RISK FACTORS

An [**REDACTED**] *in our* [**REDACTED**] *involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our* [**REDACTED**]. *The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our* [**REDACTED**] *could 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 is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our products and services are widely used by customers of various industries and sectors. The supply-demand dynamics and other macro-economic factors influencing these industries and sectors may in turn impact our business, financial condition and results of operations.

During the Track Record Period, our revenue is primarily from the provision of our printing control system, printing machines and consumables and printing software and services to deliver full chain digital printing solutions to stakeholders in the market. Our profit margin and profitability may be affected by the supply-demand dynamics and other macro-economic factors that affect these industries and sectors. We have limited control on the selling prices of our products and solutions, which are affected by numerous factors, such as general economic conditions, cyclical trends in the downstream markets, mismatch of supply and demand, increased competition, prices of the raw materials, and the seasonal nature of some of our customers' businesses and government policies. These factors lead to a fluctuation in the selling price of our products.

According to Frost & Sullivan, the market size of global digital printing solutions industry in terms of revenue increased from approximately USD36.9 billion in 2021 to approximately USD46.3 billion in 2025, with a CAGR of 5.8%, and it is projected to reach approximately USD63.1 billion by 2030, representing a CAGR of 6.4% from 2025 to 2030. If we are unable to maintain our level of profitability from the sale of our products and solutions, especially our printing control system, which accounted for more than 60.0% of our total revenue during the Track Record Period, our operating results may be harmed.

If we fail to promptly and continuously innovate our products and services to meet customers' evolving needs of performance and stability, we may not be able to retain existing customers, attract new customers or increase sales. As a consequence, our financial condition and results of operations would be materially and adversely affected.

The digital printing industry is characterized by rapid technological advancement, frequent product iterations and dynamic demand characteristics. These developments could make our current technologies and solutions less competitive or outdated or compel us to spend considerable resources and time to enhance or adapt our technologies.

Given the evolving nature of our market, our future success depends on our ability to anticipate and respond to changes in industry standards, technological developments, customer preferences and other market dynamics. More rapid than anticipated or unexpected changes in technology or market demand may curtail the anticipated lifecycle of our products and services or lessen the market relevance of our current portfolio. In addition, we may not be able to timely develop or introduce new or enhanced technologies that satisfy customer requirements, achieve market acceptance or effectively commercialize the technologies which are under development. Furthermore, we may not be able to accurately predict or promptly respond to emerging technological trends or evolving industry requirements.

If we fail to adapt to such changes or cannot obtain essential new technologies, we may lose existing customers or fail to attract new ones. A reduction in demand for our products and services due to competing technologies, shifting customer preferences or other factors could have a material adverse effect on our business, results of operations and future prospects.

We face competition and expect to continue facing competition in the future. If we are unable to compete effectively, our business, financial condition and results of operations could be materially and adversely affected.

We face competition and expect to continuously face competition across multiple facets of our business. According to Frost & Sullivan, the digital printing solutions industry includes numerous participants, such as equipment manufacturers, POD service providers and consumables suppliers, resulting in relatively low market concentration. This fragmented structure dilutes brand influence, reduces channel efficiency and increases the difficulty of industry consolidation and standardization. We cannot guarantee that we will be able to compete effectively or efficiently with current or future competitors. Our competitors may be able to develop products and services better accepted by the customers or may be able to respond more quickly and effectively to new opportunities and changing technologies, regulations and customers' needs. In addition, some of our competitors may quickly expand their existing customer base and sales network and adopt more aggressive pricing policies and offer more attractive sales terms. This could cause us to lose potential sales or compel us to sell our products and solutions at lower prices to remain competitive. If we are unable to compete successfully against our current or potential competitors, our business, results of operations, financial condition and prospects may be materially and adversely impacted.

Our success depends on our strong and stable relationships with certain customers. If we fail to diversify our customer base, or if any disruption occurs in our relationships with these customers, our business, financial condition and results of operations could be adversely affected.

Historically, we have invested in branding, sales and marketing to acquire and retain customers, incurring selling expenses of approximately RMB9.3 million, RMB13.2 million and RMB24.5 million in 2023, 2024 and 2025, respectively. We cannot assure you that we can retain our existing customers or we can maintain a long-term relationship with newly acquired customers. Moreover, if our customer acquisition efforts do not produce adequate revenue growth, our profitability may be adversely impacted.

Demand from our customers may experience material decline or fluctuation due to various factors. These include (i) dissatisfaction with the performance, quality or pricing of our products and solutions, (ii) the availability of competing alternative products and solutions, and (iii) changes in their procurement strategies; or negative publicity related to our brands. If we fail to retain our existing customers, grow our business with them, or acquire new customers in a cost-effective and sustainable way, we may lose market share, encounter revenue volatility and face pressure on our profit margins. Any of these outcomes could have a material and adverse effect on our business, financial condition and results of operations.

Any failure to provide high-quality maintenance and support services to customers may damage our relationship with them and, consequently, our business.

As our business scales and our customer base broadens, we need to maintain our ability to deliver efficient support and effective maintenance to satisfy the requirements of our customers. We may not be able to recruit or retain a sufficient number of qualified support personnel possessing the extensive experience required to service our products and services for our customers. Consequently, we may fail to respond adequately to any short-term surge in demand for technical support or maintenance assistance. We may also be incapable of adapting the scope and delivery of our future maintenance services and technical support to match evolving service offerings from competitors.

If customers' demand for support and maintenance increases, we may face increased costs, which could adversely affect our operating performance. Inability to deliver efficient maintenance and support would harm our business. Failure to uphold high-quality service levels or any market perception that our maintenance and support services are deficient would damage our business, reputation and hinder our ability to attract and retain customers.

If there is any decline in product quality, we may incur higher costs related to maintenance and warranties. New or amended return and warranty policies in response to legal requirements could impose additional costs that may not be recovered through increased revenue. We cannot guarantee that our return and warranty policies will not be subject to customer misuse, which could substantially increase our costs and have a material adverse effect on our business and operating performance. Conversely, if we modify these policies to reduce costs, customer dissatisfaction could lead to a loss of existing customers or an inability to attract new users at the desired rate, potentially having a material adverse effect on our operating performance.

Our investments in R&D activities may not generate the expected results.

Our technological capabilities are critical to our success, and we have been continuously investing heavily in our research and development efforts. Our research and development expenses incurred were approximately RMB54.4 million, RMB74.4 million and RMB104.1 million, respectively, for the years ended December 31, 2023, 2024 and 2025, accounting for approximately 16.4%, 17.0% and 17.4% of our revenue during the same periods, respectively. The industry in which we operate is subject to rapid technological changes and is evolving quickly in terms of technological innovation. Significant resources, including financial and human resources, in research and development are required to ensure our products and services remain competitive and aligned with the development of the industry. If we fail to allocate sufficient resources or fail to achieve successful outcomes from our research and development efforts, our competitiveness could be adversely affected, which could materially and adversely impact our business and performance.

Furthermore, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our expenditures on research and development may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in our industry could render our products and services that we are developing or expect to develop in the future obsolete, not commercially viable or unattractive, thereby limiting our ability to recover related development costs, which could result in a decline in our revenue, profitability and market share.

We may fail to effectively implement our future expansion plans. Even if we succeed in such attempts, our investments may have a material adverse effect on our business, reputation, financial condition and results of operations.

