An **[REDACTED]** *in our H Shares involves significant risk. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to* **[REDACTED]** *our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the* **[REDACTED]** *of our H Shares could decline and you may lose all or part of your* **[REDACTED]**. *This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below. 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.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our businesses are dependent on the development of the automotive industry. Adverse changes in automotive sales, production and market demand can materially and adversely affect our business, financial condition and results of operations.

Our ability to drive business growth depends heavily on automotive sales and production by OEMs, which is in turn driven by consumer demand for automotives. The automotive industry, including automotive sales and production, is cyclical and sensitive to general economic conditions, including global credit markets, interest rates, consumer credit, consumer spending and preferences, labor relations or safety management issues, technological innovation, fuel prices, regulatory requirements, government initiatives and subsidies, trade agreements, tariffs and other non-tariff trade barriers, availability and cost of credit and other factors. Adverse changes in any of these factors may lead our OEM customers to reduce vehicle production, which could materially and adversely affect our sales, business, financial condition and results of operations.

Our success therefore depends not only on our own ability but also on our customers' ability to develop and manufacture products in a timely and cost-efficient manner to address evolving customer preferences, regulatory standards and technological advancements. Any failure by our customers to do so could reduce demand for, and sales of, our products and adversely affect our business, results of operations, revenue and profitability.

We operate in a highly competitive industry, and we may be unable to continually maintain our leading role in the market.

Our business development depends on our ability to respond effectively to the heightened competition from well-established competitors within the automotive component industry.

We believe that our ability to compete effectively depends on multiple factors, some beyond our control, including the performance, reliability and technology advancement of product and service offerings, cost efficiency, product quality, brand reputation, regulatory requirements, sales and service network coverage, supply chain stability and the ability to rapidly respond to evolving and diverse customer demand. We compete with major automotive components manufacturers both in the PRC and overseas. Such competitors may have longer operating history, greater financial resources, more advanced technological and operational capabilities, broader customer bases or stronger customer relationships. The accumulated advantages may enable them to respond more quickly and effectively to new opportunities, technological developments, regulatory changes or shifts in customer demand.

In addition, despite high entry barriers to the automotive component industry, there can be no assurance that we will not face competition from new entrants, who may adopt more aggressive pricing policies and devote substantially more resources to product development and technology. Such heightened competition from competitors may intensify pricing pressure and erode our profit margins, which could adversely affect our business, financial condition and results of operations. We may not be able to compete effectively, and competitive pressures may have a material adverse effect on our business, prospects, financial condition and results of operations.

We are exposed to customer concentration risk.

Our customers primarily consist of OEMs that purchase our products for deployment on their vehicle models. During the Track Record Period, we had a high concentration of customers and our revenue generated from our five largest customers were RMB5,246.5 million, RMB7,319.0 million and RMB8,715.0 million, representing 72.9%, 76.0% and 74.4% of our total revenue in 2023, 2024 and 2025, respectively. See "Business — Customers." In particular, we derived a high proportion of our total revenue from transactions with Chery Holding Group Co., Ltd. ("**Chery Group**") as our largest customer in 2023 and 2024, and Chery Automobile Co., Ltd. ("**Chery**"), as our largest customer in 2025. We recorded revenue from transactions with Chery Group of RMB2,783.0 million and RMB4,348.9 million in 2023 and 2024 and with Chery of RMB4,572.1 million in 2025, accounting for 38.7%, 45.1% and 39.0% of our total revenue in 2023, 2024 and 2025, respectively. The connected transactions between us and Chery were conducted in the ordinary course of our business operations. The terms of such transactions are fair and reasonable and determined on an arm's length basis. These transactions do not prejudice the interests of our Company or our shareholders. See "Continuing Connected Transactions."

