RISK FACTORS

An investment in the H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an investment in the H Shares. The following is a description of what we consider to be our material risks. Any of the following risks may have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of the H Shares may decline, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our products and solutions are used by customers across various downstream industries and demand for our products and solutions depends on trends and developments in their corresponding end products and end markets. Factors that adversely affect these industries may reduce the demand for our products and solutions and adversely impact our business, financial condition and results of operations.

Our products and solutions are widely used in a diverse range of downstream industries, including discrete manufacturing industries such as lithium batteries, photovoltaic, 3C manufacturing, machine tools, injection molding, textile, printing and packaging, air compressors, heating, ventilation and air conditioning (HVAC), automotive manufacturing, construction machinery, pharmaceutical and elevators, as well as process manufacturing industries, such as metallurgy, mining, non-ferrous metals, petroleum, chemicals, municipal utilities, paper making and electric power. Factors that adversely affect these industries could also adversely affect our business, financial condition, results of operations and prospects. These factors include, among others, a decline in industry demand, industry-specific quotas, and adjustments or changes in trade and tax policies, as well as uncertainties in overall macroeconomic conditions, any of which may to some extent limit the application of our products and solutions. All of these factors are beyond our control.

Any decrease in the demand for our products and solutions in the downstream industries would result in a decrease in customer orders. Even if the downstream demand increases, we may not be able to identify and capitalize on the market opportunities in a timely manner. Additionally, shifts in industry standards or technological advancement in these downstream industries may reduce the application of our products and solutions, or even render them obsolete. As a result, if we are unable to adapt to changes in the market conditions of our downstream industries, our business, financial condition, results of operations and prospects will be adversely affected.

Our business may be adversely affected if we do not respond in a timely manner to technological changes and to develop products and solutions that meet evolving customer needs, or if our R&D investments do not yield the expected results.

We operate in industries characterized by rapid technological advancement, frequent product launches, continuous performance and feature enhancement and expansion into new application scenarios. Our continued success depends on our ability to develop, integrate and apply core technologies across product lines and application scenarios and to continuously introduce new and improved products and enhanced solution offerings that keep pace with technological developments and increasingly higher customer requirements. For the years ended December 31, 2023, 2024 and 2025, we incurred R&D expenses of RMB2,624.1 million, RMB3,147.1 million and RMB4,255.8 million, respectively, representing 8.6%, 8.5% and 9.4% of our revenue, respectively.

Technological changes in the industries we operate in could negatively impact our existing products, solutions and even parts of our manufacturing facilities. If we do not improve existing offerings, launch new ones in a timely and effective manner, upgrade manufacturing technologies to support new products, or align our technology roadmap with major customers' platforms and product strategies, we may be unable to retain our existing customers, attract new customers or maintain our competitive position. In certain core technologies, such as industrial software and control-layer technologies, we continue to narrow the gap with leading international peers, but there remains room for further improvement. Our existing or potential competitors may also develop products that are similar or superior to ours, and at more competitive prices.

Developing and commercializing new or upgraded products and solutions requires substantial and sustained investment in R&D, specialist equipment, testing and talent, and these activities are inherently uncertain. We cannot guarantee that our R&D efforts will deliver the anticipated benefits, that each project will result in commercially successful offerings. Even where R&D produces promising technologies, we may not commercialize them as quickly or effectively as planned. Despite our R&D investments, new technology developments may still render our current or planned products and solutions less competitive. In such a case, we may be unable to recover the related development costs and may experience lower revenue, reduced profitability and a loss of market share.

Our industries are highly competitive and if we do not compete effectively, our business and results of operations may be adversely affected.

We face intense competition in industrial automation and digitalization, NEV powertrain systems and our emerging businesses (including intelligent robots and digital energy solutions). Our competitors include global and Chinese industrial conglomerates and specialized manufacturers. Many of them have strong brands, established relationships with major customers, significant R&D resources and the ability to compete on both technology and pricing.

For our industrial automation and digitalization business, the market is driven by rapid technology iteration and strong cost pressure. As our competitors upgrade their offerings, expand their capacity and optimize their manufacturing process, we may face pressure on both functionality and pricing. For our NEV powertrain system business, we compete mainly with international and domestic Tier 1 suppliers of electric drive and power supply systems, as well as automotive manufacturers with in-house development capabilities. Automotive OEMs may increasingly internalize the design and production of critical systems and components that we currently supply, which could reduce our addressable market and intensify pricing pressure. For our emerging businesses, namely, intelligent robots and digital energy solutions, we compete with both established industrial and electrical equipment manufacturers and specialist manufacturers.

We cannot assure you that we will maintain our current market positions. If competitors launch products with superior performance, integration or ease of use, sustain lower pricing through larger scale or cost advantages, or strengthen long-term partnerships with key customers and channels, we may lose projects or customers or be required to reduce prices, which could adversely affect our revenue growth, profit margin and overall results of operations.

If we do not retain our existing customers or attract new customers, our business and results of operations may be adversely affected.

Our success depends significantly on our ability to maintain and expand our customer base and to secure repeat orders from existing customers. Our customers primarily comprise a broad range of automotive OEMs, industrial manufacturers, system integrators and distributors. For the years ended December 31, 2023, 2024 and 2025, revenue from our five largest customers accounted for 23.43%, 29.64% and 29.99% of our total revenue, respectively, and revenue attributable to our largest customer accounted for 7.69%, 15.16% and 8.16% of our total revenue, respectively. Our customers' decision to purchase and continue to purchase our products and solutions depends on a variety of factors, including:

- our ability to offer high-quality products and solutions that address their needs at competitive prices;
- our ability to roll out new and enhanced features, functionalities and integrated offerings;
- our ability to support customers' platform, product and process upgrades; and
- our ability to anticipate and respond to shifts in industry trends and differentiate ourselves within the competitive landscape.

If customers no longer view our products and solutions as attractive relative to competing offerings, for example due to performance, integration, cost or service considerations, we may be unable to expand or even maintain our customer base. We cannot assure you that any existing customer will continue to purchase from us at historical or increased levels, or at all. Customers may reduce their order volumes, seek price reductions or more favorable terms, introduce more competitive tenders, or shift part of their procurement to other suppliers or internalize production.

If we are unable to retain key existing customers, or if orders from such customers are significantly reduced, or if we are unable to attract sufficient new customers and new projects to offset any declines, our sales and profitability could be adversely affected.

If we do not effectively manage our growth or execute our growth strategies, particularly in expanding into new products and industry sectors, our business and prospects may be materially and adversely affected.