During the Track Record Period, we have made investments in certain business areas and acquired Shanghai Celludye to expand our business portfolios. Expanding into new geographic markets such as Germany, Brazil and Mexico, diversifying offerings and deepening our presence in current downstream markets may result in disruptions to our operations. Managing business growth and operational scale requires substantial enhancements to our transaction processing, technological, operational and financial systems, as well as policies, procedures and controls. These efforts carry inherent risks and will demand substantial management, financial and human resources. Any such strategic initiatives could disrupt our ongoing operations and have a material adverse effect on our business, reputation, financial condition and results of operations.

We may recognize impairment losses for goodwill arising from the acquisition of Shanghai Celludye.

As part of our acquisition of Shanghai Celludye, we recorded goodwill of approximately RMB73.8 million as of December 31, 2025, representing 5.1% of our total assets as of the same date. This goodwill reflects the excess of the total cash consideration paid for Shanghai Celludye over the fair value of its identifiable net assets.

Goodwill is tested for impairment annually, or more frequently if indicators of impairment arise, with impairment losses recognized when the carrying amount exceeds the recoverable amount. The recoverable amount is determined based on the higher of fair value less costs of disposal or value in use, the latter of which involves discounting estimated future cash flows to their present value using a pre-tax discount rate that reflects current market conditions and asset-specific risks. Changes in key assumptions, such as estimated future cash flows or discount rates, may reduce the recoverable amount, potentially leading to impairment losses, including the potential provision of impairment losses for goodwill of up to approximately RMB73.8 million. For further details, see note 3 to the Accountants' Report in Appendix I to this document.

Our ability to generate sufficient cash flows from acquired assets depends on successfully achieving the intended objectives, synergies and revenue-enhancing opportunities of the acquisition, as well as effectively integrating Shanghai Celludye's operations into our own. Failure to achieve these objectives may result in the recognition of impairment losses on goodwill, which could adversely affect our financial position and operating results.

Our intangible assets may be subject to impairment losses arising from the acquisition of Shanghai Celludye.

As of December 31, 2023, 2024 and 2025, we recognized intangible assets of approximately RMB1.2 million, RMB1.8 million, and RMB172.4 million, respectively. The significant increase in intangible assets as of December 31, 2025, was primarily attributable to our acquisition of Shanghai Celludye. Our other intangible assets, such as client relationships, trademarks and technology, were originally developed by the Group to support its business operations. For further details on intangible assets, see "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Intangible Assets".

Impairment assessments for intangible assets are conducted annually or more frequently when there are indications of impairment. Impairment losses are recognized when the recoverable amount of an intangible asset falls below its carrying amount. The recoverable amount is determined as the higher of fair value less costs of disposal or value in use, which involves discounting expected future cash flows to their present value. Changes in assumptions such as future cash flows, discount rates or market conditions could adversely impact the recoverable amount of intangible assets. For further details, see note 3 to the Accountants' Report in Appendix I to this document.

If we are unable to achieve the intended objectives or synergies from the acquisition of Shanghai Celludye, or if external factors such as market conditions or operational challenges reduce the expected cash flows from these intangible assets, their fair value may no longer support their carrying amount. In such cases, we may be required to record impairment losses on these intangible assets in our consolidated financial statements. Any impairment losses recognized could materially reduce the value of our assets, adversely impact our profitability, and have a negative effect on our financial position and results of operations.

We may be required to fulfill our obligations under a put option to acquire the non-controlling interest in Shanghai Celludye, and the uncertainty of the put option liabilities may adversely affect our financial condition and results of operations.

As of December 31, 2025, we recorded a put option liability of approximately RMB347.3 million related to the non-controlling interest in Shanghai Celludye. Under the Investment Agreement, the non-controlling shareholders of Shanghai Celludye were granted the Put Option at nil consideration, allowing them to require us to acquire their remaining 49.0% equity interest if the CAGR of Shanghai Celludye's net profit from 2025 to 2027 is 15% or above. The Put Option is exercisable from January 1, 2028 to April 30, 2028. If the CAGR target is not met due to reasons attributable to us, we are also obligated to complete the acquisition. The consideration will be determined with reference to Shanghai Celludye's appraised value and shall not be less than the amount equivalent to 49% equity interest, calculated based on a 10-time PE valuation of Shanghai Celludye's 2027 net profit, and may be settled via cash, issuance of shares or a combination thereof. For further details, see "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Shanghai Celludye — Put Option" and note 35 of the Accountants' Report in Appendix I to this document.

If the agreed conditions are met, we are required to acquire the remaining interest in Shanghai Celludye under the terms of the Investment Agreement. The fulfillment of such obligations could adversely impact our working capital sufficiency and, in turn, negatively affect our financial position and operations. This may also limit our ability to implement expansion plans or allocate resources to other strategic initiatives, which could materially and adversely affect our Group's overall financial condition and results of operations.

Our Group's overall profitability may be negatively affected due to the consolidation of Shanghai Celludye, which has a lower gross profit margin than our Group.

Following the acquisition of Shanghai Celludye, we have consolidated its results of operations into our Group's financial statements as of December 31, 2025. During the Track Record Period, our gross profit margin was consistently higher than that of Shanghai Celludye. For the years ended December 31, 2023, 2024 and 2025, our gross profit margins were approximately 56.9%, 55.6% and 54.5%, respectively.

Given the lower gross profit margin of Shanghai Celludye, we cannot guarantee that our consolidated gross profit margin will continue to increase in the future. If we are unable to maintain or enhance our gross profit margin following the consolidation of Shanghai Celludye's results, our Group's overall profitability may decline. A decrease in profitability could materially and adversely affect our financial performance and limit our ability to allocate resources for future growth and expansion.

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

Our offerings of printing control system and printing machines and consumables depend on a wide variety of raw materials. Our procurement primarily covers raw materials, such as chips, printed circuit boards, capacitors and resistors for our printing control system, and we procure raw materials, such as printheads, UV lamps, wires and cables, guide tails and color base for our printing machines and consumables. The majority of our raw materials, components and indirect supplies are sourced from within China, with a minor portion of components and indirect materials procured from overseas, including from countries such as Japan and India. Fluctuations in the supply or pricing of these essential inputs have a direct and material effect on our operating results. For the year ended December 31, 2023, 2024 and 2025, cost of raw materials accounted for 79.9%, 77.3% and 77.0% of our cost of sales, respectively.

The supply and pricing of our key raw materials are subject to factors beyond our control, including the availability of resources in relevant markets, global and regional demand, market speculation, industry disruptions, geopolitical tensions, regulatory changes, natural disasters and other unforeseen events. Any shortages or delay in supply could lead to increased procurement costs, occasional price adjustments, disruption of our production schedule and delays in product deliveries to customers.

We cannot assure that we will be able to establish alternative supply arrangements in a timely manner, on commercially acceptable term, or at all. An inability to procure sufficient raw materials at stable prices may prevent us from meeting customer demand, potentially resulting in diminished, delayed or canceled orders. Such interruptions in our supply chain could also hinder our performance under existing contracts, damage customer relationships, diminish our competitiveness and market share, and have a material adverse effect on our business, financial condition and results of operations.

Any problem with our products quality or performance may subject us to loss of revenue, potential claims, legal liabilities and reputational damages.

