*You should carefully consider all of the information in this document, including the risks and uncertainties described below before making an* **[REDACTED]** *in our H Shares. You should pay particular attention to the fact that we primarily conduct our operations in China, the legal and regulatory environment of which differs in certain respects from that which prevails in other countries. Our business, financial condition, results of operations or prospects may be materially and adversely affected by any of these risks and the* **[REDACTED]** *of our H Shares may decline as a result. You may lose all or part of your* **[REDACTED]**.

*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 OUR INDUSTRY

**We rely on the performance, reliability and market acceptance of our self-developed core technologies, tool products and solutions. Any defects, failures or security vulnerabilities in such technologies could materially and adversely affect our business, and they require continuous upgrades to remain competitive.**

Our tool products and solutions comprise our comprehensive offerings to test, validate and evaluate the safety, reliability and functionality of customers' power systems. Their proper performance is critical to our operations. Any material disruption of the functionality of our tool products and solutions could adversely affect our market recognition and brand reputation, and customers' confidence in our tool products and solutions. In addition, any complaint, incidents, or negative allegations in relation to the performance of our tool products or solutions may harm our brand image and adversely affect our business, financial condition and results of operations.

Our core technologies, tool products and solutions are inherently complex and may contain latent defects and errors that are not apparent at the time of implementation of the simulation testing solutions but only manifest over time under specific conditions. Any erroneous testing results, delays, defects or disruptions in the testing process or any other malfunctions of our software solutions may have negative impact on our customers' business, as well as the reliability and safety of the power systems they develop, and thus affect their demand for our tool products and solutions, or put us in a disadvantageous position in commercial negotiations. In addition, we may be required, or choose, to expend additional manpower and resources to investigate, rectify or mitigate such issues in a timely manner in order to maintain customer relations.

Our products and solutions may also be subject to security breaches, cyberattacks or unauthorized access or control by malicious third parties. Although we have implemented security measures designed to protect our software solutions, there can be no assurance that such measures will be effective in preventing all security incidents. Any security breach or unauthorized control of our software could compromise the integrity of our testing results, disrupt our operations, expose us to potential liability, undermine our customers' confidence in our tool products and solutions, reduce demand for our solutions, and damage our reputation.

Further, to remain competitive as technologies change, we will continue to modify and upgrade our tool products and solutions to provide advanced testing solutions with the latest technology, which may incur substantial costs and lower our profitability. The success of any enhancement or new solution depends on a number of factors, including timely completion, adequate quality testing, consistently high actual performance, market-accepted pricing levels and overall market acceptance. If we are unable to introduce enhancements and new solutions in a timely and cost-effective manner, or if they contain errors or defects, have interoperability difficulties, or fail to achieve the broad market acceptance necessary to generate significant revenue, our business, financial condition and results of operations may be materially and adversely affected. We cannot assure you that we will be able to compete effectively with other simulation testing solutions providers and integrate the latest technologies into our products in this rapidly evolving industry.

Even if we are able to keep pace with changes in technology and develop new versions of solutions or services, our previous versions could become obsolete more quickly than expected, and our technologies may be replaced by better technologies developed by our competitors or other third parties. In addition, our existing or potential competitors may develop products which are similar or superior to our products or are more competitively priced, which could erode our competitive advantages and materially and adversely affect our business, results of operations and financial condition.

**We invest significantly in research and development, and to the extent our research and development efforts do not yield the benefits we expect, our competitive position would be negatively impacted and our business, results of operations, and financial condition may be materially and adversely affected.**

Our technological capabilities and infrastructure are critical to our success. We have been investing heavily in our research and development efforts. We incurred considerable amounts of research and development expenses during the Track Record Period, which amounted to RMB61.5 million, RMB77.7 million and RMB90.8 million for 2023, 2024 and 2025, respectively, representing approximately 14.5%, 15.7% and 15.1% of our total revenue for the respective years.

The industries in which we operate are subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in research and development to lead technological advancement in order to make our tool products and solutions innovative and competitive in the market. As a result, we expect that our research and development expenses will continue to increase in absolute amount. Furthermore, research and development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our research and development results. Our significant expenditure on research and development may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to develop, we may not be able to timely upgrade our technologies in a cost-effective and timely manner, or at all. New technologies in our industries could render our technologies, our technological infrastructure or solutions that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related research and development expenses, which could result in a decline in our revenues, profitability and market share.

**We generally provide our tool products and solutions to customers on a contract basis and are therefore exposed to business uncertainties that may result in fluctuations in our revenue and gross profit margin from time to time.**

We predominantly generate our revenue on a contract basis. Our business is contract-driven in nature, and the duration of our contracts with customers generally does not exceed one year.

In addition, the revenue generated and gross profit margin achieved under individual contract may differ depending on various factors, including the nature and scale of the engagement, the scope and complexity of the work to be performed, the specifications and customizations requirements of our customers, the technical, software, hardware, server and component requirements, and the timeline, manpower and other resources required to perform the relevant contract obligations.

During the Track Record Period, our gross profit was RMB179.6 million in 2023, RMB204.8 million in 2024, and RMB282.3 million in 2025, representing gross profit margin of 42.3%, 41.4%, and 47.1%, respectively. In general, our overall gross profit margin is affected by the mix of products and solutions we offer. We typically generate relatively lower gross profit margins for products and solutions that involve a higher degree of customization and greater project complexity, as they increase costs and resource allocation that may not be fully recoverable through project fees.

In addition, our gross profit margin varies across the industries in which we operate. Our gross profit margin from the new power system industry remained relatively stable during the Track Record Period, primarily due to the recurring nature of the solutions we provide in this industry. In comparison, our gross profit margin from the advanced equipment electrical system industry exhibited relatively greater variability, as it is more susceptible to differences in individual customers requirements, contract scope, scale, and technical specifications from period to period. Please refer to "Financial information — Discussion of selected items in consolidated statements of comprehensive income — Gross profit and gross profit margin" in this document for further details.