We have experienced rapid business expansion in recent years. Our revenue increased from RMB30,392.4 million for the year ended December 31, 2023 to RMB37,013.3 million for the year ended December 31, 2024 and further to RMB45,085.3 million for the year ended December 31, 2025. We have expanded our business across multiple segments. Managing growth requires significant management attention and the allocation of financial, production, sales and other resources as we expand and refine our product and solution portfolio, serve a larger and more diversified customer base, enter or expand in new application scenarios and geographic markets, and integrate newly acquired businesses and newly established subsidiaries.

In particular, our expansion into new products and industry sectors presents distinct execution risks. For example, we have identified and are pursuing two emerging businesses, namely intelligent robots and digital energy solutions. These are rapidly evolving sectors. We may not be able to anticipate or respond to changes in these markets in a timely manner, and our products and solutions may fail to achieve the commercial traction, scale or profitability we expect. In addition, for our industrial automation and digitalization business and NEV powertrain system business, we are also proactively expanding our product offerings. For instance, we have launched offerings of intelligent chassis systems, including active suspension hydraulic pumps and active stabilizer bars. Expansion into new product domains within our existing businesses similarly entails engineering risk, customer qualification risk and the risk that customers may not adopt our new offerings at the pace or scale we anticipate.

Our industries are also undergoing continuous development. Changes in technology, customer preferences, competitive structure, industrial policies and regulatory standards may require us to adjust our long-term strategies and business plans, including shifting our emphasis between products, segments and regions. Failure to adapt our strategies and business plans to such changes could materially and adversely affect our competitiveness and growth prospects. Even where we do adapt and innovate, we may not realize the expected benefits, and in some cases our strategic adjustments and new initiatives may involve costs and risks that negatively affect our profitability and business performance in the short to medium term.

Our business depends on our ability to obtain raw materials in sufficient quantities and on commercially reasonable terms. Any increase in prices or shortage in supply may disrupt our supply chain, increase production costs and delay deliveries to customers.

Our production operations depend on obtaining adequate supplies of quality raw materials and key components on a timely basis. We use a wide range of raw materials and components, such as power semiconductors, chips, wires and permanent magnets. For the years ended December 31, 2023, 2024 and 2025, our costs of raw materials amounted to RMB17,388.1 million, RMB22,466.3 million and RMB27,380.3 million, representing 83.7%, 84.2% and 84.5% of our total cost of sales, respectively.

The prices and availability of these raw materials and components are influenced by changes in bulk commodity prices, as well as by market supply and demand, capacity and operating conditions of our suppliers and macroeconomic and geopolitical factors, all of which are beyond our control. We cannot guarantee that we will always be able to fully offset the increased costs in raw material and component through adjustment to our pricing or other measures in a timely manner. If we become subject to any significant increase in raw material and component costs which was not anticipated when prices were agreed, our profitability may be adversely affected. Our ability to negotiate price adjustment mechanisms with customers is important to mitigating this risk. If we are unable to secure such terms, or if they prove insufficient, our gross margin and overall results of operations may be negatively affected.

We also face the risk of supply shortages and longer lead times. Any of our suppliers may face their own constraints or disruptions, including production interruptions, capacity reductions, quality issues, environmental and safety enforcement, logistical disruptions, trade restrictions, strikes, natural disasters, public health events or other force majeure incidents. There is no assurance that they will continue to supply us on existing terms, or that we can always qualify alternative suppliers that meet our technical specifications, quality standards and delivery requirements at comparable cost. If our existing suppliers materially reduce or cease their supply, experience delays or fail to meet our quality requirements, we may not be able to procure sufficient quantities of suitable materials and components from other sources in a timely and cost-effective manner, or at all.

Any significant shortage or disruption in the supply of raw materials and key components, or any significant increases in their prices could lead to higher production costs, reduced capacity utilization, delays or shortfalls in deliveries, potential contractual penalties or claims, damage to our reputation and customer relationships and, ultimately, reduced revenue and profitability. In such circumstances, our business operations, financial condition and results of operations could be affected.

Defects in our products and solutions, failure to meet customers' quality requirements and product returns may materially and adversely affect our reputation, business, financial condition and results of operations.

Our products and solutions may be affected by defects and may fail to meet the required quality standards due to factors such as errors or deficiencies in design, R&D, system integration or manufacturing processes. Defects in our products and solutions may also arise from substandard or defective raw materials, components, software or services supplied by third parties, over which we have limited control. In addition, as we sometimes design, develop and manufacture products and solutions based on quality standards and specifications set by our customers, any failure to achieve these requirements may negatively affect our relationships with such customers and harm our reputation.

Addressing defects in our products and solutions may require us to upgrade or modify our designs, software, system architecture or manufacturing processes, conduct additional testing or provide remedial services, which could result in additional costs and disruptions. In particular, our automotive-related products may be subject to product recalls and customer claims, which could result in additional costs and further reputational damage. There can be no assurance that we will not face significant product or solution liability losses or incur substantial costs addressing quality issues in the future. Any defects in our products or solutions, or any failure to meet customers' quality standards, may materially and adversely affect our reputation, business, financial condition and results of operations.

Furthermore, our customers may return, exchange or suspend acceptance of any products and solutions that fail to meet their standards or contractual requirements. High levels of product or solution returns, exchanges, rework, warranty or after-sales claims could result in increased costs, declined sales volume, reduced profitability and reputational damage. In serious cases, we may be subject to claims for breach of contract, product or professional liability claims, liquidated damages and demands for refunds or compensation.

Our business depends on our key management personnel and technical talent, and failure to attract, retain and motivate such personnel could adversely affect our business and innovation capability.

Our success depends heavily on the experience, vision and leadership of our key management personnel, including our chairman and president, other executive officers and senior managers, as well as on the expertise of our core R&D and technical teams. If one or more members of our senior management or core R&D and technical teams resign, retire, become incapacitated or otherwise become unavailable, and if we are unable to recruit suitable replacements in a timely manner, our strategic planning, business development and technology roadmaps may be adversely affected. In addition, as we enter emerging fields, we need to recruit and develop specialists with new skill sets. There is no assurance that our existing incentive mechanisms, corporate culture, training programs and career development paths will always be sufficient to attract and retain all key personnel required for our growth.

Any significant loss of key management or core technical personnel, or any failure to build and maintain robust teams in key functions such as R&D, product development, technical support and project delivery, could delay product and solution development, affect product quality or project execution, weaken our responsiveness to market demands and adversely affect our business operations, innovation pipeline and financial performance.

We may face risks in relation to the capacity expansion and equipment upgrades of our production bases.

We have expanded, and expect to continue to expand, our production capacity in China and overseas and to upgrade our equipment to support our broad product portfolio and growing international business. As of December 31, 2025, we operated multiple production bases in China and overseas. We have adopted a mixed manufacturing model that combines in-house production of complete machines and finished products with selective outsourcing of certain intermediate components to external plants, which we manage under unified standards and requirements. We have incurred, and expect to continue to incur, significant capital expenditure in respect of these initiatives. For our planned capacity, see "Business—Production Bases." In connection with our planned increase in our production capacity, we may incur higher depreciation and amortization expenses from property, plant and equipment in the future.