We believe that the quality of our products is critical to the success of our business. However, we cannot guarantee that our products will be completely free from defects or that we will be able to maintain effective quality control for our products manufacturing in the future. This effectiveness depends on various factors, including our employees' adherence to established quality control measures and guidelines. Consequently, the discovery of any product defects by our customers or end-users could damage our reputation, harm our customer relationships and adversely affect our future business.

Should our products fail to meet customer specifications and requirements, or if defective or substandard products lead to returns, large-scale recalls, or customer losses, we could face product liability and other compensation claims. Regardless of the ultimate outcome of such claims, we may incur substantial legal expenses. Product failures, defects, customer complaints, or related negative publicity could result in decreased sales of the affected products and/or our other offerings, which could have a material adverse effect on our business, financial condition and results of operations.

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

As of December 31, 2025, we had four production bases in China located in Guangdong Province, Hubei Province and Shanghai for production of our products. These production bases are exposed to various operational risks, including disruptions to water or power supply and the breakdown or malfunction of our machinery. Such events could lead to delays, temporary suspensions, or permanent partial or complete shutdowns of our production lines. Should our production bases or those of our suppliers or customers, experience operational, water, or electricity supply disruptions, we may face significant interruptions or delays in our supply chain and in the delivery of raw materials from our suppliers; be compelled to suspend or cease our production activities, or encounter substantial delays in delivering our products to customers due to transportation unavailability or other factors. Any of these outcomes could adversely affect our business and financial condition. A future increase in electricity costs would correspondingly raise our production costs. Furthermore, operational disruptions could impact our production volume and plant utilization rates, potentially leading to a decline in our profit margin and profitability.

Additionally, in the event of, globally, (i) natural disasters; (ii) political instability, riots, civil unrest and terrorist attacks; (iii) outbreak of infectious diseases; and (iv) other similar force majeure events, could result in substantial losses. These losses may stem from revenue loss due to production halts, as well as additional expenditure on the repair or replacement of damaged equipment and machinery. Moreover, our production capacity would be adversely impacted, and we may fail to deliver our products to customers on schedule, which would undermine customer confidence.

Failure to effectively utilize our production facilities or successfully execute our equipment maintenance and upgrades or capacity expansion plans may have a material adverse effect on our business, financial condition and results of operations.

If our products face insufficient or unstable demand, our utilization of production capacity will be affected. Our actual production volume is subject to fluctuation based on the demand for our products, which is influenced by market trends, customer preferences and other external factors beyond our control. For our production utilization rate during the Track Record Period, please refer to "Business — Production— Production capacity, volume and utilization rate" in this document. A failure to stimulate demand for our products and subsequently increase the utilization rates of our production facilities could have an adverse effect on our business and profitability.

Our production and operation are subject to extensive environmental protection laws and regulations, and failure to comply these laws and regulations may materially and adversely affect our business, financial condition and results of operations.

Our production and operational activities are governed by various environmental protection laws and regulations in the PRC concerning the discharge of wastewater, solid waste, and gases during the manufacturing process. The relevant PRC authorities may impose penalties, order a suspension of operations, mandate rectification, or require the closure of production facilities that fail to comply with these laws and regulations. For details, see "Regulatory Overview — Regulations on Environment Protection".

Certain process of our manufacturing activities involves the discharge of wastewater, waste gas, and solid waste. Some of our business activities also involve the use and storage of chemicals that are potentially hazardous.

We cannot guarantee that our interpretation of relevant laws and regulations will always be correct or that we will always maintain full compliance. Should we fail to adhere to applicable environmental protection laws and regulations, or if our service providers do not deliver waste treatment services that ensure our compliance, we may be required to undertake rectification and could face fines, sanctions, remedial orders, and substantial associated costs. This could have a material adverse effect on our business, financial performance, and operating results.

Furthermore, the PRC government may introduce new environmental protection laws and regulations or adopt more stringent interpretations of existing ones in the future. Consequently, we could incur significant additional costs to implement relevant preventive or remedial measures, modify our production processes, acquire new pollution control equipment, and enhance our compliance and monitoring systems to ensure adherence to these updated legal requirements. Our current budget for environmental compliance may prove insufficient to cover these potential costs, requiring us to allocate additional financial resources, which could materially and adversely affect our operations and financial performance. A failure to implement necessary new measures, adjust production processes, procure required equipment, or establish effective compliance systems in a timely manner, or at all, could result in substantial fines or penalties for non-compliance and disrupt our business operations, thereby materially and adversely affecting our operational and financial results. Should the PRC government enact more stringent environmental protection laws and regulations, our production costs could increase substantially. We may also be required to make material capital expenditures or incur other significant costs to maintain compliance. There is no assurance that we will be able to pass these additional costs on to our customers.

Increasing focus with respect to Environmental, Social and Corporate Governance ("ESG") matters may materially affect our business, financial condition and results of operations.

Increasing focus on ESG issues in the PRC has made our business, particularly in the dyes and inks industry, more sensitive to ESG-related matters. The production of dyes and inks involves chemical processes that can generate emissions, wastewater and hazardous waste, making the industry a focus of stricter environmental policies. For example, regulations requiring enhanced wastewater treatment processes, reduced emissions and stricter controls on hazardous chemical usage could significantly increase our compliance and operational costs. Future regulations may impose tighter requirements or require advanced environmental technologies, and failure to meet these standards could result in fines, operational disruptions or reputational harm.

In addition, customers and investors are increasingly prioritizing suppliers with strong ESG credentials. Any perceived shortcomings in our ESG efforts could lead to a loss of market share, hinder access to capital, or damage our reputation, materially affecting our business, financial condition and results of operations.

We outsource part of our production process to third-party manufacturers, which exposes us to potential risks.

To concentrate our efforts on the research and development of our control systems and to fulfill customer shipment orders in a timely manner, we outsource the mounting of printing control boards to independent third-party manufacturers. For the year ended December 31, 2023, 2024 and 2025, the total purchase amount from our outsourced mounting partners was approximately RMB8.2 million, RMB9.7 million and RMB11.8 million, respectively, representing approximately 8.1%, 5.7% and 4.5% of our total purchase, respectively. For more details, please refer to "Business — Production — Production process — Printing control system" in this document.

Our reliance on third-party manufacturers reduces our direct control over the production process, including aspects of quality, cost, supply and timing. We may encounter shipment delays or product quality issues from these manufacturers. Should any of our own facilities or our third-party manufacturers face supply interruptions, delays, or disruptions, due to factors such as natural disasters, health epidemics, work stoppages or capacity constraints, our ability to deliver products to customers would be impaired. Furthermore, if a third-party manufacturer encounters quality control failures and our products fail to meet customer or regulatory standards, we could be liable for the cost of repairing or replacing the defective products. Such delays or quality issues could have an immediate and material adverse effect on our order fulfillment capacity, damage our reputation and brand, and negatively impact our business, results of operations, and financial condition.

Furthermore, should our manufacturing facilities or third-party manufacturers encounter financial, operational, or capacity constraints, shortages of necessary components, or become unable or unwilling to manufacture our products in the required volumes, our supply chain would be disrupted. This would necessitate a search for alternative manufacturers, a process that can be time-consuming, costly, and potentially impracticable. Any such supply interruption would adversely affect our ability to meet scheduled product deliveries and would likely result in lost sales.

Our results of operations, financial conditions and prospects may be adversely affected by the recoverability of our trade receivables.