Therefore, our historical gross profit margin may not be indicative of our gross profit margin in the future. If we cannot control and manage our operating costs effectively, or if there are any unexpected fluctuations in the cost of hardware or other components, our cash flows, results of operations and financial condition could be adversely affected.

**We may not be successful in the tender processes for potential projects and our business and financial condition may be adversely affected.**

Some of our projects may involve a tender process, where potential suppliers are required to submit detailed bidding proposals in response to a tender notice for assessments. Our tender success rate was 70.9% in 2023, 68.5% in 2024, and 56.0% in 2025. See "Business — Business Workflow for Our Solutions — Tender process" for more details. There is no guarantee that our bids in tender processes in the future will be successful and we may not be awarded project contracts due to various reasons. There is also no assurance that we will be able to maintain or increase our success rate in obtaining projects tendered in the future. In the event that we are unable to secure new projects of similar or larger contract sum by way of tender on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

In addition, the tender process may be competitive, and we may need to adjust our price in response to competition, which could compress our profit margins. If we are unable to win a sufficient number of bids, or if we win bids at prices that are not profitable, our results of operations and financial condition could be materially and adversely affected.

**Our success depends largely on the continued service of our senior management and key R&D personnel and our ability to recruit, train or retain qualified personnel or sufficient workforce while controlling our labor costs.**

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to have adequate skilled personnel by attracting new and retaining existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected. We intend to hire additional qualified employees, particularly R&D personnel to support our business operations and expansion. Our experienced mid-level managers also are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depend on the hard work and quality of the performance of our management and employees.

Since the industry we are in is characterized by high demand and intense competition for talent and labor, we may not be able to attract or retain qualified personnel with the necessary technical expertise. In addition, if we experience employee turnover or are unable to integrate new employees effectively, our operational efficiency and service quality may be adversely affected, which could impair our collegial corporate culture and harm our ability to achieve our strategic objectives.

**A substantial majority of our revenue is derived from new power systems, and any downturn or adverse change in this industry, or our failure to capitalize on opportunities within it, could materially and adversely affect our business, results of operations, financial condition and prospects.**

China's new power systems and advanced equipment electrical systems, which represent a significant portion of our core addressable market, have been developing rapidly. In particular, we derive a substantial majority of our revenue from new power systems, which accounted for 74.8%, 72.0% and 84.7%, respectively, of our total revenue in each year during the Track Record Period. As a result, our business and financial performance are highly dependent on the continued growth and stability of this industry. Any downturn, slowdown, or adverse change in new power systems, whether caused by shifts in government policies, changes in market demand, technological disruption, or other factors beyond our control, could reduce customer demand, and, in turn, materially and adversely affect our business operations.

In addition, the future market size of our addressable markets and the demand for our tool products and solutions may be difficult to predict, as they depend on a number of variables beyond our control, including the availability and continuity of supportive government policies, the prevalence and adoption of new technologies, and the performance and cost-efficiency of the available solutions in the market.

If we fail to anticipate or respond effectively to evolving industry trends, changing customer requirements or emerging competitive dynamics, we may not be able to capture available market opportunities. If our tool products and solutions do not achieve widespread market acceptance, or if there is a reduction in customer demand as a result of alternative technologies, competing products or services, enhanced regulations, macroeconomic downturns, international and regional political tensions or other causes, our business, results of operations, financial condition and prospects could be materially and adversely affected.

**We derived a significant portion of our revenue from a limited number of customers during the Track Record Period and may continue to be exposed to the risk of such concentration in the future.**

A significant portion of our revenue during the Track Record Period was derived from a limited number of customers. For each financial year during the Track Record Period, our revenue generated from our largest customer amounted to RMB98.9 million, RMB78.4 million, and RMB106.3 million, accounting for 23.3%, 15.8%, and 17.7% of our total revenue, respectively; and our revenue generated from our top five customers amounted to RMB216.6 million, RMB230.2 million, and RMB330.1 million, respectively, accounting for 51.0%, 46.5%, and 55.1% of our total revenue, respectively. See "Business — Our Customers" in this document for further details.

Our revenue during the Track Record Period was substantially generated from the sale of tool products and solutions which were generally on a contract-basis. While it is crucial for us to secure new contracts of similar attributable revenue or large contract value from new customers on a continuous basis, we may not be able to diversify our customer base or to secure more potential customers. There is also no guarantee that we will be able to maintain our business relationship with our existing customers or secure new contracts from them in the future. In the event that we are unable to secure projects of comparable contract value and quantity from new customers, or obtain sufficient new business from existing customers in a timely manner or at all, our business, results of operations and financial condition would be materially and adversely affected, and it may cause material fluctuations in our revenue. In addition, should any of our major customers delay or default in making payments to us or at all, our cash flow and financial position would be adversely affected.

**We purchase a significant portion of our software, hardware and services from a limited number of third-party suppliers. Supply shortage, long lead times for components, supply changes, and/or changes in business relationship could disrupt our supply chain and could delay deliveries of our solutions to customers.**

Our purchase from third-party suppliers primarily encompasses procurement of software, hardware and services. Purchase amount from our five largest suppliers in each year of the Track Record Period accounted for 63.7%, 60.5%, and 62.1% of our total purchase amount, respectively. Purchase amount from our largest supplier, Supplier A, in each year of the Track Record Period accounted for 51.6%, 48.0%, and 53.2% of our total purchase amount, respectively. While we enter into an exclusive distributorship agreement with Supplier A, under which we procure real-time simulation and HIL testing systems from Supplier A for a substantial majority of our solutions, see "Business — Our Suppliers" for further details, we cannot assure you that our relationship with Supplier A will continue on the same or similar terms, or at all. Any deterioration in our relationship with Supplier A, disruption in the supply of its products or termination of the exclusive distribution agreement could have a material adverse effect on our business, financial condition and results of operations.