There is no assurance that our capacity expansion plans or equipment upgrades will achieve the intended operational or financial results. Our ability to utilize additional capacity depends on securing sufficient customer orders and market acceptance, which may be affected by market conditions, customer demand, pricing pressure, technological changes, regulatory developments and competitive dynamics. If we are unable to generate order volume commensurate with our increased capacity, or if market demand weakens, grows more slowly than expected or shifts toward technologies, products or standards that we are slower to develop or commercialize, we may experience low utilization rates, excess capacity, increased inventory risk, and may be unable to recover our capital expenditures, any of which could adversely affect our gross margins, profitability, business, financial condition, results of operations and prospects.

We are exposed to risks and challenges associated with our international operations.

Our products are sold to overseas markets in Asia, Europe and North America, and we have established or acquired overseas subsidiaries to support our international business. In addition, as of December 31, 2025, we also operated three overseas production bases in Hungary, Thailand and South Korea and overseas R&D centers in Germany and South Korea. For the years ended December 31, 2023, 2024 and 2025, we generated 5.7%, 5.5% and 5.9% of our revenue from overseas, respectively.

We could be affected by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Sales of our products and solutions in foreign countries could be materially and adversely affected by international trade regulations, including duties, tariffs and anti-dumping penalties. We are also exposed to credit and collectability risk on our trade receivables with clients in certain international markets. There can be no assurance that we can effectively limit our credit risk and avoid losses. All of the above could adversely affect our business, financial condition and results of operations.

We rely on a combination of direct sales and distributors, and any failure to manage these sales channels effectively could adversely affect our business.

We rely on a combination of direct sales and distributors. For our NEV powertrain systems, digital energy solutions and intelligent elevator products, we primarily rely on direct sales, and for our industrial automation and digitalization offerings (other than intelligent elevator products) and intelligent robot, we primarily sell them through distributors. For the years ended December 31, 2023, 2024 and 2025, direct sales accounted for 64.7%, 71.3% and 70.1% of our revenue, respectively. For the same years, sales through distributorship accounted for 35.3%, 28.7% and 29.9% of our revenue, respectively. The effectiveness of this approach depends on our ability to maintain productive relationships and continuous collaboration with existing distributors, onboard qualified new partners and manage potential channel conflicts between distributors. Distributors play an important role in extending our market coverage, providing localized service and implementing solutions. However, their capabilities, resources and commitment to our products may vary. If any major distributor underperforms, reduces purchases, violates contractual terms, or fails to align with our brand and service standards, it may disrupt our market presence, harm our reputation or lead to inventory build-up.

At the same time, our direct sales to key customers require close engagement, customized solution design and project management capabilities. As we scale, we may face challenges in coordinating our direct sales teams and our distributors, including pricing alignment, avoidance of customer overlap and conflict management. Failure to manage incentives and responsibilities effectively across channels, or to adapt our channel strategies to evolving customer preferences or regulatory requirements, could reduce the efficiency of our sales organization and adversely affect our revenue growth, profitability and long-term market position.

Our manufacturing processes may experience disruptions that can increase our production costs or constrain capacity.

We operate multiple manufacturing plants in the PRC and overseas, and our manufacturing processes are complex, requiring specialized equipment, process engineering and coordinated supply of key components. Our production lines are periodically modified and upgraded to support new product introductions, improve yields and performance and reduce unit manufacturing costs. Production difficulties may arise that could cause delivery delays, reduced output or higher scrap rates. There is no guarantee that we will not encounter manufacturing issues in achieving acceptable yields, output or timely product delivery due to factors such as delays in or challenges with building or ramping up new manufacturing plants or production lines, upgrading or modifying existing production lines in response to new products or technologies, integrating new manufacturing technologies or processes, or delays in equipment deliveries and qualification. Any of these issues could constrain our production capacity, result in higher manufacturing costs, cause us to miss customer delivery schedules and adversely affect our reputation and results of operations.

Furthermore, our manufacturing processes entail certain risks, such as industrial accidents, fires, equipment failures and other workplace safety incidents, which could lead to property damage, personal injury or environmental impact. There is no assurance that we will not experience material safety or environmental incidents in the future. Any material safety or environmental incident at any of our own manufacturing plants or at key contract manufacturers could result in substantial production interruptions and delays, regulatory investigations or penalties, remediation costs, or claims for significant damages due to personal injuries or property damage, thereby adversely impacting our business, financial condition and results of operations.

Our merger and acquisition activities, joint ventures, strategic investments and industrial investment fund may not generate the expected synergies and may expose us to risks and uncertainties.

We have completed merger and acquisition transactions in the past and may undertake additional, and unpredictable, merger and acquisition activities in the future, as well as establish joint ventures, make strategic investments and invest through our industrial investment fund. These activities are intended to generate synergies such as revenue growth, cost savings, technology upgrades, market access and operational efficiencies. The extent, timing and sustainability of such synergies are uncertain. Historical merger and acquisition transactions may not deliver the anticipated integration benefits, and future transactions may be based on assumptions regarding market conditions, competitive landscape, regulatory environment, technology development and the target's financial and operational performance that prove inaccurate or become outdated.

We may enter new business areas, technologies or markets where we have limited experience, exposing us to financial, operational and compliance risks different from those we have historically faced. We may also be exposed to hidden or unexpected issues and potential liabilities at targets or investee companies, including regulatory non-compliance, tax exposures, off-balance sheet commitments, intellectual property disputes, environmental or product quality issues, labor and employment claims, or other unresolved disputes. Following completion, we may encounter ongoing challenges in integrating or coordinating acquired businesses and joint ventures, including aligning business models and governance structures, integrating systems and internal controls, reconciling differing corporate cultures, retaining key personnel, and consolidating suppliers, customers and distribution channels. Failure or delay in achieving synergies can lead to business disruption, loss of customers or employees, operational inefficiencies and lower-than-expected returns.

If the synergies from our historical merger and acquisition transactions, joint ventures, strategic investments or industrial investment fund do not materialize as expected, or if future activities in these areas are not executed or managed effectively, our business, financial condition and results of operations may be materially and adversely affected.

Any expiration of, or failure to obtain, maintain or renew, requisite approvals, licenses, permits and certifications could materially and adversely affect our business, results of operations and financial condition.

In accordance with the laws and regulations in the jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications in order to operate our business. See "Business—Licenses and Permits." In addition, our products are subject to certain product-level certification requirements, including safety, quality, environmental and industry-specific certifications issued by regulatory and standardization bodies. Complying with such requirements may be costly and burdensome, and any non-compliance may expose us to liability. There can be no assurance that we will be able to obtain, maintain or renew all requisite approvals, licenses, permits and certifications in a timely manner, or at all, particularly as laws and regulations, and their interpretation or enforcement, may change over time. If we fail to obtain, maintain or renew any required approvals, or are deemed to have conducted business without the requisite authorizations, we may be subject to fines, suspension or revocation of licenses, or restrictions or cessation of operations.