Our credit risk arises from default by our counterparties, primarily including our customers. As of December 31, 2023, 2024 and 2025, we recorded gross trade receivables balance of approximately RMB33.5 million, RMB44.0 million and RMB114.5 million, respectively. We normally grant our credit customers and distributors with a credit term of 0 to 90 days from the invoice date, respectively. Our major customers may default on their payment to us as a result of deteriorating financial condition or liquidity issues. As of December 31, 2023, 2024 and 2025, the allowance for impairment of trade receivables amounted to RMB1.8 million, RMB2.3 million and RMB4.3 million, respectively. We cannot assure that our customers will settle their outstanding trade balances on time, or in full. Should customers delay or default on their payments, our cash flow would be adversely affected. Our Group may then be required to record impairment provisions, write off receivables, incur legal costs to recover the amounts owed, and/or secure alternative financing to maintain operational liquidity and meet our own payment obligations. This could, in turn, have a material adverse impact on our financial condition and results of operations.

We are subject to risk related to the prolonged cash conversion cycle.

During the Track Record Period, we experienced fluctuations in inventory turnover days, which were approximately, 111 days, 71 days and 121 days for the years ended December 31, 2023, 2024 and 2025, respectively. In addition, our trade receivables turnover days remained stable at around 30 days in 2023 and 2024, before rising to approximately 47 days for the year ended December 31, 2025. Our trade payables turnover days, meanwhile, were approximately 48 days, 46 days and 57 days for the years ended December 31, 2023, 2024 and 2025, respectively. See "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Inventories", "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position —Trade and Bills Receivables" and "Financial Information — Description of Certain Items of Consolidated Statements of Financial Position — Trade, Bills and Other Payables".

As a result, our cash conversion cycle (calculated by adding trade receivables turnover days and inventory turnover days, then subtracting trade payables turnover days) during the Track Record Period was approximately 93 days, 55 days and 111 days for the years ended December 31, 2023, 2024 and 2025, respectively.

If our inventory turnover days and trade receivables turnover days remain high or increase further, our cash conversion cycle may lengthen, placing additional pressure on our cash flow and working capital. This could materially and adversely affect our financial position, business operations and results of operations.

Unauthorized use of our intellectual property by third-parties may damage our brand and reputation and have a material adverse effect on our business. We may incur significant costs to protect our intellectual property.

We believe that our patents, copyrights, trademarks and other intellectual property rights are critical to our success. We rely on patent, trademark and copyright law, trade secret protection, restrictions on disclosure, and other agreements to restrict the use of our intellectual property rights to protect these rights. For more details, please refer to "Business — Intellectual Property" to this document.

Our business partners may not always comply with the contractual terms prohibiting unauthorized use of our brand, images, characters, and other intellectual property. These agreements may not effectively prevent the disclosure of confidential information or provide adequate remedies in the event of unauthorized disclosure of confidential information. Additionally, third parties may independently discover trade secrets and proprietary information, thereby limiting our ability to assert any trade secret rights against such third parties.

Furthermore, competitors or other third parties may register trademarks that are similar to ours or file for patents, which could divert potential customers away from our business. It is inherently difficult to prevent such unfair competitive practices. Our inability to effectively stop these activities may result in the loss of potential customers, harm to our reputation, and a material adverse effect on our business performance.

The enforcement landscape for intellectual property rights in China continues to evolve. Acting against the unauthorized use of our proprietary technology, trademarks and other intellectual property is challenging and expensive, and we may need to resort to litigation to protect our rights. Any future intellectual property litigation could involve substantial costs, divert valuable resources, disrupt our operations, and have a material adverse effect on our financial condition and operating results.

Our business operations are subject to the risks relating to potential accidents arising from our production and failure to comply with safety measures and procedures, and other unforeseen risks.

Given that our production process involves the operation of tools, equipment, and machinery, we cannot guarantee that industrial accidents, whether due to mechanical failure or other causes, will not occur in the future, potentially resulting in injuries or fatalities. In such events, we could face liability for personal injury, death, or monetary losses suffered by our employees, as well as fines, penalties, or other legal liabilities for violations of applicable laws and regulations. Our operations may also be disrupted by equipment shutdowns required for investigation or the implementation of safety measures. These events could have a material adverse effect on our business, financial condition, and results of operations.

Confidentiality agreements and non-competition covenants signed with employees and other third-parties may not be sufficient to prevent the disclosure of trade secrets and other proprietary information.

We have allocated significant resources to developing our proprietary technology and know-how. However, our employment agreements containing confidentiality, non-compete obligations, and intellectual property ownership clauses with our employees may be violated, and remedies for such breaches may not be available in a timely manner or at all, or that our proprietary technology, know-how, or other intellectual property could be disclosed to third parties, compromising our competitive position. Furthermore, third parties may independently develop similar trade secrets and proprietary information, which would limit our ability to assert our rights against them. Enforcing and determining the scope of our proprietary rights could require costly and time-consuming litigation, and any failure to secure or maintain trade secret protection could adversely affect our competitive business position.

We may fail to obtain or maintain adequate intellectual property protection for our products and services.

We believe that protecting our intellectual property is, and will remain, essential to the success of our business. We rely on a combination of patent, trademark and copyright law, trade secret protection, restrictions on disclosure, and other agreements to establish, safeguard, and enforce our proprietary rights. As of December 31, 2025, our Group had a total of 283 trademarks, 677 patents, 120 registered software copyrights and 16 domain names in the PRC, which are material to our business. For details, see "Business — Intellectual Property" to this document.

Our capacity to secure additional patents is uncertain, and the scope and strength of any patents granted may be limited. Patent rights are subject to challenge, invalidation, or circumvention, and changes in patent laws or their interpretation in the PRC or other jurisdictions could narrow the scope of protection available to us. There is no assurance that our patent applications will be successful, that any issued patents will offer meaningful competitive advantages, or that we will be able to prevent competitors from developing similar or superior technologies. Defending or enforcing our patents may involve significant cost, require substantial time, and yield uncertain outcomes, while also diverting management's attention from daily operations.

If we fail to adequately protect, maintain or enforce our intellectual property, whether due to inadequate legal protection, costly enforcement actions, or unauthorized disclosures, our competitive position could be materially eroded, and our business, financial condition and results of operations could be adversely affected.

We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources.

We cannot guarantee that our operations or any element of our business does not, or will not, unintentionally infringe upon the trademarks, copyrights, patents, know-how, trade secrets or other intellectual property rights of third parties. Although no material legal proceedings or claims alleging such infringement are currently pending or threatened against us, we may face such claims in the future. We cannot assure you that the holders of patents or other intellectual property rights purportedly relating to our technology or business methods, should any such holders exist, will not seek to enforce their rights against us.

Furthermore, the application and interpretation of China's patent and intellectual property laws, as well as the procedures and standards for granting such rights, continue to evolve and remain uncertain. We cannot guarantee that PRC courts or regulatory authorities will concur with our legal interpretations. As competition in our industry in China intensifies, our exposure to intellectual property infringement claims and related litigation may increase. We may also face additional costs associated with monitoring and identifying potential infringements.