If all or a significant number of our suppliers are unable or unwilling to meet our requirements for quantity, quality or timing, we could suffer supply shortages or procurement cost increases. Our suppliers could fail to meet our needs for various reasons beyond our control, including fires, natural disasters, extreme weather, manufacturing problems, epidemics, strikes, transportation interruptions or governmental regulations. A failure of supply could also occur due to suppliers' financial difficulties, including bankruptcy. Changing suppliers may require a long lead time. We may not be able to locate alternative suppliers in sufficient quantities, of suitable quality, or at an acceptable price within a reasonable period of time, or at all. Continued supply disruptions could exert pressure on our costs, and we cannot assure you that all or part of any increased costs can be passed along to our customers in a timely manner or at all, which could negatively affect our business, overall profitability and financial performance.

**If we fail to compete effectively, our business and growth prospects may be materially and adversely affected.**

Our competitors may have greater brand recognition, longer corporate operating history, more advanced technical capabilities and broader established customer base than us. They may also have, or in the future gain, more financial resources and sophisticated technological capabilities than us. Furthermore, our competitors, including in-house technology development of our customers and prospective customers, may be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or customer demand than us. In addition, premised on our extensive industry expertise in advanced industries, we have curated our tool products and solutions for manufacturers in related industry verticals. As we develop our tool products and solutions catering to more diversified use cases, the customer preferences and required industry expertise will become different, and we are likely to face additional competitors.

We may also face competition from new entrants who may offer lower prices or new technologies and solutions, and thus increase the level of competition in the future. Intensified competition could result in lower sales, price reduction, declined profit margins or loss of market share. Furthermore, we may be required to make substantial additional investments in R&D, sales and marketing, recruiting and retaining talents, and acquiring technologies complementary to, or necessary for, our current and future solutions in response to such competitive threats, and we cannot assure you that these measures will be effective. If we are unable to compete successfully, our business, results of operations and financial condition may be materially and adversely affected.

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

Our ability to generate and increase our revenue depends largely on our ability to retain existing customers, attract new customers or increase their spending with us. This in turn would depend on several factors, including our ability to offer high-quality solutions that address the needs of our customers at competitive prices, roll out new and enhanced features and functionalities, strengthen our technological capabilities and adapt to the evolving industry trends and competitive landscape. There can be no assurance that we will be successful in retaining or attracting customers for our solutions or in increasing their spending with us. For example, we primarily provide solutions to customers on a project basis, and may need to customize the solutions based on specific customer demands. We cannot assure you that we will be able to replicate our previous selling success or reuse previous project experience in acquiring new customers, selling new or upgraded solutions to existing customers, or providing chargeable long-term services to customers. Our customers may find their existing solutions sufficient for a considerable period of time, and we may also fail to capture the cross-selling and up-selling opportunities for other offerings in our solutions. They may even develop their own solutions or otherwise utilize their internal resources to reduce or eliminate their reliance on third-party providers like us. In addition, as we acquire certain projects from state-owned enterprises during the Track Record Period, through public tendering process, which involves intense competition and pricing pressure beyond our control, we may face additional risks in acquiring and contracting with customers on the same or more favorable terms as our previous projects.

As we have been and will continue expanding our customer base and diversifying industry sectors that we cover, the demands of our customers may differ from each other and evolve over time. As such, we need to upgrade, expand and modify our solutions to satisfy their requirements. We also need to develop expertise and insights to serve customers across industry sectors and adapt our solutions accordingly to ensure the degree of our market acceptance. We cannot assure you that we can always provide solutions that meet our customers' expectations. As a result, we may not be able to retain and expand our customer base, and our business, results of operations and financial condition may be materially and adversely affected.

**Any failure to offer high-quality maintenance and support services for our customers may adversely affect our relationships with them and, consequently, our business.**

We generally offer a warranty period of 12 to 24 months for our tool products and solutions. As we continue to grow our operations by enlarging customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customers' needs. We may not be able to recruit or retain sufficient qualified technical personnel with experience in supporting customers of our tool products and solutions. As a result, we may not be able to respond quickly enough to accommodate increases in customer demand for technical support or maintenance assistance. If we experience increased customer demand for support and maintenance, and we are unable to provide efficient customer maintenance and support, our business may be adversely impacted. Our ability to attract new customers is highly dependent on our business reputation and recommendations or word of mouth from our existing customers. If we fail to maintain, or are perceived as failing to maintain, high-quality maintenance and support services for our customers, our business, results of operations, financial condition and prospects could be materially and adversely affected.

**We are subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.**

In recent years, complexities in international relations, such as the geopolitical tensions between the United States and China, have presented new challenges. There has been substantial fluctuation in the level and scope of tariffs and other trade restrictions imposed by both countries. Major trading partners have announced substantial new tariff frameworks and trade policies affecting a wide range of products and jurisdictions, while certain governments have announced or implemented retaliatory tariffs and other protectionist measures in response. These developments have created a dynamic and unpredictable trade landscape. Looking ahead, there remains significant uncertainty on how the relevant tariffs or other trade restriction measures may evolve. Furthermore, trade disputes, tariffs, restrictions and other political tensions between the United States and other countries may also exacerbate unfavorable macroeconomic conditions, including inflationary pressures, foreign exchange volatility, financial market instability, and economic recessions or downturns.