The high concentration of our customers resulted from the highly concentrated downstream automotive industry. According to F&S, the top ten automotive manufacturers in terms of sales volume in 2025 represented over 80% of the total market share in terms of sales volume in the domestic market in 2025. During the Track Record Period, we have sold our products to, and established long-term cooperation relationships with, nine of China's top ten automotive manufacturers and eight of the world's top ten automotive manufacturers in terms of sales volume in 2025. Despite being an industry norm, the high customer concentration exposes our financial condition, results of operations and future success to risks arising from any deterioration in our business relationships with these customers, or to declining market acceptance or financial performance of the vehicles delivered by our key automotive OEM customers to the market. In the event that the existing major customers reduce or cease to purchase our products and we are unable to find new customers with similar levels of demand at comparable terms within a reasonable period of time or at all, our business, financial condition and results of operations may be materially and adversely affected.

In addition, our business depends on our ability to retain key customers, negotiate favorable contractual terms, and attract new customers on comparable terms, if at all. There can be no assurance that our customers will continue or maintain the same level of cooperation with us. If we fail in any of these respects, our business, financial condition, and results of operations could be materially and adversely affected. Moreover, our customers may reduce their purchases, delay orders, discontinue the use of our products, switch to competitors, or otherwise change their purchasing behavior, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our OEM customers are not obligated to meet projected purchase volumes at expected prices, and actual orders may fall short of expectations.

After obtaining design wins from certain OEMs, we develop customized products for deployment on specific vehicle models of our OEM customers. We typically enter into agreements with such customers that set out key commercial terms, including product specifications, pricing and warranty arrangements. However, such agreements generally do not commit OEM customers to fixed purchase quantities at specific prices. Instead, OEMs usually provide non-binding forecasts of expected production volumes for the relevant vehicle models, which are subject to change and may differ materially from initial estimates. Accordingly, design wins do not necessarily translate into actual orders or revenue.

In addition, our products that have secured design wins may still be subject to further validation, testing, engineering modifications and qualification processes before they can be incorporated into the final vehicle design and enter mass production. There can be no assurance that our product development efforts will ultimately meet automotive OEM customers' technical, cost, quality or timing requirements, or that the relevant vehicle programs will proceed to commercial production as originally planned. As a result, even if we obtain design wins from OEM customers, there is no guarantee that the relevant vehicle programs will be successfully commercialized, that our products will be supplied in the expected quantities, or that the sales performance of our products will meet our forecasts or expectations. If any of the foregoing were to occur, our business, financial condition and results of operations could be materially and adversely affected.

Furthermore, any shortfall in actual orders or downward adjustments in pricing may require us to reconfigure our production lines, leading to financial costs, time delays and other adverse operational impacts. In particular, if actual orders fall short of expectations, we may be unable to reduce or destock excess inventory in a timely manner, or at all, which could result in inventory buildup, higher storage costs and potential inventory obsolescence. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

Our business, operating results and financial condition may be adversely affected by continuing pricing pressures and cost-reduction initiatives in the automotive industry.

We design, develop and manufacture complex and quality automotive intelligent chassis system and primarily supply to automotive OEMs. In recent years, the automotive industry in China has launched cost-reduction initiatives, which have passed price pressure down to automotive component manufacturers. As a result, OEMs are highly price sensitive and generally require systematic price reduction from their suppliers, according to F&S. Substantially all of our contracts with OEM customers are subject to an annual price reduction clause, which allows our customers to request lower prices for a specified period of time or over the product lifecycle. The price reduction rates are either specified in the initial contract or negotiated annually, which may affect our profit margins. As our business is capital intensive and requires us to maintain a large, fixed cost base, our profitability is dependent, in part, on our ability to spread fixed costs over sales volume. However, we may not be able to spread such fixed costs effectively as our customers generally negotiate lower prices as the volume of their orders increases. In addition, our customers expect the price will decrease during the contract term, which is in line with industry norms. If we are unable to offset customer price reductions through improved operating efficiency, profitable new or upgraded products, enhanced manufacturing processes, increased raw material sourcing alternatives and other cost reduction initiatives, our business, financial condition and results of operations may be materially and adversely affected.

If we do not successfully adapt our products to ongoing changes and technological advancements in the automotive industry, our business, financial condition and results of operations could be materially and adversely affected.

