required to provide additional employee compensation, and our business, financial condition and results of operations could be materially and adversely affected.

Companies operating in China have to participate in various employee benefit plans required by the government, including certain social insurance, housing provident funds and other welfare-oriented payment obligations. The requirement and implementation of employee benefit plans may vary considering the different levels of economic development in different locations in China. There is no assurance that our historical and current practice with respect to the contribution of social insurance plans and housing provident funds will at all times be deemed in full compliance with relevant laws and regulations in China by government authorities. If they are deemed not in compliance, competent authorities may require us to make supplementary payments for social insurance and housing provident funds shortfalls.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future financing activities.

As PRC laws and regulations in relation to overseas issuance and listing of shares develop, we may be required to make filings with or report to CSRC or other Chinese regulatory authorities for our future financing activities. We are required to file with the CSRC in accordance with the Overseas Listing Trial Measures in our future financing, and there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval in a timely manner or at all, the failure of which may restrict our ability to complete the future financing and have a material and adverse effect on our financial performance and business prospects. In addition, if the CSRC or other Chinese regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for future financing activities, there can be no assurance that we will be able to obtain such approvals or complete such filing or other regulatory procedures. For more details related to CSRC approval, filing and other requirements, see "Regulatory Overview — Laws and Regulations Related to Overseas Listing Filing."

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 them in China any judgments obtained from non-Chinese courts.

We are a company incorporated under the laws of mainland China and a majority of our assets are located in China. Some of our Directors and senior management reside within China, and the assets of these Directors and senior management may be located within China. As a result, it may not be possible to affect service of process upon most of our Directors and senior management outside China. China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or most other western countries. However, judgments rendered by Hong Kong courts may be recognized and enforced in China if the requirements set forth by the Arrangement of the Supreme People's Court 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 (《最高人民法院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》) are met. Therefore, recognition and enforcement in China of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible. Although we will be subject to the Listing Rules and the Takeovers Codes 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.

Changes in Environmental, Social and Governance (ESG) compliance requirements could adversely affect our business, operating results and financial condition.

With the rising awareness of ESG issues, including with respect to waste disposal, greenhouse gas emissions and environmental protection, more stringent laws and regulations that affect our business operations may be adopted. Increased compliance costs, environmental remediation expenses and fines or penalties may result in an increase in our capital investment and operating expenses. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure compliance with the ESG-related laws and regulations applicable to us. See "Business — Environmental, Social and Governance." However, there can be no assurance that these measures will effectively help us to navigate the complex and evolving regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and accordingly may have an adverse impact on our business, financial condition and results of operations.

RISKS RELATING TO FINANCE, ACCOUNTING AND TAX

We require significant capital, and may need to seek additional financing which may not be available on favorable terms or at all.

We primarily relied on cash flow generated from operating activities and financing activities to fund our business operations during the Track Record Period. Taking into account the [**REDACTED**] from the [**REDACTED**] and the financial resources available to us, including our cash and cash equivalents, our available banking facilities and cash flows from operating activities, our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this Document. We may, however, require additional cash resources due to changed business conditions or other future developments, including any launches of new products, expansion of our manufacturing facility, engineering and product development activities or investments we may pursue. If we fail to obtain sufficient cash flow from operating activities, we may need to obtain additional equity or debt financing. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to operate and expand our business or to respond to competition could be adversely affected. Moreover, if we raise additional capital by issuing shares or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. In addition, our indebtedness may subject us to covenants that restrict our operations and our ability to effectuate certain corporate decisions for our business and will require interest and principal payments for relevant indebtedness that could create additional cash demands and financial risk for us.

We are subject to credit risk in collecting trade receivables due from customers.

As of December 31, 2023, 2024, and 2025, our trade receivables amounted to RMB104.2 million, RMB117.3 million and RMB148.3 million, respectively. Our trade receivables turnover days were 53 days, 46 days and 55 days for the years ended December 31, 2023, 2024 and 2025, respectively.