If we are found to have infringed upon the intellectual property rights of others, we could be held liable for such activities and may be enjoined from using the disputed intellectual property. This could compel us to pay licensing fees or develop non-infringing alternatives. Defending against infringement or licensing claims is typically costly and time-consuming, diverting managerial attention and resources from our core operations. The outcome of such proceedings is inherently unpredictable. An adverse judgment, substantial fine, or settlement requiring a material payment, or the issuance of an injunction against us, could result in significant monetary liabilities, restrict our use of key intellectual property, disrupt our business operations, and materially and adversely affect our business, financial position, results of operations, prospects, and reputation.

We may experience inventories obsolescence if we fail to effectively manage our inventories.

Maintaining an appropriate level of inventory is crucial to meet customer procurement demands, supporting production and ensuring timely delivery. As of December 31, 2023, 2024 and 2025, we had inventories of RMB34.0 million, RMB42.1 million and RMB137.5 million, respectively, and recorded net allowance for inventories of RMB1.0 million, RMB1.2 million and RMB0.6 million, respectively. The volume of our inventory is likely to grow as our business expands, increasing the risk of overstocking or obsolescence. Changes in actual market demand between the time we place an order and receive delivery may result in excessive or insufficient inventory, making it difficult to consistently maintain optimal inventory levels.

Overstocking may lead to inventory obsolescence, necessitating write-downs or write-offs, particularly if the market price for our products declines. Excess inventory may also compel us to sell at discounted prices, compressing profit margins, reducing profitability, tying up working capital, and straining our liquidity. Conversely, an underestimation of demand could result in product shortages, delayed deliveries, lost sales opportunities, and damage to our reputation.

We may encounter difficulties in matching our inventory levels to actual market demand. Any significant misalignment could have a material adverse effect on our results of operations, financial condition, cash flows, and liquidity.

We expect share-based payment expenses under the Employee Incentive Scheme to adversely affect our profitability.

In order to incentivize our core employees, we adopted the Employee Incentive Scheme. For details, see "History, Development and Corporate Structure — Employee Incentive Scheme" and "Appendix VI — Statutory and General Information – D. Equity Incentive Scheme".

No share-based payment expenses were recognized during the Track Record Period, as the vesting conditions were not assessed as probable. Following the [**REDACTED**], we expect to recognize share-based payment expenses at nil for the year ending December 31, 2026. We may incur additional share-based payment expenses if we grant share incentives in the future. As a result, the granting of share awards would increase our share-based payment expenses and thus may adversely affect our financial performance and potentially dilute our shareholding.

Fluctuations in foreign currency exchange rates could adversely affect our business prospects, results of operations and financial condition.

The exchange rate of the RMB against the USD, as well as other currencies, are subject to fluctuations and is influenced by government policies, domestic and international economic and political conditions, and supply and demand dynamics in the foreign exchange markets. These factors are often unpredictable. With the development of the foreign exchange market, interest rate liberalization, and the internationalization of the RMB, the Chinese government may announce further exchange rate adjustments in the future. We cannot guarantee that the RMB will not appreciate or depreciate significantly against the USD in the future. It is difficult to predict how future market forces, or Chinese or US government policies will affect the RMB exchange rate against the USD.

We are primarily exposed to the risk of fluctuations in the RMB exchange rate against the USD. During the Track Record Period, we recorded net foreign exchange gains of approximately RMB0.2 million, RMB0.6 million and net loss of approximately RMB0.1 million for the years ended December 31, 2023, 2024 and 2025, respectively, due to sales to overseas customers.

[**REDACTED**] from the [**REDACTED**] will be paid in HKD. Consequently, any appreciation of the RMB against the HKD could diminish the RMB-equivalent value of the [**REDACTED**]. Conversely, any depreciation of the RMB could negatively impact the value of our shares denominated in foreign currencies and dividends payable. Additionally, we have limited tools available to us to reduce our foreign exchange risk exposure at a reasonable cost. Furthermore, we are currently required to complete filings with and obtain approval from the State Administration of Foreign Exchange or its local branches or qualified banks before converting large amounts of foreign currency into RMB.

These factors could, collectively, have a material adverse effect on our business, financial condition, results of operations, and prospects.

We are subject to the risks associated with third-party payments.

During the Track Record Period, certain of our customers settled their payments with us through designated third-party payors, primarily their legal representatives, employees, spouses and other family members, friends and business partners, at their requests (the "**Third-Party Payment Arrangement(s)**"). For the year ended December 31, 2023, 2024 and 2025, the aggregate amount of payments under the Third-Party Payment Arrangements was RMB0.7 million, RMB2.3 million and RMB13.6 million, respectively, representing approximately 0.2%, 0.5% and 2.3% of our total revenue for the respective years. For additional information, see "Business — Legal Proceedings and Compliance — Third-party payment arrangements".

We may face various risks associated with third-party payments made during the Track Record Period. These risks include are not limited to (i) potential claims from third-party payors for the return of funds on the basis that they were not contractually obligated to us, (ii) potential claims from liquidators of such third-party payors, and (iii) potential money laundering risks due to our limited knowledge about the source and purpose of funds used by third-party payors. If such claims or related legal proceedings (civil or criminal) are initiated against us, we could be required to devote significant financial and managerial resources to our defense. Consequently, our financial condition and results of operations could be adversely affected.

Failure to comply with the PRC Labor Contract Law, PRC Social Insurance Law, Regulation on the Administration of Housing Provident Funds, or other PRC labor related regulations and rules may subject us to fines and other legal or administrative sanctions.

In accordance with the PRC laws and regulations, we are obligated to participate in the employee social welfare plan administered by local governments. Such plan includes pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident funds. The amount we are required to contribute for each of our employees under such plan should be calculated based on the minimum and maximum level as from time to time prescribed by national laws and regulations and local authorities. During the Track Record Period and up to the Latest Practicable Date, we did not make social insurance and housing provident funds for employees in full compliance with the relevant PRC laws and regulations. Consequently, we may be required by the competent authorities to pay the outstanding amounts and could be subject to late payment surcharges or court enforcement actions. For details, see "Business — Employees" to this document.

As advised by our PRC Legal Advisor, pursuant to relevant PRC laws and regulations, we may be compelled to pay all outstanding social insurance contributions within a prescribed period, with late fees at a daily rate of 0.05% of the outstanding amount, accruing from the date when the social insurance contributions are due. If this payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay housing provident funds in full, the relevant housing provident fund management center may require us to pay the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. If these enforcement actions were taken by relevant authorities, our financial position and results of operations could be materially and adversely affected. As of the Latest Practicable Date, no competent government authorities have initiated administrative actions, imposed fines, or required us to settle the outstanding social insurance and housing provident fund contributions. We cannot guarantee that the authorities will not mandate settlement or impose penalties in the future, which could adversely affect our results of operations and financial condition.

Pursuant to the Interpretation II of the Supreme People's Court of Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) enacted by the Supreme People's Court on July 31, 2025 and implemented on September 1, 2025, where an employer fails to pay social insurance premiums in accordance with the law, and the employee requests to terminate the employment contract and for the employer to pay economic compensation, the people's court shall support such requests in accordance with the law. Should the employer subsequently make up the contributions as required by law and request the employee return the corresponding compensation, the court shall also support this. If laws and regulations governing social insurance and housing provident funds change in the future and we fail to comply promptly, we could face penalties and other risks. Furthermore, while no employee has raised disputes regarding these matters as of the Latest Practicable Date, we cannot assure you that such claims will not arise in the future, which could materially and adversely affect our results of operations and financial condition.

We may fail to comply with PRC property-related laws and regulations regarding certain of our leased property, which could have a material adverse effect on our business, operations and financial condition.