Our production facilities are subject to extensive regulatory requirements, including those relating to factory licenses, location suitability, zoning, land use and building control. Failure to comply with such requirements may result in enforcement actions, including penalties, suspension or revocation of factory licenses or orders to cease operations, which could materially and adversely affect our business, financial condition and results of operations. Despite our efforts to comply with applicable laws and regulations, we cannot assure you that complaints or enforcement actions will not arise. Any loss of, or inability to obtain or renew, factory licenses or other necessary permits, or any enforcement actions taken against us, could materially and adversely affect our business, financial condition and results of operations.

We may be subject to risks associated with international trade policies, including tariffs, export controls, economic sanctions and trade protection measures.

Our operations may be negatively affected by any change in the political and economic relations among countries, tariffs, economic sanctions, export controls and other trade protection measures administered by the governmental authorities in various jurisdictions and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs as well as political instability. Furthermore, concerns over inflation, energy costs, capital market volatility and liquidity issues may negatively affect our business operations in the future.

The international trade policies and trade protection measures are likely subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. These developments may disrupt or increase the cost of our transactions with key suppliers and customers. As a result, our procurement, logistics and supply chain management may be disrupted, our production lines may experience lower utilization rates, temporary shutdowns or delays and our overall production times and operational efficiency may be adversely affected. These developments may in turn lead to delays in delivery to customers, reduced flexibility in responding to customer demand and potential damage to our reputation and customer relationships.

Moreover, certain foreign investment restrictions may affect our ability to attract foreign investments. For instance, On October 28, 2024, the U.S. Department of the Treasury issued the Outbound Investment Rule, which became effective on January 2, 2025. The Outbound Investment Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau), collectively defined as "covered foreign persons," that are engaged in covered activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems. U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in covered foreign persons. Furthermore, on December 18, 2025, the U.S. Congress enacted the Comprehensive Outbound Investment National Security Act of 2025 (the "COINS Act"), which codifies and expands the Outbound Investment Rule. The U.S. Department of the Treasury was given 450 days to amend the Outbound Investment Rule to conform with the provisions set forth therein, and the existing Outbound Investment Rule remains in effect until then. We do not believe the Company is a covered foreign person as we do not engage in any covered activities under the Outbound Investment Rule. However, we cannot rule out the possibility of being deemed a covered foreign person due to different views taken by the U.S. Department of the Treasury, potential amendments to the Outbound Investment Rule or the introduction of similar regulations. This may reduce U.S. investors' interests in our equity securities and the value of the Shares, as well as limit our ability to raise capital from U.S. investors after this [REDACTED]. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects.

If any new tariffs, legislation and/or regulations are implemented by the United States or other jurisdictions in the future, or if existing trade agreements are renegotiated, such changes may adversely affect our business, financial condition and results of operations. It may also be difficult or costly to comply with such legislation and/or regulations, and would subject us to regulatory investigations, fines, penalties or other actions and reputational harm.

Increases in labor costs, shortages of labor or change in labor relations may increase our production costs, which may adversely affect our business, financial condition and results of operations.

Our ability to attract, train and retain skilled personnel is essential for meeting production schedules and achieving business objectives. As our business grows, we may need to further increase compensation and benefits to attract and retain qualified employees, particularly those with technical or specialized skills relevant to our industry. If labor costs continue to increase, we may not be able to fully offset these increased costs through adjustments to our pricing or other measures due to prevailing market competition and contractual terms. Even if we were able to fully offset these increased costs through adjustments to our pricing or other measures, such an attempt could result in reduced demand for our products and loss of our market share. In addition, if we experience shortages of skilled personnel or are unable to retain key personnel, our ability to maintain or expand operations, fulfill customer orders or deliver new projects may be impaired.

Furthermore, maintaining favorable labor relations with our employees is crucial to our operational stability. We cannot guarantee that we will not have any labor disputes in the future. Any labor disputes, strikes, claims and litigation may disrupt our business operations, harm our reputation, increase labor costs and harm our labor relations that are vital to our long-term success. If we fail to effectively manage labor costs, maintain labor levels or preserve good labor relations, our business, financial condition and results of operations may be adversely affected.

Disruptions, system failures or unauthorized access affecting our information technology systems may materially and adversely impact our business, financial condition and results of operations.

We rely extensively on our information technology systems to manage and support our business operations, including supply chain management, customer relations, financial reporting and internal communications. Our information technology systems and related infrastructure may be vulnerable to disruptions and failures arising from a variety of external and internal factors, including natural disasters, fire events, power outages, telecommunication failures, hardware and software malfunctions, computer viruses, cyber attacks, unauthorized access, human error and other similar events. In addition, our security measures may be circumvented or fail due to factors beyond our control and emerging threats may not be identified or addressed promptly. Such disruptions and failures may prevent us from accessing our internet services, interfere with our business transactions and impede the manufacturing and delivery of our products, which may materially and adversely affect our reputation, business, financial condition and results of operations.

Furthermore, the implementation of new systems, software, upgrades or integration of technologies, including those introduced to improve performance or security, may introduce risk of disruption or incompatibility. Any material disruption, interruption or failure in our IT systems or those of our critical vendors could impair our ability to operate our business effectively. Such events may prevent or delay us from conducting business transactions, fulfilling customer orders, assembling and shipping products, maintaining internal controls and safeguarding proprietary or confidential information. Any unauthorized access to or loss of sensitive business or personal data could result in regulatory investigations, litigation and reputational harm. We may be required to incur significant costs to investigate, remediate and recover from systems incidents or to implement additional protective measures. Any major failure or security breach affecting our information technology systems may materially and adversely affect our business, financial condition and results of operations.

If we are unable to continuously maintain and enhance our brand image and reputation, our business, financial condition and results of operations may be adversely affected.

Our brand reputation depends largely on our ability to deliver high-quality, reliable and innovative products, which we cannot assure you we will always achieve. Defects, quality issues and negative customer experience with our products may harm our brand image and reputation and we may introduce new products that may not satisfy the demand of our customers.

Brand recognition is also increasingly important in a competitive and evolving market. As market competition intensifies, our ability to successfully promote our brand will depend on the effectiveness of our marketing efforts. We may incur additional selling and marketing expenses in order to maintain and enhance our brand image. However, there is no assurance that these investments will achieve their intended effect.