Governments have continued to expand the application of export controls, economic sanctions and other national security-related measures. Evolving export controls, licensing requirements, economic sanctions, and associated compliance burdens have led to increased operating costs and reduced flexibility in counterparty selection. Any expansion of these regimes, or the introduction of new country-specific or product-specific restrictions, could disrupt our sourcing of inputs, constrain our ability to transact with certain counterparties, and otherwise adversely affect business operations.

Our operations involve suppliers and customers from diverse background, which may therefore expose us to evolving international trade regulations, export controls and sanctions regimes that could disrupt our supply chain, impact the competitive position of our products, or affect our ability to source inputs on commercially acceptable terms. In addition, to the extent geopolitical developments affect the market prices or availability of such key inputs, our procurement costs may increase.

Upon assessment, we are of the view that we had not engaged in any unauthorized transactions or committed any violations of the U.S. Export Administration Regulations, have not been involved in any sanctioned activities during the Track Record Period and therefore there is no material sanctions risks. However, there can be no assurance that such assessments will remain valid in the future, particularly if relevant regulations, designations or interpretations change.

Furthermore, there can be no assurance that our existing or potential business partners will not alter their perception of us or their willingness to transact with us as a result of changes in the geopolitical environment or the relationships between China and other countries. Any prolonged economic downturn, escalation in trade tensions, or deterioration in international perception of China-based companies could materially and adversely affect our business, results of operations, financial condition and prospects.

**Our expansion into international markets outside of China exposes us to operational, financial and regulatory risks.**

Expanding our footprint beyond China and growing overseas sales is an important part of our future growth and strategic development. As of the Latest Practicable Date, we have established two subsidiaries in Europe. Our international operations and expansion efforts may result in allocation of significant resources and management attention, and subject us to intellectual property, regulatory, economic and political risks and uncertainties that are different from those in the PRC. As we increase our international sales efforts, the various risks and uncertainties that we may face include but are not limited to:

- difficulties in staffing and managing foreign operations, particularly in hiring and training qualified sales and service personnel;

- different pricing environments, potentially longer sales and accounts receivable payment cycles and collections issues;

- challenges in commercializing our solutions in new markets where we have limited experiences with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- new and different sources of competition;

- general economic conditions and political instability in international markets and the unexpected changes thereof;

- fluctuations between Renminbi and foreign currencies, which may make our solutions more expensive in other countries or regions or may impact our results of operations when our revenue are translated into Renminbi;
- compliance challenges related to the complexity of conflicting and changing territorial and trans-jurisdictional laws and regulations, including that on privacy and data protection, employment, tax and telecommunications, and obtaining the necessary licenses, permits and approvals;
- weaker protection for intellectual property and other legal rights, and practical difficulties in enforcing or defending against claims thereof;
- compliance with multiple and potentially conflicting laws and regulations governing various aspects we may be involved in, including competition, pricing, operation, tariffs, trade protection, economic or trade sanctions, anti-dumping, anti-corruption, anti-money laundering, labor protection, restrictions on foreign investment, anticompetition and other activities important to our business;
- laws and business practices favoring local competitors; and
- increased financial accounting and reporting burdens and complexities.

Our ability to maintain and expand our presence and competitiveness in the global market will be critical to the success of our business. However, there is no guarantee of achieving this, and any of the aforementioned risks could present significant challenges for us. In recent years, rising geopolitical tensions and national security concerns have led to stricter international trade policies, trade protection measures, economic or trade sanctions and export control measures. The interpretation and enforcement of such laws and regulations and future development in global trade dynamics may impose new restrictions or uncertainties on our business. Non-compliance with such laws could result in a restriction on our ability to conduct cross-border business, an increase in compliance burdens, or reputational damage. If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material adverse effect on our business, financial condition and prospects.

**Our customers are typically large enterprises, and our project completion cycles can be longer than expected, which may lead to increased operating expenses, delays in revenue recognition and adverse effects on our operating results.**

Our customers are typically large enterprises that possess the scale of operations, technical infrastructure and procurement budgets necessary to procure our solutions, given the large contract value, complexity and high degree of customization involved in our projects. These customers tend to have more stringent requirements than their smaller counterparts. In addition, larger customers generally have more complex internal processes, budget approval procedures, and various factors such as changes in customer requirements and technical challenges, can contribute to project delays beyond our initial expectations. Prolonged project timelines can result in increased costs and resource allocation which may not be fully recoverable through project fees, leading to higher expenses and reduced profitability. We may not be able to recognize revenue in accordance with the expected timetable, which could cause fluctuations in our financial results and adversely affect our results of operations.

**We entered into strategic collaborations and partnerships with certain business partners for various projects and initiatives.**

We collaborate with a broad range of business partners, including customers in the new power system and the advanced equipment electrical system industries with diverse applications, as well as overseas and domestic suppliers. We could be affected by adverse publicity related to such partners, whether or not such publicity is related to their collaboration with us. We cannot assure you that our relationships with them will remain amicable and stable or that they will continue to collaborate with us on commercially reasonable terms or at all. There is also no guarantee that we will be able to establish new business partnerships or extend existing relationships with our business partners when our agreements with them expire on terms and conditions acceptable to us. Furthermore, certain of our agreements with our business partners may be terminated prior to their specified termination dates or upon certain termination events and our business partners may amend or supplement the contract terms. If we are unable to maintain our relationships with our key business partners, or any of our collaboration with our key business partners is terminated, our business and financial results could be severely affected. Any of the foregoing could adversely affect our business, results of operations, financial condition and prospects.

**Any leak of our core technologies and business secrets could adversely affect our business and results of operations.**

We rely on a combination of patents, trade secrets, copyrights, trademarks, confidentiality agreements and non-compete covenants to protect our intellectual property and proprietary information. We have devoted substantial resources to the development of our technology and know-how throughout the years. Although we enter into employment agreements with confidentiality and non-compete covenants with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties, including our competitors.