We occupy certain properties in the PRC in connection with our business operations. As of the Latest Practicable Date, we leased nine properties in the PRC, with an aggregate gross floor area of approximately 20,644.3 sq.m., primarily for use for standard business, office and factory purposes. With respect to certain of these leased properties, we have executed lease agreements with parties who have not furnished evidence establishing their legal title to the underlying land or buildings. We believe the failure of these lessors to provide such documentation is beyond our control. As advised by our PRC Legal Advisors, if the lessors are found to lack the legal right to lease these premises, we could be compelled to vacate or cease operations at these locations. This could result in a temporary disruption to our regional business activities and incur additional relocation expenses, thereby adversely affecting our operations and financial condition. We cannot assure you that we will be able to secure suitable replacement properties in a timely manner, or at a comparable cost, which could further exacerbate the disruption to our business and negatively impact our financial performance.

We may be involved in legal proceedings and commercial disputes, which could have a material adverse effect on our business, financial condition and results of operations.

We are, from time to time, subject to claims, legal actions, and administrative proceedings that arise in the ordinary course of our business, and we may face new claims in the future. Furthermore, certain contracts we enter into contain provisions that require us to indemnify third parties, which could expose us to costs and potential damages should a claim be brought against an indemnified party.

We have also been, and may continue to be, subject to various intellectual property infringement or misappropriation claims, see "Risk Factors — We may be subject to intellectual property infringement claims, which could be time-consuming or costly to defend and may result in diversion of our financial and management resources."

Legal and administrative proceedings, including litigation, injunctions, and governmental investigations, can be costly, protracted, disruptive to our operations, and divert the attention of management. These proceedings may force us to enter into new or additional licensing agreements or other arrangements to settle disputes and resolve litigation, which could significantly increase our operating expenses. There can be no assurance that such agreements can be secured on acceptable terms or that future litigation will be avoided.

Our Directors confirm that, other than those disclosed in this document, no legal or administrative proceedings were pending or threatened against us or any of our Directors during the Track Record Period and up to the Latest Practicable Date that would, individually or in aggregate, have a material effect on our business, financial condition, or results of operations. However, new proceedings or claims may emerge in the future, and existing ones are subject to inherent uncertainties. Should one or more such matters be resolved against us or an indemnified third party for amounts exceeding management's expectations, or should injunctions be issued preventing the use of certain technologies in our products and services, our business and financial condition could be materially and adversely affected.

Such outcomes could result in substantial compensatory, punitive, or other monetary damages; disgorgement of revenue or profits; mandatory corporate measures; or injunctive relief — any of which could materially harm our financial condition and operating results. Furthermore, even if we ultimately prevail in these matters, we may incur significant legal expenses or suffer reputational damage that could materially and adversely affect our prospects and future growth, including our ability to attract new customers and to recruit and retain qualified employees. For further details regarding our legal proceedings and non-compliance events, see "Business — Legal Proceedings and Compliance" and "Business — Licenses and Permits" to this document.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks. Our reputation, business and results of operations may be harmed by service disruptions or by our failure to timely and effectively scale up and adapt our existing technology and infrastructure.

Our technology infrastructure is vulnerable to disruptions or outages resulting from defects or failures in our own technologies and systems, such as software malfunctions or network overload, as well as from external events including fires, floods, earthquakes, telecommunication failures, power loss, human error, or other accidents. Unauthorized third parties may also exploit vulnerabilities to breach our systems.

We cannot assure you that our recovery systems, security protocols, network protection mechanisms, or other defensive measures are or will be sufficient to prevent service interruptions, system failures, or data loss. Unforeseen issues affecting our technology infrastructure could lead to interruptions in the availability of our products and services. We may be unable to address such interruptions promptly, if at all.

Any disruption or inadequacy that interrupts our operations, or any failure to maintain our network and servers or to resolve such issues in a timely manner, could impair customers' ability to use our cloud-based products and services and diminish customer satisfaction. An actual or perceived security breach or attack could harm our reputation and brand, expose us to litigation and liability, and require significant capital and resources to remediate. As a result, our reputation, business, and financial condition could be adversely affected.

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

During the Track Record Period, we received various government grants from the government authorities. For the year ended December 31, 2023, 2024 and 2025, such government grants amounted to RMB18.3 million, RMB28.2 and RMB20.7 million, respectively. Our Company and Dongguan iMaxcan were also entitled to preferential income tax treatments including but not limited to preferential corporate income tax rate of 15% for a period of three years due to the High and New Technology Enterprise accreditation.

We were granted with the High and New Technology Enterprise. The timing, amount and eligibility criteria for government grants and preferential tax treatments are determined solely by the relevant government authorities, and we cannot influence these decisions. Any discontinuation, reduction, or delay in receiving these government grants or preferential tax treatments could adversely affect our business, financial condition, results of operations, and prospects. Furthermore, there is no assurance that we will be able to successfully or timely obtain such government support or tax benefits that may become available in the future, and any failure to do so could similarly harm our business, financial condition, results of operations, and prospects.

Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business and results of operations.

We currently lease a number of properties in China. In accordance with PRC laws and regulations, such lease agreements are generally required to be registered with the relevant local real estate administration authorities. As of the Latest Practicable Date, two of our lease agreements have not been registered with the relevant PRC authorities. While non-registration does not in itself invalidate a lease, the authorities may order us to rectify such non-compliance within a prescribed period after receiving notice, and may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. Should any fines be imposed, we may be unable to recover such losses from the lessors. In addition, as of the Latest Practicable Date, the lessors of two of our leased properties had not obtained all relevant property ownership certificates, land use right certificates or other construction-related permits in accordance with PRC laws. For details, please refer to "Business — Properties — Leased properties." If we are challenged by third parties or government authorities upon any of the circumstances stated above, we may be subject to fines and may be forced to relocate, as the case may be, and, as a result, our results of operations and financial condition may be adversely affected.

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

We maintain various insurance policies, including employer's liability insurance and property insurance. Please refer to the section headed "Business — Insurance" to this document for details.

There can be no assurance that our existing insurance coverage will address all risks associated with our business operations or be adequate to cover the full extent of potential losses or liabilities. Consequently, we may be required to use our own resources to cover uninsured financial losses, damages, or liabilities. Furthermore, we cannot guarantee that we will be able to renew our insurance policies on similar or acceptable terms, or at all. Should we experience significant unexpected losses, or losses that substantially exceed our policy limits, it could have a material adverse effect on our business, financial position, results of operations, and prospects.

Our business relies heavily on the ongoing efforts of our senior management and employees who support our current operations and future growth. If we are unable to retain, attract, recruit, or train such employees, our business could be materially adversely affected.

Our future success is contingent upon our ability to attract, hire, and develop a significant number of qualified employees, while also retaining our existing key personnel. We are particularly reliant on our research and development team for the advancement of sophisticated algorithms and technologies, and on our experienced sales staff to sustain customer relationships. To compete effectively for talent, we may be compelled to offer enhanced compensation, superior training, more attractive career progression opportunities, and other benefits, potentially at substantial cost. We cannot assure you that we will be successful in attracting or retaining the qualified personnel required to support our planned expansion.