The automotive industry is characterized by rapid technological iteration and continuous product innovation, which constantly reshapes market demand and customer expectations. To maintain our competitiveness and industry leadership, we must actively capture such evolving market demands. We sell our products for integration into OEMs' vehicle models, and our performance depends significantly on market acceptance of these products. There can be no assurance that our products will achieve or maintain market acceptance as the automotive industry continues to evolve, or that they will gain broad market recognition. If our products fail to effectively address industry developments, our pricing position and profit margins may be eroded, and our business, financial condition and results of operations could be materially and adversely affected.

Our business, operating results and financial condition may be adversely affected if we fail to mitigate or hedge against rising costs of raw materials used in our products.

Our business operations are exposed to fluctuations in the cost of raw materials, which constitute a substantial portion of our total cost of sales. In 2023, 2024 and 2025, cost of materials accounted for 81.1%, 84.2% and 82.4% of our total cost of sales, respectively, mainly comprising aluminum ingots and cast iron. As a result, any substantial increase in the price of such raw materials may directly increase our cost of sales and adversely affect our gross profit and gross profit margin, especially if we are unable to pass such cost increases onto our automotive OEM customers considering their strong bargaining power and negotiation position, or ensure continued supply from our suppliers at reasonable prices. Availability, quality and lead times of key raw materials may also be affected by global or regional shortages, unexpected supply disruptions, environmental protection measures or changes in the regulatory environment affecting mining and processing activities. As we continue to expand our product portfolio to meet evolving downstream manufacturing needs, the challenges associated with raw material sourcing and cost management may increase. Any sustained increase in procurement costs could materially and adversely affect our financial condition, results of operations and competitive position.

We face risks associated with the international sale of our products and our international operations. If we are unable to effectively manage these risks, our results of operation, financial conditions, business and prospects may be materially and adversely affected.

During the Track Record Period, our overseas revenue was RMB874.2 million, RMB1,116.2 million and RMB1,450.4 million in 2023, 2024 and 2025, respectively, accounting for 12.1%, 11.6% and 12.4% of our total revenue in the same years. As of the Latest Practicable Date, we sold our products to over 50 countries and regions. Compared to operations in China, our home market, conducting our business internationally, particularly in markets and countries in which we have limited prior experience, subjects us to additional risks and challenges, including: (i) limited brand recognition; (ii) difficulties in maintaining operational efficiency and cost control, including challenges arising from distance, language and cultural differences, and in managing and monitoring overseas operations or hiring and retaining qualified personnel on commercially reasonable terms, or at all; (iii) compliance with multiple and potentially conflicting laws and regulations governing various aspects of our operations, including competition, pricing, operation, transportation, logistics, tariffs, trade protection, labor-related matters and other activities important to our business; (iv) competition with existing players in the automotive component industry; (v) exposure to business cultures where improper business practices may be prevalent; (vi) challenges in managing, expanding and staffing international operations, in particular manufacturing facilities and research centers; (vii) impact of import and export restrictions and changes in tariff and trade regulations; (viii) risks associated with legal systems subject to undue influence or corruption; (ix) vulnerability to changes in specific country's or region's political, social or economic conditions; and (x) changes in geopolitical dynamics, including pandemic, war and terrorism.

Our ability to maintain and expand our presence in the international market will be critical to the success of our business. However, there is no guarantee that we will be able to do so, and any of the aforementioned risks could pose significant challenges for us. If we are unable to manage one or more of these risks adequately, our results of operations, financial condition, business and prospects may be materially and adversely affected.

Our strategic acquisitions or investments may not be successful, or achieve their intended objectives.

Historically, we engaged in acquisitions and other strategic investments. For example, (i) we acquired 45% equity interest in Zhejiang Wanda Steering Gear Co., Ltd. in May 2022; and (ii) we entered into a share purchase agreement and a supplemental agreement with the existing shareholders of Yubei Steering on February 25, 2026 and April 28, 2026, respectively, which were expected to complete our strategic layout of the automotive steering system which will further enrich our product portfolio and expand our revenue streams and market size. In particular, following the expected completion of the acquisition of Yubei Steering, we will leverage product synergies between our independently developed products and Yubei Steering's offerings to establish full-scale mass production capabilities for column EPS ("**C-EPS**"), DP-EPS and rack EPS ("**R-EPS**"). See "History, Development and Corporate Structure — Major Acquisitions, Disposals and Mergers — Acquisition of Yubei Steering." We may continue to engage in, acquisitions and other strategic investments to enhance our manufacturing capacity, broaden our product offerings, enter new markets, obtain new technologies or realize business synergies. However, there can be no assurance that these efforts will be successful or that they will generate expected synergies, strategic advantages or financial returns.