Furthermore, we provide certain technical know-how related to our tool products and solutions to our business partners in the course of our collaboration with them, which may lead to the disclosure of some of our core technologies and enable them to offer tool products and solutions that compete with ours. Any unauthorized disclosure or misappropriation of our core technologies and business secrets could erode our competitive advantages, costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our business, reputation, competitive position, results of operations and financial condition.

**We have entered into R&D collaborations with third parties or may form or enter into additional collaborative R&D arrangements in the future, however, we may become involved in disputes with our collaborative R&D partners regarding the ownership, licensing or use of intellectual property rights arising from such collaborative arrangements.**

We have entered into partnerships with certain universities and research institutions for joint R&D projects and other initiatives, and we may form or enter into additional collaborative R&D arrangements in the future. See "Business — Research and Development — Research and development collaboration." Our collaborative R&D arrangements typically involve joint development of technologies, sharing of resources and exchange of technical know-how, which may give rise to complex intellectual property issues.

Disputes may arise with our collaborative R&D partners regarding the ownership, licensing or use of intellectual property rights arising from such arrangements. In particular, the determination of inventorship and ownership of intellectual property developed jointly with our partners may be subject to differing interpretations under the applicable laws and contractual arrangements, as the application and interpretation of intellectual property laws and the procedures and standards for determining ownership rights in collaborative arrangements are still evolving and may change from time to time in the future. We may also become involved in disputes regarding the scope of licenses granted under our collaborative agreements, or the rights to use, commercialize or sublicense technologies developed during the course of such collaborations. We cannot assure that courts or regulatory authorities would agree with our analysis of intellectual property ownership arising from our collaborative R&D arrangements, nor can we assure that holders of patents or other intellectual property rights purportedly relating to some aspect of our jointly developed technologies, if any such holders exist, would not seek to enforce such rights against us.

**Unauthorized use or other violation of our intellectual property rights by our customers, employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business. We may also be subject to intellectual property infringement claims, which may be expensive to defend and may disrupt our business and operations.**

We regard our copyrights, trademarks, trade secrets and other intellectual properties as critical to our success and rely on a combination of patent, trademark and copyright laws, trade secrets protection, restrictions on disclosure of our intellectual properties to protect these rights. Although contracts with our business partners may prohibit the unauthorized use of our brands, images, characters and other intellectual property rights, we cannot assure you that they will always comply with these terms. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, third parties may independently discover trade secrets and proprietary information, limiting our ability to assert any trade secret rights against such parties. Policing unauthorized use of our proprietary technology, trademarks and other intellectual property is difficult and expensive, and litigation may be necessary to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources and could disrupt our business, as well as materially and adversely affect our financial condition and results of operations.

Moreover, competitors and other third parties may register trademarks or purchase internet search engine keywords or domain names that are similar to ours, in order to divert potential customers from us. Preventing such unfair competition activities is inherently difficult. If we are unable to prevent such activities, competitors and other third parties may drive potential customers away from us, which could harm our reputation and materially and adversely affect our results of operations.

**Patent terms may not be sufficient to effectively protect our technology, tool products and solutions.**

We protect our patent portfolio by filing applications for our key patents and maintaining registered patents in China, where the term of an issued patent is generally 10 to 20 years from the earliest claimed filing date of a non-provisional patent application. The life of a patent and the protection it affords is limited. Even if patents covering our technology are obtained, we may be exposed to competition from other companies once our patent rights expire. Given the amount of time required for the development, testing and regulatory review of new technology and product candidates, patents protection for such technology, tool products and solutions might expire before or shortly after such technology and candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products or technology similar or identical to ours.

**Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our tool products and solutions.**

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in relevant countries or regions may diminish our ability to protect our inventions, obtain, maintain, defend, and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from misappropriation or infringement by competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

**We may be involved in legal proceedings and commercial or contractual disputes. Any litigation, legal and contractual disputes, claims or administrative proceedings against us could be costly and time-consuming to defend or settle, and could result in negative publicity.**

We may be subject to claims and various legal and administrative proceedings, and, as a result, penalties and new claims may arise in the future. Regardless of the merit of particular claims, legal and administrative proceedings, such as litigations, injunctions and governmental investigations, may be expensive, time consuming or disruptive to our operations and distracting to management. In recognition of these considerations, we may enter into new or further agreements or other arrangements to settle litigation and resolve such disputes. No assurance can be given that such agreements can be obtained on acceptable terms or that litigation will not occur. These agreements may also significantly increase our operating expenses.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, there were no material legal or administrative proceedings pending or threatened against us that could, individually or in the aggregate, have a material effect on our business, financial condition or results of operations. However, new legal or administrative proceedings and claims may arise in the future. If one or more legal or administrative matters were resolved against us or an indemnified third party for amounts in excess of our management's expectations or certain injunctions are granted to prevent us from using certain technologies in our solutions, our business and financial conditions could be materially and adversely affected. Further, such an outcome could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, remedial corporate measures, injunctive relief or specific performance against us that could materially and adversely affect our financial condition and results of operations. For further details regarding our legal proceedings and compliance matters, see "Business — Legal Proceedings and Compliance."

**Acquisition, investments or strategic alliances may fail, which may materially and adversely affect our reputation, business and results of operations.**

We may in the future enter into strategic alliances, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by third parties, and increases in expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these third parties suffers negative publicity or harm to their reputation from events relating to their businesses, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

There can be no assurance that we will be able to identify and acquire, on reasonable terms, if at all, suitable acquisition candidates or investment opportunities. We could be faced with increasing competition for attractive acquisition candidates. Compliance with antitrust, foreign investment review, or any other regulations may delay proposed acquisitions or prevent us from closing such acquisitions or investments in the manner proposed, if at all. Such delay or failure to close proposed acquisitions could impair our ability to achieve our strategic objectives. Failure to successfully identify or undertake future investments, acquisitions, partnerships and new business lines and strategies may have a material adverse effect on our business, financial condition and results of operations.