In addition, our brand image may be damaged by actual or perceived acts of misconduct by our Directors, senior management, Shareholders, employees or business partners. Negative media coverage, adverse commentary on the internet or social media and other negative publicity, regardless of its merit, may undermine our reputation and brand image. In some instances, negative publicity may originate from malicious actions or unfair competition practices by third parties, over whom we have limited control. Any failure to maintain and enhance our brand, promote our brand value or successfully manage any negative publicity may adversely affect our business, financial condition and results of operations.

We may be involved in legal or regulatory disputes or other matters arising out of our operations, which may expose us to monetary damages and diversion of resources.

From time to time, we may be involved in legal or regulatory disputes or other matters arising out of our ordinary business operations. We may become subject to administrative or regulatory investigations or actions, or legal proceedings brought by customers, employees, commercial partners, competitors, government authorities or other third parties. These disputes may relate to a range of matters, including employment, intellectual property, contract obligations and competition connected with our products. For example, employers are required, together with their employees or separately, to pay the social insurance contribution and housing provident funds for their employees. Employers that fail to make adequate social insurance contribution and housing provident fund may be subject to administrative actions or penalties. Due to the evolving interpretation and implementation of these laws and regulations, relevant PRC authorities may determine that we have not fully complied with certain labor laws and regulations and may require us to make supplemental contributions or take other remedial actions, and we may be subject to administrative measures or penalties. Any such outcome could adversely affect our business, financial condition and results of operations.

In addition, we cannot assure you that we will not be involved in any lawsuits, or that we will not be subject to liability arising from relevant legal proceedings. There is no guarantee that we will eventually prevail in any such lawsuit or proceedings. Regardless of outcome, legal proceedings, investigations and disputes can be time-consuming, costly and harmful to our brand and reputation. Defending or pursuing claims may require significant management attention and resources and may expose us to substantial legal expenses. If any claims or proceedings are determined unfavorably to us, or if we are required to enter into settlements, we may incur substantial monetary damages, need to assume additional liabilities and be required to suspend or alter certain business practices.

Furthermore, negative publicity arising from actual or alleged legal proceedings, investigations or disputes, regardless of their merit, may damage our reputation, reduce the public's trust in our brand or services and invite further scrutiny from regulators and the public. We expect the number and complexity of disputes and claims to increase as our business continues to grow. Any material dispute or adverse outcome in legal proceedings may materially and adversely affect our reputation, business, financial condition and results of operations.

Some of our lease agreements were not registered with the relevant government authorities, which may expose us to potential fines.

As of December 31, 2025, our Company and Major Subsidiaries leased 20 properties from third parties in the PRC for production, operations, office and warehousing. Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the local branches of the Ministry of Housing and Urban Development. As of the Latest Practicable Date, we did not complete lease registration for certain properties leased by our Company and Major Subsidiaries in China. For details, see "Business—Properties." Our PRC Legal Advisers have advised us that we may be required by the relevant competent authorities to file the lease agreements within a prescribed period and may be subject to a fine for failure to file such lease agreements within the prescribed time limit, which may range from RMB1,000 to RMB10,000 for each lease agreement. In the event that any fine is imposed on us for our failure to register our leases, we may not be able to recover such losses from the lessors. We cannot assure you that the other parties to our lease agreement will be cooperative and that we can complete the registration of this lease agreement and any other lease agreements that we may enter into in the future.

Failure to adequately protect our intellectual property rights and proprietary information may have a negative impact on our business, reputation and competitive position.

Our success will depend in part on our ability to obtain and maintain patent or other forms of intellectual property protection for our technologies, processes and products as well as to successfully enforce our intellectual property rights and to defend our intellectual properties against third-party challenges. As of December 31, 2025, our key intellectual properties comprised patents, trademarks, software copyrights and registered domain names. See "Business—Intellectual Property." In the event that our issued patents and patent applications do not adequately provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or utilizing these technologies, processes and products. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may not adequately protect our rights or permit us to gain or keep our competitive advantage.

We also rely on trade secret protection and confidentiality agreements to safeguard our interests. However, trade secrets may be difficult to protect. We require our employees and suppliers who may have access to trade secrets to enter into confidentiality agreements or other agreements including confidentiality provisions with us, but such persons may unintentionally or willfully disclose our information to competitors. In addition, confidentiality agreements or other agreements including confidentiality provisions may not be enforceable or provide an adequate remedy in the event of unauthorized use or disclosure. It may be difficult to prove or enforce a claim that a third party had illegally obtained and used our trade secrets. In addition, our competitors may independently develop technologies that are equivalent to our trade secrets, in which case, we would not be entitled to enforce our trade secrets and our business could be harmed.

We may encounter future litigation by third parties based on claims that our technologies, processes or products infringe upon the intellectual property rights of others or that we have misappropriated the trade secrets of others. We may also initiate lawsuits to defend the ownership of our inventions and our trade secrets. It is difficult, if not impossible, to predict how such disputes would be resolved. Litigation relating to intellectual property rights is costly and diverts technical and management personnel from their normal responsibilities. Furthermore, we may not be able to prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products.

We may be subject to intellectual property infringement claims by third parties, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We cannot assure you that our operations, services or other aspects of our business do not or will not infringe upon or otherwise violate trademarks, patents, copyrights, trade secrets or other intellectual property rights owned by third parties. From time to time, we may be involved in legal proceedings or claims brought by third parties alleging infringement or other violations of their intellectual property rights. As competition in the market intensifies and litigation becomes a more common means of addressing commercial disputes, we may face a higher risk of being the subject of such claims, including claims initiated by competitors seeking to gain a commercial advantage.

Laws and regulations relating to intellectual property rights in certain jurisdictions where we operate, such as patents and trade secrets, are still developing and can be open to differing interpretations. We cannot guarantee that courts, administrative authorities or regulators will always agree with our position or our assessment of potential exposures. Detecting and managing possible infringements of third-party rights may require significant monitoring and ongoing investment.

If we are found to have infringed the intellectual property rights of others, we may face liability for damages, fines or injunctions that could require us to cease using certain technologies, content or features central to our operations. We might be obligated to pay licensing fees or invest in developing equivalent alternatives, which may be costly or not commercially viable. Defending ourselves against actual or threatened claims can be expensive, time-consuming and may divert management and other corporate resources away from our business operations.

Furthermore, unfavorable outcomes, including judgments, settlements, or injunctions restricting our business activities, could result in significant monetary liabilities and disruptions to our operations, which may materially and adversely affect our reputation, business, financial condition and results of operations.

We are subject to changing laws, regulations and social trends regarding environmental, social and governance (ESG) issues, increasing both our costs and the risk of non-compliance.

We are or will be subject to ESG-related rules and regulations by various governing bodies, as well as the various regulatory authorities in China, and to new and evolving ESG-related regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding ESG risks. Our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Our business may be materially and adversely affected by force majeure events, natural disasters, outbreaks of contagious diseases, acts of war, terrorism or other events beyond our control.