If our customers' creditworthiness deteriorates or they fail to settle their accounts receivables in full or on time, we may incur impairment losses. A delay in payment beyond the agreed credit period may also require an impairment loss provision. There is no assurance that we will fully recover our accounts receivable. Any failure to collect from customers could materially and adversely affect our business, financial position, and results of operations.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operations, liquidity and financial position.

Contract liabilities represent the Company's obligations to transfer goods to customers for which the Company has received considerations (or amount of considerations are due) from the customers. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB4.9 million, RMB24.7 million and RMB14.2 million, respectively. There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of such contract liabilities will not be recognized as revenue. As a result, our results of operations, liquidity and financial position may be materially and adversely affected.

We are subject to certain regulatory requirements over foreign currency conversion and remittance and the fluctuations in foreign currency exchange rates could adversely affect our business.

We are subject to certain regulatory requirements over foreign currency conversion and remittance and fluctuations in foreign currency exchange rates could adversely affect our business. Conversion and remittance of foreign currencies are subject to foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate we shall have sufficient foreign exchange to meet our foreign exchange needs. Under existing Chinese foreign exchange regulations, payments of current account items can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our shareholders.

Our revenue, costs of sales and services, expenses and our borrowings and loans are currently denominated primarily in Renminbi, Euros, US dollars and others, while our financial statements are reported in Renminbi. As a result, fluctuations in exchange rates, particularly among the Renminbi, Euro, US dollar or other currencies, could affect our profitability and result in foreign currency exchange losses of our net foreign currency-denominated assets and liabilities. In 2023 and 2025, we recognized net gains on foreign exchange of RMB0.4 million and RMB0.5 million. In 2024, we recognized net losses on foreign exchange of RMB0.7 million. We cannot accurately predict the impact of exchange rate fluctuations on our results of operations and may incur net foreign exchange losses that may have a material and adverse effect on our 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 competitive in markets outside of China, which could adversely affect our sales in such 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.

Changes in tax laws may materially and adversely affect our business, prospects, financial condition, results of operations and cash flows.

The PRC EIT Law imposes an EIT rate of 25% on business enterprises. To the extent there are any changes in the laws and regulations governing tax treatment, or increases in our effective tax, our tax liability would increase correspondingly. In addition, the Chinese authorities may amend or restate regulations on income, value-added and other taxes. Non-compliance with PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to PRC tax laws and regulations and tax penalties or fines could affect our business, financial condition and results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the countries and regions where we operate.

Under applicable laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. During the Track Record Period, our global operations covered multiple countries and regions. We could face material and adverse tax consequences if the relevant tax authorities determine that certain intra-group transactions do not represent arm's length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. The relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities and our business, financial condition and results of operations may therefore be materially and adversely affected.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules and Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民

企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the STA, subject to any applicable tax treaty or similar arrangement between China and your 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 resident enterprises outside of the PRC, which do not have an establishment or a place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, income and gains from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20%, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the STA, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] NO.61) (財稅[1998]61號) issued by the MOF and the STA on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the STA and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) (財稅[2009]167號) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) (財稅[2010]70號). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

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

Foreign [REDACTED] may find it difficult to effect service of legal process and enforce foreign judgments obtained against our properties or our Directors or members of our senior management in the PRC.

We are a company incorporated under the laws of mainland China, with substantially all of our assets located within China. Some of our Directors and senior management members reside in China and the majority of their assets are within China. Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China.

On July 14, 2006, Hong Kong and China 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 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 which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties have an expressly written choice of court. On January 18, 2019, 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**") was signed between the Supreme People's Court of China and Hong Kong, and such arrangement came into effect on January 29, 2024. Compared with the 2006 Arrangement, the 2019 Arrangement seeks to establish a bilateral legal mechanism with greater clarity and certainty for reciprocal recognition and enforcement of judgments between Hong Kong and the PRC in civil and commercial matters under both Hong Kong and PRC laws. The 2019 Arrangement applies to judgments made by the courts of Hong Kong and the PRC on or after its commencement date. The 2006 Arrangement was superseded upon the effective date of the 2019 Arrangement. However, the 2006 Arrangement will remain applicable to a "choice of court agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement takes effect.