**Any change in discontinuation of preferential tax treatments or government grants that are currently available to us could adversely affect our business, financial condition and results of operations. We may not be classified as a "High and New Technology Enterprises" of the PRC, which could result in unfavorable tax consequences.**

During the Track Record Period, we were entitled to preferential tax treatment under relevant preferential tax policies. Our Company was recognized as a "High and New Technology Enterprises" (高新技術企業) ("**HNTE**") and entitled to a preferential corporate income tax ("**CIT**") rate of 15% during the Track Record Period. The HNTE qualification is generally reassessed by the relevant authorities every three years, and our current qualification is valid until 2028. In addition, one of our PRC subsidiaries was recognized as a HNTE in 2025 and thereby entitled to a preferential CIT rate of 15% valid through 2027. Furthermore, we may be entitled from time to time to other forms of preferential tax treatment, including but not limit to refund on VAT and R&D tax credits, etc.

Such preferential tax treatments are subject to change and termination. Government agencies may decide to reduce, eliminate or cancel our tax preferences at any time. Therefore, we cannot assure you of the continued availability of such tax preferences as we currently enjoy. If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation, reduction or delay of the preferential tax treatment could adversely affect our financial condition and results of operations.

**Our insurance coverage may not be sufficient to cover all the losses associated with our business operations.**

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties other than for our vehicles. We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurance on commercially reasonable terms render such insurance impractical for our business and purposes. We believe we maintain insurance policies in line with industry standards. However, our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. If such risk materializes, we may also suffer substantial losses as we do not have such insurance coverage. For details of our insurance coverage, see "Business — Insurance."

**Our business and prospects depend on our ability to build our brand and reputation. If we fail to effectively maintain, promote and enhance our brands, our business and competitive advantages may be harmed.**

We believe that maintaining, promoting and enhancing our key brands is critical to our business. Maintaining and enhancing our brands depends largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative tool products and solutions, which we cannot assure you we will do successfully. We believe the importance of brands recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful tool products and solutions at competitive prices, successful promotion of our brands will also depend on the effectiveness of our marketing efforts. We market our tool products and solutions through our in-house sales team and our customers' word of mouth referrals. Our efforts to market our brand have incurred significant costs and expenses and we intend to continue such efforts. We cannot assure you, however, that our selling and marketing expenses will lead to increases in revenue, and even if they do, such increases in revenue may not be sufficient to offset the expenses incurred.

**If we fail to obtain or maintain all required licenses, permits and approvals to operate our business, our business operations may be materially and adversely affected.**

We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business. As the laws and regulations in China is subject to further revisions or interpretations from time to time, we cannot assure you that we have obtained all the approvals, permits or licenses required for conducting our business in China and other jurisdictions in which we operate, or will be able to maintain our existing approvals, permits or licenses or obtain new ones. The government authorities may require us to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operations of the types of businesses to which the new requirements apply. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently supplying services and expose us to potential penalties and fines. Our existing licenses may expire without proper renewal or be revoked due to violations of relevant licensure maintenance requirements. If any of our entities is deemed by governmental authorities to be operating without appropriate permits and licenses or outside of their authorized scopes of business or otherwise fail to comply with relevant laws and regulations, we may be subject to penalties and our business, results of operations and financial condition may be materially and adversely affected.

**Our business growth and results of operations may be adversely affected by changes in global and regional macroeconomic conditions, force majeure events, natural disasters, pandemics, acts of war or terrorism, or the occurrence of other incidents that are beyond our control.**

Uncertainties about global and regional macroeconomic conditions including fluctuation of interest rates, inflation level, conditions in the industries in which we operate, unemployment, labor and healthcare costs, access to credit, consumer confidence and other factors beyond our control may pose risks and materially and adversely affect the demand for our products.

In addition, natural disasters such as floods, earthquakes, fire or drought, the outbreak of a widespread health epidemic, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, financial condition, results of operations and prospects. Ongoing geopolitical instability in the Middle East, including recent military conflict involving Iran, Israel and the United States, could adversely affect global economic conditions, financial markets and investor sentiment.

**We are subject to cybersecurity risks related to information technology systems. Any material failure, weakness, interruption, cyber event, incident or breach of security could prevent us from effectively operating our business.**

We may be subject to information technology system failures, interruptions, outages and breaches or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could materially disrupt our operational systems; result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain operational data; jeopardize the security of our facilities; or affect the performance of in-product technologies in our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our information technology systems may also be subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. During the Track Record Period and up to the Latest Practicable Date, we did not experience any incidents of cybersecurity attacks, breaches, or other material failures of our information technology systems that materially and adversely affect our reputation, financial condition and operating results. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. In addition, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers' databases or systems. Moreover, there are inherent risks associated with developing, improving, expanding and updating current systems, including the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data, procure components or supplies or produce, sell, deliver and service our tool products and solutions, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. If the information technology systems, networks or service providers we rely upon fail to function properly or if we or one of our third-party providers suffer a loss, significant unavailability of or leakage of our business or stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

**Our business is subject to seasonality.**

We experience seasonality in our business. During the Track Record Period, we generally recorded higher revenues for our tool products and solutions in the fourth quarter of the year, primarily because certain of our customers tend to complete their inspection and accept our tool products and solutions at that period, which causes us to recognize revenue in the fourth quarter according to relevant revenue recognition policy. We expect the impact of seasonality on our business to continue in the future. However, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. Fluctuations due to seasonality may materially and adversely affect the predictability of our results of operations.