Natural disasters, power shortages, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct our business. These regions may be under the threat of typhoon, tornado, snowstorm, earthquake, flood, drought, power shortages or failures, or are susceptible to epidemics, wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe infectious disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could therefore materially affect our operations. Acts of war or terrorism, riots or disturbances may also cause injury or loss of lives to our employees and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment and materially and adversely impact our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all losses or potential claims, which may negatively affect our business, financial condition, results of operations and prospects.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. We maintain property insurance for our manufacturing facilities, including those located in China and overseas. We have taken limited product liability insurance and transportation insurance for our products, such as export credit insurance. We have taken overseas investment insurance for our overseas investment to address the risk of business interruption caused by overseas expropriation, customer default, war and political unrest. There may be circumstances under which certain types of losses, damages and liabilities are not covered by our insurance policies. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which may have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL POSITION

Our historical results may not be indicative of our future business, financial condition and results of operations, and we may not be able to manage future growth effectively.

The historical financial information included in this document is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods. During the Track Record Period, our revenue growth and profitability are affected by a number of factors, such as our ability to optimize and enrich our product and solution portfolio across our business lines, our ability to successfully implement our business development strategies in a cost-effective manner and our ability to effectively manage our costs and expenses and continuously improve operational efficiency. Accordingly, you should not rely on the results of operations or revenue of any prior year or period as an indication of our future performance. We may also incur unforeseen expenses, or encounter difficulties, complications or delays in executing our strategies, deriving revenue or maintaining our current level of profitability. If we are unable to generate adequate revenue and manage our expenses effectively, we may incur losses in the future and our business, financial condition and results of operations could be materially and adversely affected.

We are subject to recoverability risks relating to our trade receivables.

We sell our products and solutions on credit terms consistent with industry practice, which exposes us to credit risk. Our business scale and the absolute level of receivables have grown in recent years. As of December 31, 2023, 2024 and 2025, our trade receivables were approximately RMB9,608.5 million, RMB11,404.1 million and RMB12,281.1 million, respectively, and our trade receivables turnover days for the same periods was 90 days, 95 days and 89 days, respectively. The recoverability of receivables is influenced by factors beyond our control, including macroeconomic conditions, financial health and liquidity of customers, changes in industry conditions and customers' own operational performance. If customers delay payments, seek to renegotiate payment terms, or default on their obligations, our cash flows and working capital could be adversely affected. We may also incur additional costs and management time to pursue recovery through negotiations, legal proceedings or other means, without assurance of success.

There is no assurance that our customers will pay us on a timely basis or at all. If we experience a significant increase in overdue, impaired or uncollectible receivables, or if we need to make significant additional impairment provisions or write-offs, our revenue recognition, profitability, cash flow and financial condition may be materially and adversely affected.

If we are unable to effectively manage our inventory, our business, financial condition and results of operations may be adversely affected.

Our inventory primarily includes raw materials and consumables, work in progress, finished goods and goods in transit. As of December 31, 2023, 2024 and 2025, we had inventories of RMB6,163.0 million, RMB6,782.1 million and RMB8,013.0 million, respectively. Maintaining an optimal level of inventory is important for the success of our business. We determine our level of inventory based on experience, number of orders from customers and assessment of customer demand. Nevertheless, we cannot guarantee that we can succeed in managing our inventory risk. Meanwhile, we may be exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including but not limited to, changes of customer needs and the inherent uncertainty of the success of product launches. Inventory levels in excess of demand may result in inventory write-downs or write-offs, which would have an adverse effect on our profitability. In addition, if we underestimate the demand for our products, we may not be able to produce a sufficient number of products to meet such unanticipated demand, which could result in delays in the delivery of our products and harm our reputation. Any of the above may adversely affect our business, financial condition and results of operations.

Our indebtedness and repayment sums may materially and adversely affect our liquidity and ability to respond to adverse economic and industry conditions.

Historically, we generally relied on cash generated from operations, bank loans and equity financing to fund our operations and expansion. We expect that we may continue to do so in the future and our liquidity risk may increase. As of December 31, 2023, 2024 and 2025, we recorded an indebtedness, consisting of bank and other borrowings and lease liabilities, of RMB5,358.5 million, RMB4,502.9 million and RMB4,536.6 million, respectively. We incurred finance costs of RMB178.4 million, RMB161.6 million and RMB170.4 million for the years ended December 31, 2023, 2024 and 2025, respectively, which mainly consisted of interest on bank borrowings, discounted bills and lease liabilities.

Our ability to meet our debt obligations largely depends on our operating performance and the ability of our customers to fulfill their payment obligations to us. This, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to refinance any of our indebtedness on commercially reasonable terms, or at all. If we encounter difficulties in generating sufficient cash to repay our outstanding indebtedness, our liquidity, business, results of operations and financial condition may be materially and adversely affected, and we may not be able to expand our business. We may be forced to sell assets, issue additional capital, reduce or delay capital expenditures, strategic acquisitions and investments, or seek to restructure or refinance our indebtedness, any of which may not be successful or may not provide sufficient remedial measures, and could impede the implementation of our business strategy or prevent us from entering into transactions that would otherwise benefit our business.

We are subject to fair value changes for financial assets at FVTPL and financial assets at FVTOCI.

During the Track Record Period, we held financial assets at FVTPL, which were mainly related to investments in listed and unlisted equity securities, wealth management products and structured products. As of December 31, 2023, 2024 and 2025, we recorded financial assets at FVTPL of RMB3,057.2 million, RMB4,388.4 million and RMB7,865.0 million, respectively. We also recorded financial assets at FVTOCI, which represented bills and trade receivables that may be endorsed to suppliers or discounted to banks. As of December 31, 2023, 2024 and 2025, we recorded financial assets at FVTOCI of RMB2,132.4 million, RMB2,375.2 million and RMB3,507.0 million, respectively.

The value of our financial assets at FVTPL and financial assets at FVTOCI is subject to fair value fluctuations and uncertainties in accounting estimates, which could adversely affect our financial condition and results of operations. The fair value of our financial assets at FVTPL depends on the market prices of the underlying listed equity securities and the assessed value of unlisted equity securities, wealth management products and structured products, each of which is subject to market volatility, credit risk and valuation uncertainty. In particular, the fair values of unlisted equity securities are measured using valuation techniques with unobservable inputs and hence classified as Level 3 of the fair value hierarchy, reflecting that they are inherently subject to significant management judgment and estimation uncertainty. The fair value of our financial assets at FVTOCI is estimated based on the present value of contracted cash inflows discounted at rates reflecting prevailing market credit conditions, and is subject to counterparty credit risk, including the risk of default by the issuers or acceptors of such bills. Any adverse fair value movements in our financial assets at FVTPL or financial assets at FVTOCI, whether realized or unrealized, may adversely affect our profitability, other comprehensive income and overall financial condition.