Furthermore, any disputes with employees or involvement in labor-related regulatory or legal proceedings could divert management attention and financial resources, adversely affect employee morale, diminish productivity, and harm our corporate reputation and future recruitment capabilities. Our capacity to adequately train new hires and integrate them into our operational workflows may also fall short of our expanding business requirements. Any of the above employee-related issues could have a material adverse effect on our operations and future growth.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

A portion of our revenue is derived from international markets which primarily include Japan and the U.S., and we are therefore subject to any material adverse changes to these markets. Thus, we face risks related to international trade policies, geopolitics, and trade protection measures, which could adversely affect our business, financial condition, and results of operations.

Our operations could be negatively impacted by worsening political and economic relations between nations, the imposition of sanctions and export controls by government authorities in our operating jurisdictions, and other geopolitical challenges. These challenges include, but are not limited to, adverse economic and labor conditions, tariffs, taxes, other rising costs, and political instability. The profitability of our product and service sales in specific countries/regions such as Japan and the U.S., as well as for products incorporating components sourced from certain foreign suppliers, could be significantly harmed by international trade regulations, including tariffs and anti-dumping penalties.

International trade policies and protective measures are subject to frequent change and involve substantial uncertainty regarding their interpretation and enforcement. This uncertainty may be heightened by national security considerations or political and other factors outside our control. Such factors could materially and adversely affect us and our capacity to acquire technologies, systems, or components that are critical to our technological infrastructure, product supply, and business operations. If additional jurisdictions introduce new tariffs, legislation, or regulations in the future, or if existing trade agreements are renegotiated, these changes could harm our business, financial condition, and results of operations. Complying with such legislation and regulations may also be challenging or expensive and could expose us to regulatory investigations, fines, penalties, other enforcement actions, and reputational harm.

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

Under the prevailing PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to distinct tax liabilities concerning dividends received from our Company and capital gains derived from the sale or other disposal of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》) (the "**IIT Law**") and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Circular of the State Council Approving and Transferring Several Opinions of the Development and Reform Commission and Other Departments on Deepening the Reform of the Income Distribution System (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular of the General Office of the State Council on the Division of Key Work on Deepening the Reform of the Income Distribution System (國務院辦公廳關於深化收入分配制度改革重點工作分工的通知). Pursuant to the relevant announcements, the PRC government intends to terminate the tax exemption currently applicable to dividends distributed by foreign-invested enterprises to foreign individuals. The MOF and the State Administration of Taxation have been tasked with formulating and implementing the specific details of this policy. However, the relevant implementation rules and regulations have not yet been promulgated by these authorities. In light of this uncertainty, non-resident individual holders of our H Shares are advised that they may become subject to PRC income tax on dividends and other profit distributions derived from their H Shares.

For non-PRC resident enterprises that do not maintain an establishment or place of business in China, or for those that do but whose income is not effectively connected to such establishment, the Enterprise Income Tax Law and its implementation regulations stipulate that dividends paid by our Company and capital gains realized from the sale or other disposal of H Shares are subject to PRC enterprise income tax at a rate of 10%. In accordance with the Circular on Issues Relating to Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises eligible for a reduced tax rate under an applicable income tax treaty or arrangement are required to apply to the PRC tax authorities for a refund of any amount withheld that exceeds the treaty rate. The payment of such a refund is subject to the approval of the PRC tax authorities.

We are subject to a range of laws and regulations in countries and regions. Changes in economic, political or social conditions or government policies in different jurisdictions could have a material and adverse effect on our business and results of operations.

We engage in direct sales to customers located in numerous countries and jurisdictions, such as Japan and the U.S.. In line with our strategic objectives, we intend to continue growing our international sales and expanding our geographic footprint. This expansion may necessitate modifications to our risk management and internal control policies to ensure ongoing compliance with the diverse legal and regulatory frameworks governing international business, including laws related to international sanctions, export controls, and other similar regimes. Adherence to international sanctions and export control regulations may also constrain our ability to grow international sales as planned and will likely increase the compliance costs associated with ensuring we do not violate any applicable laws.

Our operations are subject to tax laws and regulations in jurisdictions in which we operate.

We are subject to taxation, and periodic examinations regarding the fulfillment of our tax obligations under the jurisdictions in which we operate, such as the PRC and Hong Kong. The application and interpretation of these laws impact our international operations in complex and evolving ways, and such laws are subject to change, sometimes with retroactive effect. These arrangements require us to exercise judgment and tax authorities may disagree with our position. We cannot assure you that future examinations by tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, prospects, results of operations, financial condition and cash flows.

Holders of our H Shares may have difficulties in affecting service of legal process and enforcing judgments against us, our Directors or our senior management personnel.

Our Company is a joint stock liability company established under the laws of the PRC, and substantially all of our assets are located within the PRC. Furthermore, the majority of our Directors and Supervisors, and all of our senior management, are residents of the PRC, and the substantial majority of their assets are located within the PRC. Consequently, it may be difficult to effect service of process upon our Company, or upon these individuals, within the United States or other jurisdictions outside the PRC.

Regarding the cross-border recognition and enforcement of court judgments, there are no treaties providing for the reciprocal recognition and enforcement of foreign court judgments between the PRC and the United States, the United Kingdom, Japan, or numerous other countries. Similarly, Hong Kong has no arrangement with the United States for the reciprocal enforcement of judgments. As a result, whether a judgment rendered by a court in the United States or any of the other aforementioned jurisdictions would be recognized or enforced in Chinese Mainland or Hong Kong is uncertain.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與 香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Pursuant to the 2006 Arrangement, a final and enforceable monetary judgment in a civil and commercial matter rendered by a designated PRC court or a Hong Kong court, based on a valid written jurisdiction agreement between the parties, may be submitted to the relevant court in the other jurisdiction for recognition and enforcement. Consequently, a judgment from a Hong Kong court will not be enforceable in Chinese Mainland in the absence of such a written jurisdiction agreement between the disputing parties that falls within the scope of the 2006 Arrangement.

A new arrangement was entered into between the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region on January 18, 2019, which became effective on January 29, 2024. This new arrangement, as between Chinese Mainland and Hong Kong, has removed the prior requirement for a written choice of court agreement in civil and commercial cases for the reciprocal recognition and enforcement of judgments. Notwithstanding this, the 2006 Arrangement will continue to govern any "jurisdiction agreement in writing," as defined therein, that was executed prior to the effective date of the 2019 Arrangement. Given that the 2019 Arrangement is newly effective, its interpretation, application, and enforcement will be subject to determination in accordance with the relevant laws and regulations in force at the time.

Policies and regulations regarding foreign currency conversion may adversely affect our business, our ability to pay dividends and other obligations.

The conversion of RMB is governed by the applicable laws and regulations of the PRC. We cannot guarantee that we will have sufficient foreign exchange to meet our foreign currency demands under all exchange rate conditions. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. However, we are required to provide supporting documentation for these transactions and to process them through designated foreign exchange banks licensed to conduct such business in China.

Pursuant to existing foreign exchange regulations, upon completion of the [**REDACTED**], we will be permitted to pay dividends in foreign currencies without obtaining prior SAFE approval, provided we fulfill certain procedural requirements. Nevertheless, there can be no assurance that these policies governing foreign currency dividend payments will remain unchanged in the future. Furthermore, any shortage in our foreign exchange reserves could limit our capacity to secure sufficient foreign currency for dividend distributions to shareholders, meet other foreign exchange needs, or fund our capital expenditure plans, which could in turn adversely affect our business, operating results, and financial condition.