**We recorded negative operating cash flows in 2024.**

Our operating cash flow position fluctuated during the Track Record Period. We recorded operating cash inflows of RMB25.5 million in 2023 and RMB60.9 million in 2025, and net outflow of operating cash of RMB14.6 million in 2024. We may experience negative operating cash flow in the future. Our operating cash flow is affected by, among other things, increases in inventories, trade and bills receivables, and other working capital items arising from the growth of our business. See "Financial Information — Liquidity and Capital Resources — Cash flows" for more details.

If we experience sustained negative operating cash flow, it could limit our ability to fund operations internally and may require us to obtain additional financing through equity or debt offerings, which could result in shareholder dilution, increased leverage or restrictive covenants on us. Our ability to obtain external financing is subject to uncertainties, including our future financial condition, results of operations and cash flows, as well as prevailing market conditions and liquidity. There can be no assurance that such financing will be available on favorable terms, or at all.

**We may be exposed to credit risk associated with our trade and bills receivables.**

Our trade and bills receivables primarily consisted of (i) trade receivables, representing the amount of money owed by customers for services or products; and (ii) bills receivable, representing bank acceptance bills that have been received from our customers, which are guaranteed by the accepting banks and therefore carry relatively lower credit risk.

As of December 31, 2023, 2024 and 2025, the gross carrying amount of our trade and bills receivables was RMB179.1 million, RMB227.9 million and RMB280.2 million, representing 42.2%, 46.0% and 46.7% of our total revenue for the respective years; the net carrying amount of our trade and bills receivables was RMB161.1 million, RMB200.4 million and RMB255.5 million, respectively; and the impairment allowance for our trade receivables was RMB18.0 million, RMB27.5 million and RMB24.7 million, respectively. The impairment losses recognized for our trade receivables during the years ended December 31, 2023, 2024 and 2025 amounted to RMB5.3 million, RMB9.5 million and a net reversal of RMB2.8 million, respectively. While the net reversal in 2025 reflected an improvement in our collection experience during the year, there can be no assurance that this favorable trend will continue in future periods.

There can be no assurance that we will be able to collect our trade and bills receivables in a timely manner. Should the creditworthiness of our customers deteriorate, or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may continue to incur impairment losses in the future and our results of operations and financial position could be materially and adversely affected.

## RISKS RELATING TO DOING BUSINESS IN THE PRC

### Changes in the economic and legal conditions, as well as the interpretation and implementation of the relevant laws, rules and regulations, may affect our business, prospects, results of operations, financial condition, and cash flows.

Due to our operations in the PRC, our business, financial condition, results of operations and prospects are affected by political, economic and legal developments in the PRC. Any of the foregoing would affect our business, financial condition, results of operations and prospects. We shall comply with the applicable PRC laws, rules and regulations. The relevant PRC laws, rules and regulations in force at present may be amended in the future, and their interpretation and implementation shall be determined in accordance with relevant laws and regulations in force at the time. Any non-compliance with any existing or new laws and regulations could materially and adversely affect our business, financial condition, results of operations, cash flows and prospects.

### We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations.

We are subject to anti-corruption, anti-bribery, anti-money laundering and other relevant laws and regulations in the PRC. In particular, we have business collaborations with state-owned enterprises and directly or indirectly interact with their officials and employees in our ordinary course of business. We may be subject to investigations and proceedings by the PRC government authorities, and even fines and sanctions, which would in turn affect or damage our brand and reputation in the market materially. If any of our subsidiaries, Directors, senior management, employees, representatives, consultants, agents or business partners engage in corrupt, fraudulent or other unfair business practices or otherwise breach such applicable laws or regulations, we may be held responsible and become subject to one or more legal proceedings or enforcement actions. In such circumstances, we might be subject to adverse media coverage where we might be required to take appropriate remedial measures and incur associated costs and expenses (including legal expenses), all of which could materially and adversely affect our business, reputation, financial condition and results of operations.

**We are subject to the currency exchange regulatory system.**

The value of the Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by a number of factors, such as changes in the global economic conditions and the fiscal and foreign exchange policies. We cannot assure you that the exchange rates of Renminbi against the Hong Kong dollar or the U.S. dollar will not change in the future.

The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any change in the exchange rate of the Renminbi to the U.S. dollar, the Hong Kong dollar or any other foreign currencies may affect the value of our **[REDACTED]** from the **[REDACTED]**, and the value of, and any dividends payable on, our H Shares in foreign currencies. Further, there is no assurance that we will, at a certain exchange rate, have sufficient foreign currencies to meet our demand (if any) for foreign currencies in the future. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

**Our operations are subject to PRC tax laws and regulations.**

We are subject to periodic examinations on fulfillment of our tax obligations under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition or results of operations, as well as our reputation. Furthermore, PRC tax laws and regulations may be adjusted from time to time, which may also have an adverse effect on our business, financial condition and results of operations.

**We may be subject to risks relating to our failure to complete lease registration for our leased properties.**

Under the applicable PRC laws, lease agreements are required to be registered with the local branch of the land and real estate administration bureaus. However, as of the Latest Practicable Date, we had not obtained lease registrations for four properties we leased in China, which were used as office premises and for industrial production and research purposes, primarily due to the difficulty of procuring our lessors' cooperation to register such leases. As advised by our PRC Legal Advisor, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may require us to complete registrations within a specified time frame and may impose a fine ranging from RMB1,000 to RMB10,000 for each of such lease agreements. See "Business — Properties."