We record net other income, gains and losses which may fluctuate significantly and affect our results of operations.

We record net other income, gains and losses primarily comprising VAT refund, government grants, bank interest income and gains from financial assets at FVTPL. For the years ended December 31, 2023, 2024 and 2025, our other income, gains and losses, net, amounted to RMB904.5 million, RMB821.9 million and RMB971.8 million, respectively. Many of these items are volatile and depend on factors partly beyond our control, such as changes in government policies, market conditions and valuation assumptions, foreign exchange rate movements.

For the years ended December 31, 2023, 2024 and 2025, we recorded VAT refund of RMB497.4 million, RMB446.0 million and RMB474.3 million, respectively. Fluctuations in these items may have a material impact on our profit or loss in a financial year and may distort underlying trends in our core operating performance, thereby affecting our results of operations across periods. Positive contributions from other income, gains and losses in a financial year may not be repeated in subsequent financial years, while adverse movements, such as increased impairment losses, unfavorable fair value changes or foreign exchange losses, could significantly reduce our profitability or result in net losses. As a result, our historical profit margins and growth rates may not be indicative of future performance, and any material adverse movements in other income, gains and losses could negatively affect our business, financial condition, results of operations and the market price of the H Shares.

Our business requires a significant amount of capital expenditure for maintenance, upgrades and expansion of production capacity, and there can be no assurance that we will be able to have enough cash to successfully implement our capital expenditure plans.

We recorded capital expenditures of RMB1,508.7 million, RMB2,112.2 million and RMB3,023.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. There can be no assurance that we will be able to generate sufficient cash from operations, or at all, to fund our planned capital expenditures. Any delays or failures in securing necessary funding and any unforeseen increases in costs or delays in the implementation of our capital expenditure plans could adversely affect our operations and financial results. Moreover, the development in industries where we operate may require us to make additional, unforeseen investments to remain competitive. If we fail to allocate sufficient resources toward adapting to these technological changes or if our investments do not yield the expected benefits, our market position and profitability may be adversely impacted.

We face exposure to foreign currency exchange rate fluctuations, which may adversely affect our financial condition and results of operations.

We carry out a portion of our sales and procurement activities in foreign currencies and have overseas subsidiaries whose functional currencies are not Renminbi but foreign currencies, such as United States dollars, euros, Indian rupee and Korean won. Our consolidated financial statements are presented in Renminbi, and we are therefore exposed to foreign exchange fluctuations arising from translation of the financial statements of our overseas entities and from monetary items denominated in foreign currencies.

The value of the Renminbi against other major currencies has fluctuated in the past and may continue to be volatile in the future, influenced by economic and political developments, monetary policies, trade balances and regulatory interventions. Exchange rate movements can affect our reported revenue, costs, margins, assets and liabilities. For example, depreciation of the Renminbi against foreign currencies may increase our costs for imported raw materials, components and equipment, while appreciation of the Renminbi may reduce the Renminbi value of revenue from overseas sales. In addition, translation of the financial statements of our overseas subsidiaries, joint ventures and associates may give rise to exchange differences recognized in other comprehensive income, affecting our equity.

There is no assurance that we will not incur foreign exchange losses in the future. Any significant adverse movement in exchange rates, particularly between the Renminbi and currencies in which we have exposure could adversely affect our business, financial condition and results of operations.

We are exposed to risks in relation to impairment losses on goodwill and intangible assets.

We are exposed to the risk of recognizing impairment losses on goodwill and intangible assets, which could adversely affect our financial condition and results of operations. Our goodwill arises from the acquisition of other business entities. We recorded goodwill of RMB2,161.3 million, RMB2,153.6 million and RMB2,094.6 million as of December 31, 2023, 2024 and 2025, respectively. As part of our business strategy, we have also invested in intangible assets, including software, patents and deferred development costs. As of December 31, 2023, 2024 and 2025, our intangible assets amounted to RMB235.2 million, RMB241.0 million and RMB233.5 million, respectively. These assets are initially recognized at cost and subsequently measured at cost less accumulated amortization and impairment losses.

Goodwill and certain intangible assets are subject to impairment testing, which requires management to make significant judgments and estimates, including assumptions regarding future cash flows, discount rates and growth prospects. These assumptions are inherently uncertain and may be adversely affected by changes in market conditions, technological developments or business performance. If the carrying amount of goodwill or other intangible assets exceeds their recoverable amount, we may be required to recognize impairment losses, which could adversely affect our profitability, net asset value and financial performance. In addition, future acquisitions may increase the amount of goodwill and intangible assets on our balance sheet and further increase our exposure to impairment risk.

We may face exposure to increased share-based payment expenses under our equity incentive and long-term incentive schemes, which may adversely affect our results of operations.

We have implemented multiple share-based incentive and long-term shareholding plans for our directors, senior management and core employees. For the years ended December 31, 2023, 2024 and 2025, we recorded share-based payment expenses of RMB296.3 million, RMB206.5 million and RMB252.9 million, respectively. Overall, share-based payment and long-term incentive expenses have become a recurring component of our staff costs and operating expenses and will continue in future years as vesting continues and new awards may be granted.

However, as we expand our business and workforce, we may grant additional awards or adopt new incentive schemes, which could increase our share-based payment expenses and dilute existing shareholders' interests. If our share-based payment expenses increase significantly, or if performance conditions are not met but we have already recognized substantial expenses over vesting periods, our profitability and earnings for the relevant periods may be adversely affected. Moreover, if investors perceive our equity incentive arrangements as overly dilutive or costly, market sentiment toward our shares may be negatively affected.

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

The PRC EIT Law imposes an EIT rate of 25% on business enterprises. Our Company and certain of our subsidiaries were eligible for preferential income tax rates ranging from 0% to 20% during the Track Record Period. To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, value-added and other taxes. Non-compliance with the PRC tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to the PRC tax laws and regulations and tax penalties or fines could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our 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. The tax treatments of our transaction arrangements may be subject to interpretation by the respective tax authorities, and there can be no assurance as to the outcome of these examinations. In addition, during the Track Record Period, our Company and our subsidiaries conducted intragroup transactions in accordance with our transfer pricing policy, in which we followed the fundamental principle that intragroup transactions be conducted on an arm's-length basis. Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the countries and regions where we operate who may audit or challenge these arrangements and make transfer pricing adjustments if they consider them not to be arm's-length. If we cannot resolve such matters within the required time frame, we may be subject to interest, surcharges and other penalties for unpaid taxes. If our weighted average effective tax rate was 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.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Developments in economic, political and social conditions, as well as government policies, laws and regulations and industry practice guidelines in the PRC and other jurisdictions where we operate may affect our business, financial condition, results of operations and prospects.