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

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理 試行辦法》) along with five supporting guidelines, which came into effect on March 31, 2023 (the "**Overseas Listing Trial Measures**"). These regulations govern overseas securities offerings and listings by issuers that are either (i) incorporated in the PRC, or (ii) incorporated outside the PRC but maintain principal operations within the PRC. The Overseas Listing Trial Measures institute a filing-based regulatory framework applicable to both direct and indirect overseas listings and specify the criteria for identifying an indirect overseas listing. For details, see "Regulatory Overview — Regulations Relating to Overseas Offering and Listing".

Pursuant to the Overseas Listing Trial Measures, any future issuance or offering of shares following this [**REDACTED**] will be subject to filing procedures with the CSRC. We are also obligated to report certain material events to the CSRC subsequent to this [**REDACTED**]. However, we cannot assure you that we will be able to complete all such filing requirements in a timely manner, or at all.

The Overseas Listing Trial Measures, along with any future implementing rules or related regulations, may impose further compliance requirements on our Company and our financing activities. A failure to comply fully with these regulatory obligations could significantly constrain, or even preclude our ability to undertake future financings.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] market for our H Shares may not develop or be sustained.

Prior to the completion of the [**REDACTED**], no public market existed for our H Shares. There is no assurance that an active [**REDACTED**] market for our H Shares will develop or be sustained following the [**REDACTED**]. The [**REDACTED**] was determined through negotiations between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and may not be indicative of the price at which our H Shares will [**REDACTED**]. The market price of our H Shares may fall below the [**REDACTED**] at any time after the completion of the [**REDACTED**].

The [REDACTED] volume of our H Shares may be volatile, which could materially and adversely affect the market price of our H Shares.

The [**REDACTED**] 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 [**REDACTED**] of the H Shares may be subject to significant volatility as a result of various factors, including but not limited to:

- fluctuations in our operating performance, or deviations of our actual results from market or analyst expectations;
- political, economic, financial, social, and stock market conditions, along with other external factors;
- investor sentiment regarding our Company and the general investment climate in Asia, particularly in Hong Kong and the PRC;
- regulatory changes or market developments globally that impact our Company or our industry sectors;
- material announcements by us or by our competitors;
- announcements or the completion of acquisitions, strategic alliances, or joint ventures by us or our competitors;
- revisions to financial estimates or recommendations issued by securities analysts covering our Company;
- significant legal or liability claims brought against our Company;
- our involvement in litigation or regulatory proceedings;
- operational disruptions caused by natural disasters, accidents, or other unforeseen events;
- changes in our key management or senior technical personnel;
- the commencement or expiration of lock-up periods or other share transfer restrictions;

Furthermore, in recent years, stock markets globally, as well as the H shares of other PRC-based issuers listed on the Stock Exchange, have experienced significant price and trading volume volatility. Such fluctuations have, at times, been disconnected from or have not fully reflected the underlying operating performance of the relevant companies. These broad market and industry-wide fluctuations may similarly affect the market price of our H Shares, irrespective of our operational results, and could have a material adverse effect on their trading value.

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

Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. The interests of our Controlling Shareholders may not always align with the interests of our other shareholders. As a result, our Controlling Shareholders will be able to exert significant influence over the outcome of corporate actions and other matters requiring shareholder approval. This concentrated ownership could discourage, delay, or prevent a change of control of our Company, potentially depriving shareholders of the opportunity to receive a premium for their Shares and possibly adversely affecting the market price of our Shares. Furthermore, in the event of a conflict between the interests of our Controlling Shareholders and those of our other shareholders, the interests of minority shareholders could be disadvantaged.

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

There can be no assurance that future dividends will be declared or paid. The decision to declare and pay any future dividends, as well as the determination of their amount, is at the sole discretion of our Board of Directors. This decision will be made after considering various factors, including, but not limited to, our results of operations, cash flow and financial condition, operational and capital expenditure requirements, prevailing market conditions, our strategic plans and business development prospects, and any regulatory restrictions on the payment of dividends. Any dividend declaration is also subject to the approval of our shareholders at a general meeting. For details, please refer to "Financial Information — Dividends" to this document.

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

[**REDACTED**] will pay a price per H Share that substantially exceeds the [**REDACTED**] value per H Share. Consequently, [**REDACTED**] purchasing Shares in the [**REDACTED**] will experience immediate dilution. In the event of an immediate liquidation of our Company following the [**REDACTED**], [**REDACTED**] would receive an amount per Share less than the price paid in the [**REDACTED**]. See "Unaudited [**REDACTED**] Financial Information" set out in Appendix II to this document for further details.

There can be no assurance of the accuracy or completeness of certain facts, forecasts, and other statistics obtained from official government sources contained in this document.

Certain facts, forecasts and other statistics presented in this document are sourced from official government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in the reproduction or extraction of such information for the purpose of disclosure in this document. We have no reason to believe that such information is false or misleading in any material respect, or that any material fact has been omitted that would cause such information to be false or misleading. However, such information has not been independently verified by our Company, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the Controlling Shareholders, or any of their respective directors, officers, representatives, or any other person involved in the [**REDACTED**]. Consequently, none of the foregoing parties makes any representation, warranty, or assurance as to the accuracy or completeness of such content. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

Given potential flaws in data collection methods, discrepancies between different published sources, variations in market practice, and other inherent limitations, the statistics herein may contain inaccuracies and may not be directly comparable with statistics compiled for other purposes or publications. Investors are cautioned not to place undue reliance on this information. Furthermore, there is no assurance that these statistics have been compiled on a basis consistent with similar data presented elsewhere. Investors should carefully evaluate the weight and significance they assign to such information and statistics.

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

This document includes statements and information that are forward-looking in nature. Such statements are frequently identified by terminology like "anticipate," "believe," "could," "potential," "going forward," "intend," "plan," "project," "seek," "expect," "may," "ought to," "should," "would," "will," or similar expressions. Relying on any forward-looking statement involves inherent risks and uncertainties, and the underlying assumptions may prove to be inaccurate. Consequently, the forward-looking statements based on those assumptions may also be incorrect. Given these risks and uncertainties, the inclusion of such statements in this document should not be construed as a representation or warranty by our Company that our plans and objectives will be achieved. These forward-looking statements should be considered in light of the various important factors, including those set forth in this section.

Subject to the requirements of the Listing Rules, we undertake no obligation to publicly update or revise any forward-looking statements in this document, whether as a result of new information, future events, or otherwise. Accordingly, undue reliance should not be placed on any forward-looking information. All forward-looking statements contained in this document are expressly qualified by this cautionary statement.

You should read the entire document carefully and only rely on the information included in this document to make your investment decision, and we strongly caution you not to rely on any information contained in press articles or other media coverage relating to us, our H Shares or the [REDACTED].

Prior to the publication of this document, various media reports have covered our Company and the [**REDACTED**], including certain financial information, projections, valuations, and other forward-looking statements. We have not authorized the disclosure of any such information in the press or other media and assume no responsibility for the accuracy or completeness of such coverage or statements. We make no representation regarding the appropriateness, accuracy, completeness, or reliability of any information disseminated through the media. We expressly disclaim any media-reported information to the extent it is inconsistent with or contradicts the information contained in this document. Accordingly, prospective investors are cautioned to base their investment decisions solely on the information presented in this document and should not rely on any other sources.