**There may be difficulties in effecting service of legal process upon or enforcing judgments obtained outside the PRC against us or our Directors or senior management who reside in the PRC.**

We are a joint stock company incorporated under the laws of the PRC with limited liability. Substantially all of our assets are located in the PRC and a small portion of our assets are held through our overseas subsidiaries, including our subsidiary in Hong Kong. Substantially all of our Directors and senior management reside within the PRC, and substantially all of their assets are located within the PRC. Therefore, it may be time-consuming for investors outside the PRC to effect service of process upon us or most of our Directors and senior management personnel in the PRC. On July 14, 2006, the Supreme People's Court of the PRC (中華人民共和國最高人民法院) (the "**Supreme People's Court**") and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administration Region Pursuant to Agreed Jurisdiction Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), which was promulgated by the Supreme People's Court on July 3, 2008 and came into effect on August 1, 2008. Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case where there is a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement on Reciprocal Recognition in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgment", "specific legal relationship" and "written form." A final judgment that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"). Under the 2019 Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective Judgments in civil and commercial cases subject to the conditions set forth in the 2019 Arrangement. The 2019 Arrangement does not include the requirement for a choice of court agreement in writing by the parties. The 2019 Arrangement came into effect on January 29, 2024, after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in Hong Kong. The 2019 Arrangement supersedes the 2006 Arrangement.

## RISKS RELATING TO THE [REDACTED]

### There has been no prior [REDACTED] for our H Shares and an active [REDACTED] for our H Shares may not develop.

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our H Shares. We cannot assure you that a **[REDACTED]** for our H Shares with adequate **[REDACTED]** will develop and be sustained following the completion of the **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us, and may not be an indication of the **[REDACTED]** of our H Shares following the completion of the **[REDACTED]**. If an active **[REDACTED]** for our H Shares does not develop following the completion of the **[REDACTED]**, the **[REDACTED]** of our H Shares may be materially and adversely affected.

### The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could result in substantial losses for [REDACTED] who [REDACTED] our H Shares in the [REDACTED].

The **[REDACTED]** and **[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 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 **[REDACTED]** and **[REDACTED]** volume of our H Shares. In addition to market and industry factors, the **[REDACTED]** and **[REDACTED]** 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. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

### [REDACTED] will experience immediate and substantial dilution and may experience further dilution if we [REDACTED] additional Shares or other equity securities in the future.

The **[REDACTED]** of our H Shares is substantially higher than the net tangible book value per Share immediately prior to the **[REDACTED]**. Thus, **[REDACTED]** may experience an immediate dilution when they **[REDACTED]** our **[REDACTED]** in the **[REDACTED]**. If we are to distribute our net tangible assets to the Shareholders immediately following the **[REDACTED]**, **[REDACTED]** would receive less than the amount they have paid for their Shares. For purposes of, among others, business expansion our Company may proceed with in the future, we may need to raise additional funds through issuing securities or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders. Such **[REDACTED]** may also confer rights and privileges that take priority over those conferred by the **[REDACTED]**.

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

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), our Controlling Shareholders will in aggregate hold approximately **[REDACTED]**% of the **[REDACTED]** share capital of our Company. Our Controlling Shareholders therefore may have significant influence over our Company, including matters relating to our management, decisions and policies regarding acquisitions, mergers, expansion plans, consolidation and sales of all or substantially all of our assets, election of our Directors and other significant corporate actions. The interests of our Controlling Shareholders may not align with those of our other Shareholders. We cannot rule out the possibility that our Controlling Shareholders may exercise their substantial influence over our Company and cause our Company to enter into transactions or take, or fail to take, other actions or make decisions which conflict with the best interests of our other Shareholders.

**There is no assurance whether and when we will declare and pay dividends in the future.**

The declaration of dividends is proposed by our Board and subject to the applicable laws and regulations and our Shareholders' approval. Whether dividends will be distributed and the amount of any dividend to be declared and distributed in the future will be at the discretion of our Directors and will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and future prospects, and our constitutional documents and PRC laws and regulations.

**We have significant discretion as to how we will use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.**

We plan to use our net **[REDACTED]** from the **[REDACTED]** for the research and development of key technologies, tool products and solutions and development of our customer service networks in China and overseas and carrying out sales and marketing activities. For details of our intended **[REDACTED]**, please refer to the section named "Future plans and **[REDACTED]** in this document. However, our Directors will have discretion as to the actual application of our net **[REDACTED]** from the **[REDACTED]**, and thus may use the net **[REDACTED]** from the **[REDACTED]** in a manner with which prospective investors may or may not agree and/or which may not yield a favorable return. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of our net **[REDACTED]** from the **[REDACTED]**.

**You should read this entire document carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this document.**

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

**Prospective investors should not unduly rely on facts, statistics and forecasts derived from official government publications contained in this document.**

This document contains certain facts, statistics and data that have been derived from official government sources and publications and other sources. We believe the sources of these facts and statistics are reliable and appropriate, and have no reason to believe that such information is false or misleading or is rendered so by any omission of facts. We has taken reasonable care in extracting and reproducing such statistics and facts. However, there is no guarantee as to the quality or reliability of such information. The statistics and facts from these sources have not been prepared nor have they been independently verified by our Company, our Directors, the Sole Sponsor[, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, or any of their respective affiliates or advisors or any other party involved in the **[REDACTED]** (other than Frost & Sullivan in respect of the Frost & Sullivan Report) and therefore, our Company makes no representation as to the accuracy or completeness of such facts, statistics and data. Prospective **[REDACTED]** should not place undue reliance on these facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics contained in this document may not be accurate or comparable to statistics produced in other publications or for other economies. There is no guarantee that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be elsewhere. In any event, prospective **[REDACTED]** should consider carefully the importance placed on such information when making their **[REDACTED]** in relation to our H Shares.

**Forward-looking statements contained in this document may not be accurate and hence prospective [REDACTED] should not place undue reliance on such statements.**

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