Our business, financial condition and results of operations and prospects are affected by economic, political and legal developments in the PRC and other jurisdictions where we operate. For example, in recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. The overall economic growth is influenced by the governmental regulations and policies in relation to capital investments, monetary policies, regulations of financial services and institutions, preferential treatment to particular industries or companies and others. If the business environment in the PRC or any other jurisdictions where we operate changes, our business and its growth prospects may be affected. We cannot predict future changes in the economic, political and social conditions of the PRC or any other jurisdictions where we operate, and the effect that new government policies would have on our business and prospects.

You may have difficulties in effecting service of legal processes or enforcing foreign judgments against us, our Directors and our senior management.

We are a company incorporated under the laws of the People's Republic of China (the PRC) and most of our business, assets and operations are located in the PRC. In addition, the majority of our directors and executive officers reside in the PRC and substantially all of their assets are located in the PRC. As a result, it may not be possible for you to effect service of process directly upon us or our directors or executive officers who reside in the PRC, including in respect of matters arising under United States federal securities laws or applicable state securities laws.

Pursuant to the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and 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》), which became effective on January 29, 2024 and was promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of the Chinese mainland or any designated Hong Kong court in respect of certain civil and commercial cases may apply for recognition and enforcement of that judgment in the relevant people's court of the Chinese mainland or the relevant Hong Kong court, subject to certain exclusions.

The Chinese mainland has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations and judicial interpretations, a court judgment obtained in the United States or any of the other jurisdictions mentioned above may only be recognized and enforced in the Chinese mainland or Hong Kong to the extent permitted under the relevant domestic laws and, where applicable, any treaties providing for reciprocal enforcement of court judgments between the Chinese mainland and the country where the judgment was made.

Payment of dividends is subject to PRC laws and regulations.

Under PRC laws, dividends may be paid only out of distributable profit. Distributable profit is our profit as determined under the PRC Accounting Standards for Business Enterprises (PRC GAAP), less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient or any distributable profit that enables us to make dividend distributions to our Shareholders, including in periods in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The CSRC may further amend the dividend distribution rules for listed companies in the PRC in the future, which could significantly affect the amount of capital available to support the development and growth of our business.

Gains on the sales of H Shares and dividends on the 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 realized through the sale or transfer by other means of shares by such shareholders.

According to the Individual Income Tax Law of the PRC and the Implementation Regulations for the Individual Income Tax Law of the PRC, both came into effect on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within Chinese mainland or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income executed on August 21, 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 owner 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 PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "EIT"), which was newly revised and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC, which was newly revised and implemented on April 23, 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 Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, 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; (ii) otherwise, 10% of the total amount of dividends.

The interpretation and enforcement of applicable tax laws and regulations in the PRC by the PRC tax authorities, including whether and how income tax will be levied on non-PRC resident shareholders, will be determined according to the laws and regulations then in effect. Non-PRC resident holders of the H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

We may be affected by regulations on currency exchange, including in respect of dividend payments to holders of H shares.

Our revenue and expenses are substantially denominated in Renminbi, and the [REDACTED] from the [REDACTED] and dividends we pay on the H Shares, if any, will be in Hong Kong dollars. Under the PRC's existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to make current account foreign exchange transactions, including paying dividends in foreign currencies without prior approval from 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, our ability to obtain foreign exchange through offshore financing and other foreign exchange related matters may also be affected.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to PRC and Hong Kong listing and regulatory requirements.

As we are listed on the Shenzhen Stock Exchange and will be listed on the Main Board of the Hong Kong Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shenzhen Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shenzhen Stock Exchange and our H Shares will be traded on the Hong Kong Stock Exchange. Under current laws and regulations of the PRC, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H share and A share markets. With different trading characteristics, the H share and A share markets have divergent trading volumes and liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H share and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

There has been no prior public market for our H Shares , and their liquidity and market price may be volatile.

Prior to the [REDACTED], there has been no public market for our H Shares. The initial [REDACTED] range of our H Shares will be the result of negotiations between the [REDACTED] (for itself and on behalf of the [REDACTED]) and us, which may not be indicative of the market price of our H Shares following the completion of the [REDACTED]. If an active public market for our H Shares does not develop following the completion of the [REDACTED], the market price and liquidity of our H Shares may be materially and adversely affected.

The liquidity, price and trading volume of our H Shares may be volatile, which could result in substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors.

Should the [REDACTED] be higher than the net tangible book value per Share, subject to pricing, you may experience immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED].

If the [REDACTED] of our H Shares is higher than the net tangible book value per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] will experience immediate dilution. Existing Shareholders will receive an increase in the [REDACTED] adjusted consolidated net tangible assets value per share of their shares.

You should not place reliance on any information released by us or Inovance Automotive, our listed subsidiary on the Shenzhen Stock Exchange in the A shares market.

As our A Shares and the A shares of our subsidiary, Inovance Automotive, are listed on the Shenzhen Stock Exchange, we and such subsidiary have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we and our subsidiary publicly release information relating to ourselves on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us or our subsidiary in connection with our A Shares is based on the regulatory requirements of the securities authorities and market practices in the Chinese mainland which are different from those applicable to our H Shares. Such information does not and will not form a part of this document. As a result, prospective investors in our H Shares are reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of the PRC, the payment of dividends may be subject to certain limitations. Moreover, the calculation of our profit under the PRC GAAP may differ in certain respects from the calculation under the International Financial Reporting Standards (IFRS Accounting Standards). As a result, even if we report a profit for the year under IFRS Accounting Standards, we may not have distributable profits as determined by PRC GAAP. Additionally, 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, financial condition, cash flows, 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 Directors may deem relevant, and subject to the approval at a Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of the PRC. See "Financial Information—Dividends and Dividend Policy" for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

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," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would" or "will" and 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.

Certain facts, forecasts and statistics derived from external sources contained in this document may not be reliable and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this document, particularly the section headed "Industry Overview," from information provided by various public sources, industry associations, independent research institutes and other third-party sources, including the report from Frost & Sullivan that we commissioned. Our Directors and Joint Sponsors have exercised reasonable care in selecting and identifying the information sources and believe that the sources of such information are appropriate sources for such information. We have taken reasonable care in extracting and reproducing such information. The information from official government sources has not been independently verified by us, the Joint Sponsors, [REDACTED], or any other party involved in the [REDACTED] and no representation is given as to its accuracy.

Market opportunity estimates included in this document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time and there is no guarantee that our market opportunity estimates will materialize in customers using our products and services as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

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

The [REDACTED] is being made solely on the basis of the information and representations contained in this document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this document should not be relied upon in making an investment decision with respect to the securities being offered.

Prior to the publication of this document, there has been coverage in the media regarding us and the [REDACTED], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. Investors should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information and may not be independent or objective.