Our acquisition and investment activities involve various risks, including difficulties in integrating the operations of acquired companies or investees into our business; delays in achieving, or reductions in, anticipated synergies; adverse effects from factors beyond our control, such as changes in regulatory requirements, technological developments or economic conditions; potential increases in indebtedness that may limit operational flexibility; exposure to unforeseen or contingent liabilities requiring significant financial resources; challenges in training, motivating, integrating and retaining personnel of acquired entities or investees; diversion of management attention away from existing operations; exposure to regulatory or administrative actions arising from such acquisition and investment activities; and unexpected write-offs, charges, or impairments of goodwill.

If we are unable to effectively manage or mitigate any of these risks, our business, financial condition, and results of operations could be materially and adversely affected.

We may not be successful in implementing our business plans and strategies effectively, which could materially and adversely affect our business, financial condition and results of operations.

Our business plans and strategies rely on assumptions about future developments that carry inherent risks and uncertainties and may prove inaccurate. If these assumptions are incorrect, the commercial viability of our plans and strategies could be adversely affected. As a result, there is no assurance that they will be implemented on schedule, successfully, or at all.

If we fail to execute our business plans and strategies, including overseas expansion, product development and commercialization of our pipeline offerings such as embodied robotics products or disposal of product category, effectively and efficiently, we may be unable to expand our operations, manage growth, capture expected market opportunities or maintain our competitive position. Even if successfully implemented, factors beyond our control, such as regulatory changes, shortages of skilled talent or shifts in customer demand, may prevent us from achieving our intended or profitable results. In addition, execution may increase operating costs, including higher personnel expenses, depreciation of manufacturing equipment and facilities and cash outflows. Consequently, if our plans and strategies do not deliver the desired outcomes, we may have difficulty recovering our costs, which could materially and adversely affect our business, financial condition and results of operations.

Trade restrictions such as trade barriers and trade protection measures could materially and adversely affect our business, financial condition and results of operations.

Our business operations and financial performance are subject to various international trade policies and trade protection measures. In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based companies, notably through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the "**BIS**"). During the Track Record Period, we have procured and incorporated into our products certain components manufactured in the U.S. We have also utilized certain U.S.-branded software in our product development and manufacturing process. However, such components and software should not subject our products to restrictions under U.S. export controls.

Moreover, since 2025, the U.S. government imposed a number of new or enhanced tariff measures on products of all countries, including new tariffs on automobiles and automobile parts, as well as enhanced tariffs on steel and aluminum derivative products. Notwithstanding these tariffs, our exports to the United States have remained steady in relative terms and increased in absolute terms throughout the Track Record Period. The impact of U.S. tariffs on us has been mitigated by the fact that U.S. and foreign automakers directly import our products and thus bearing the tariff costs, as well as our establishment and utilization of a wholly-owned production site in Mexico.

However, the aforementioned trade restrictions are subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. We cannot assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or business. Such trade regulations could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our products and solutions. In addition, because trade restriction measures evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business or result in our business activities being deemed to violate sanctions. Non-compliance with or violations of such international trade policies, trade protection measures and export controls could subject us to whistleblower complaints, adverse media coverage, investigations and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures and legal expenses, all of which could materially and adversely affect our business, reputation, financial condition and results of operations.

We are subject to credit risk associated with our trade and notes receivables.