As the 2019 Arrangement went effective relatively recently, its implementation and interpretation is still evolving. It may be difficult or impossible for you to enforce a judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. As a result, you may encounter difficulty in enforcing foreign judgments against us or our Directors or senior management members.

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your [REDACTED].

The PRC government imposes regulations on the convertibility of Renminbi into foreign currencies and the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments of dividends declared in respect of our ordinary shares, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments or otherwise satisfy their foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration or filings with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may further regulate foreign currencies for current account transactions or capital account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency needs, we may not be able to pay dividends in foreign currencies to our shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

There has been no prior [REDACTED] for our H Shares and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the completion of the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. There can be no guarantee that an active [**REDACTED**] for our H Shares will develop or be sustained after the completion of the [**REDACTED**]. The [**REDACTED**] may not be indicative of the price at which our Shares will be [**REDACTED**] following the completion of the [**REDACTED**]. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

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

The [**REDACTED**], liquidity and [**REDACTED**] of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese mainland that have listed their securities in Hong Kong may affect the volatility in the [**REDACTED**] for our H Shares. A number of Chinese mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share prices of some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Chinese mainland-based companies listed in Hong Kong and consequently may impact the [**REDACTED**] of our H Shares. Pursuant to the applicable Chinese law, within one year following the [**REDACTED**], all existing Shareholders (including the [**REDACTED**]) could not dispose of any of the Shares held by them. Due to such lock-up requirement, the liquidity and [**REDACTED**] of the H Shares in the short-term following the [**REDACTED**] may be significantly affected. These factors may significantly affect the [**REDACTED**] and volatility of our H Shares, regardless of our actual operating performance.

You will experience immediate and substantial dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our H Shares is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. To expand our business, we may consider offerings and issuing additional shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional shares in the future at a price that is lower than the net tangible asset value per Share at that time.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

Our ability to declare future dividends will depend on the availability of dividends, if any, received from us. Under Chinese law and the constitutional documents of our Company, dividends may be paid only out of distributable profits, which refer to after-tax profits as determined under PRC GAAP less any recovery of accumulated losses and required allocations to statutory capital reserve funds. Any distributable profits that are not distributed in a given year are retained and become available for distribution in subsequent years. The calculation of our distributable profits under PRC GAAP differs in certain respects from the calculation under IFRS. Our Company may not be able to pay a dividend in a given year if our Company does not have distributable profits as determined under PRC GAAP even if they have profits as determined under IFRS.

Our Controlling Shareholders have significant influence over us and their interests may not always be aligned with the interest of our other Shareholders.

Immediately upon the completion of the [**REDACTED**], our Controlling Shareholders will continue to have significant influence over our business and affairs, including decisions of mergers and acquisition, disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. There may be a conflict between the Controlling Shareholders' interests and your interests. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Certain statistics contained in this Document are derived from publicly available official sources.

This Document, particularly the section headed "Industry Overview", contains information and statistics relating to the drivelines industry in China and internationally. Such information and statistics have been derived from various official governments and other publications. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. However, we cannot guarantee the quality or reliability of such information. However, the report is based on certain assumptions set out therein, and actual market developments may differ materially from these forecasts. If any of those assumptions prove to be incorrect, the actual size and growth trajectory of our addressable markets may differ materially from the forecasts, and our business, financial condition, results of operations and prospects may be adversely affected. The information and statistics from official governments have not been independently verified by us, Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of our or their respective directors, officers or representatives or any other persons or parties involved in the [**REDACTED**].

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this Document, there has been press and media coverage regarding us, our business, our industry and the [**REDACTED**]. There may be additional press and media coverage regarding us, our business, our industry and the [**REDACTED**] subsequent to the date of this Document but prior to the completion of the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [**REDACTED**] has authorized the disclosure of any such information in the press or media coverage and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. 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 you should not rely on such information.

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

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