We recorded aggregate trade and notes receivables of RMB2,646.1 million, RMB4,135.7 million and RMB3,908.6 million as of December 31, 2023, 2024 and 2025, respectively. Our trade receivable turnover days were 122.4 days, 123.6 days and 123.5 days in 2023, 2024 and 2025, respectively. Our notes receivables turnover days were 7.9 days, 17.6 days and 13.4 days, respectively, during the same periods. There is no assurance that all such amounts due to us will be settled in a timely manner, and we therefore face credit risk associated with these balances. If our business partners or related parties delay or default on their payments, we may have to make provision for impairment, write off the relevant receivables and/or incur legal costs to enforce our rights. During the Track Record Period, our net impairment losses recognized or reversed on financial assets represented expected credit losses or reversal of the expected credit loss on our trade and notes receivables. In 2023 and 2024, we recorded net impairment losses recognized on financial assets of RMB38.8 million and RMB85.8 million, respectively. In 2025, we recorded net impairment losses reversed on financial assets of RMB8.9 million. Our business, financial condition and results of operations may be materially and adversely affected if a significant portion of our trade and bills receivables are not settled on time, or at all.

Our business is subject to seasonal fluctuations.

Our revenue, cash flows and operating results are subject to seasonal fluctuations in demand for our products, largely reflecting the cyclical nature of the automotive industry. In particular, as our OEM customers typically increase production toward year end to align with their annual sales targets and support new model launches, our revenue has historically been higher in the fourth quarter. We expect this seasonal pattern to continue, and accordingly, our operating results for any given period may not be indicative of future performance. In addition, periods of peak demand may strain our existing production capacity, supply chain and labor resources, potentially limiting our ability to satisfy customer requirements in a timely and cost-efficient manner. Such constraints could result in delivery delays, higher production costs, lost sales opportunities and reduced customer satisfaction. If seasonality within the automotive industry becomes more pronounced, our revenue, cash flow and results of operations could fluctuate materially from period to period.

Undetected defects of our products could adversely affect our business, financial condition and results of operations.

The majority of our products are sold to OEM customers for integration into specific vehicle models. These products are technologically advanced and complex and must comply with stringent technical standards, which may make certain defects difficult to identify and remedy. Any actual or perceived defect in our products could undermine customer confidence and cause significant losses to our OEM customers. Our quality control systems and procedures may not be sufficient to fully prevent product failures, which could result in reduced revenue, higher costs and order delays, cancellations or rescheduling. Efforts to identify and resolve product issues may not always be timely or meet customer expectations and could disrupt our manufacturing operations, requiring us to dedicate additional resources to address such issues.

Product defects or performance issues may also give rise to customer complaints, product liability claims or litigation, including claims brought by OEM customers, end users or other third parties, which could expose us to substantial liabilities and damages. We may face warranty and product-related liability claims if our quality control measures prove inadequate, our products fail to perform as intended, or actual or alleged defects result in personal injury, death, property damage, or other losses. Our warranty costs in 2023, 2024 and 2025 amounted to RMB51.3 million, RMB64.2 million and RMB73.7 million, respectively.

In addition, deficiencies in our product design or manufacturing processes, or those of our suppliers, as well as substandard product performance, could lead to product recalls. There can be no assurance that we will not incur significant losses, expenses, or defense costs in connection with product liability or recall events, or that such claims will be covered by insurance. To the extent product liability claims arise from defects in components or parts supplied by third parties, enforcing our contractual or legal rights against such suppliers may be complex and time-consuming. Any product liability claims exceeding our insurance coverage could therefore materially and adversely affect our business, financial condition and results of operations.

All the above-mentioned events, including negative customer experiences, may result in negative publicity that could damage our brand and reputation, regardless of the merits or outcome of the claims, and reduce customer preference for our products, and our brand, reputation, business, financial condition and results of operations could be materially and adversely affected.

The expansion and enhancement of our manufacturing facilities may be subject to delays, disruptions and cost overruns or may not produce expected benefits.

We intend to expand and upgrade our manufacturing facilities in China and overseas to support the anticipated growth in demand for our braking, steering, and suspension products, as well as to commercialize and scale up the production of key components and joint modules for embodied robotics. These initiatives require substantial capital investment and may result in higher ongoing operating expenses, including increased depreciation and amortization, utilities, maintenance and administrative costs, particularly during the early stages of operation when facility utilization may be below optimal levels. Our overseas expansion efforts may also give rise to higher personnel and administrative expenses as we establish and maintain localized management, compliance and support functions.

The construction and development of these facilities may be subject to delays or other challenges. Any failure to complete such expansions on a timely basis or within budget could negatively affect our financial condition, production capabilities and operating performance. In addition, integrating new manufacturing facilities into our existing operations presents significant logistical and operational complexities, including the need to recruit and train qualified personnel, build dependable supply chains and implement robust quality control systems. Shortcomings in any of these areas could lead to operational inefficiencies, production disruptions, or reduced product quality. Furthermore, increased manufacturing capacity may not deliver the expected economic returns if demand for products produced at these new facilities does not meet our projections. In such circumstances, excess capacity could increase operating costs and adversely affect profitability.

Any production delays, interruption or incident may have a material and adverse impact on our business, financial condition and results of operations.

We conduct our manufacturing activities at our production facilities and intend to continuously adjust our manufacturing capacity in response to market demand while enhancing productivity. Our manufacturing operations require effective coordination across multiple functions, including raw material procurement, inventory management, internal production processes, logistics and sales activities. We may encounter challenges in coordinating these activities, which could result in operational downtime or delays.

Our manufacturing activities may be disrupted or halted by adverse weather conditions, natural disasters, or other unforeseen catastrophic events, such as power outages, water shortages, storms, fires, earthquakes, terrorist activities or armed conflicts. Any such events could significantly impair our ability to manufacture products and conduct our business. In addition, machinery and equipment located at our facilities may be difficult to replace and could require substantial lead time, and inventory stored at our facilities could be damaged or destroyed. Any production disruption or incident could therefore have a material adverse effect on our business. Even temporary manufacturing stoppages or delays in product delivery may negatively affect our business, financial condition and results of operations.

Furthermore, accidents resulting in personal injury or fatalities may occur at our manufacturing facilities. Such incidents could lead to property or equipment damage, environmental harm, production or delivery delays, suspension of operations and the imposition of legal liabilities. These incidents may also give rise to litigation, the outcome and potential financial impact of which are uncertain, and the costs associated with defending such claims may be substantial. Consequently, expenses incurred in connection with litigation, potential liabilities arising from accidents or related claims, and any associated adverse publicity could materially and adversely affect our business, financial condition, and results of operations.

Our business development replies on effective supplier management.

We rely on multiple third party suppliers to provide certain key raw materials and components used in our production. See "Business — Suppliers." Suppliers may fail to deliver on a timely basis due to capacity limitations, operational disruptions, delivery constraints, compliance issues or other factors. Any disruption to the supply of adequate materials from our suppliers to meet our needs could impair our ability to manufacture products as scheduled, in which case we would then have to source the raw materials from alternative suppliers, which may affect the quality and stability of our products as well as our profitability. The global expansion and presence of our business also require us to procure certain components from overseas suppliers. Any instability in geopolitical relations or the imposition of export control may affect the cost, pricing or even the feasibility to procure imported materials. Failure to secure a sufficient and high-quality supply of raw materials for our operations at a reasonable cost may have a material and adverse impact on our business, results of operations and financial condition.

Our business, results of operations and financial condition could be adversely affected if we fail to recruit, retain and incentivize key management and other personnel with special expertise.

Our ability to sustain and grow our business depends on our capability to attract, retain and motivate individuals with appropriate qualifications, expertise and experience, including senior management, technical personnel, professional executives, engineers and sales personnel. Such individuals play a critical role in supporting our R&D activities and facilitating the successful commercialization of our products and solutions. The demand for professionals with special expertise within our industry has intensified, and competition for such talent continues to increase. If we lose any key management or qualified personnel, we may not be able to locate suitable or qualified replacements in a timely manner at reasonable cost, or at all. Our failure to attract and retain key management or qualified personnel and any increase in employee compensation to retain such personnel could have a negative impact on our ability to maintain our competitive position and grow our business and may have a material adverse effect on our business, financial condition and results of operations

We might experience work stoppage, labor shortage, increase in labor costs and other labor related matters, which may disrupt our normal operation and adversely affect our reputation and results of operations.

We rely on a significant number of employees to support our business and production. We have implemented comprehensive policies and measures to protect the welfare and working conditions of our employees, including offering competitive remuneration packages. See "Business — Employees." Despite our efforts, we cannot guarantee we will not face any labor-related issues, including labor disputes, strikes or inability to attract and retain qualified personnel, which may lead to work stoppages or labor shortages and impact our ability to meet customer demands and fulfill orders within expected time frames. Furthermore, such labor-related matters could incur additional costs associated with resolving labor disputes, hiring temporary workers, or implementing contingent plans to mitigate the impact of labor shortages. In addition, in the event that the relevant government authorities take the view that we are not in compliance with applicable labor laws and regulations in the jurisdictions where we operate, we may be subject to fines and administrative penalties and our results of operation, financial conditions, business and prospects may be adversely affected.

Our business, operating results and financial condition could be adversely affected if we fail to obtain or maintain the requisite licenses and approvals in the jurisdictions where we operate.

The industry in which we operate is highly regulated. In accordance with applicable laws and regulations, we are required to maintain or renew, and do not anticipate any obstacles to maintaining or renewing, necessary approvals, licenses and permits relating to such as land use, operating, civil protection, safety production and sanitation to our business operations in China and overseas. We had obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and effective as of the Latest Practicable Date. See “Business — Licenses, Approvals and Permits.” Nevertheless, there can be no assurance that we will be able to obtain and/or renew all approvals, licenses and permits required for our business operations upon expiration in a timely manner, or at all. If we fail to obtain, maintain or renew any of the required licenses or approvals or make the necessary filings in the jurisdiction where we operate, we may be subject to penalties such as the imposition of fines and discontinuation or restriction of our operations, or reputational risk. Any such penalties may disrupt our business operations and adversely affect our business, results of operations, and financial condition.

Our past performance is not necessarily indicative of future growth, and we may not be able to maintain previous levels of expansion.

Our revenue and net profit consistently increased throughout the Track Record Period. There is no assurance that we will be able to maintain our historical growth rate or revenue levels, or achieve higher margins or profitability in the future. In addition, managing growth on a larger scale will require us to continuously strengthen our corporate governance, organizational structure, internal controls and recruitment, training and retention of skilled personnel to support our innovation pipeline and maintain our competitive edge. These efforts will require significant managerial, financial and human resources. If we fail to allocate resources effectively, implement sustainable business strategies or adapt our operational processes to the increasing complexity of a larger organization, we may experience reduced operational efficiency and increased costs. Any inability to manage our growth effectively could materially and adversely affect our business sustainability, financial condition, results of operations and future prospects.

We may not be able to effectively manage our inventory, which may adversely affect our business, financial condition and results of operations.

Our inventories primarily consist of raw materials, finished goods and work in progress. As of December 31, 2023, 2024 and 2025, our inventories were RMB1,037.1 million, RMB1,420.0 million and RMB1,807.4 million, respectively. Our average inventory turnover days were 63.5 days, 59.7 days and 63.4 days in 2023, 2024 and 2025, respectively. We maintained sufficient levels to ensure our customers’ demand can be met, while avoiding excess inventory. Failure to forecast customer demand or respond to any unexpected event negatively affecting the demand of our services could expose us to inventory obsolescence or result in a decline in inventory value or inventory write-downs. In addition, changes in raw material prices or supply conditions may affect our inventory levels and carrying values. On the other hand, inaccurate sales forecast or supply shortage may lead to inventory shortage and result in our inability to meet customer demand. Failure in managing our inventory could have a material and adverse impact on our business, results of operations and financial condition.

Our business, operating results and financial condition could be adversely affected if our insurance coverage is insufficient to cover all losses or potential claims by our customers.

We face various risks in connection with our business and as of the Latest Practicable Date, we maintained policies for property insurance and employer liability insurance. See "Business — Insurance." We provide social security insurance as required by applicable PRC rules and regulation, including general care and work-related injury insurance, for our employees. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies 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.

Negative publicity regarding our brand, management team, employees or products may harm our reputation, as our business and prospects depend on enhancing and maintaining our brand and reputation.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners, or the market as a whole, may materially and adversely affect our brand image and reputation and cause deterioration in the level of market recognition of, and trust in, the solutions provided by us, resulting in reduced sales volumes and revenue, potential loss of business partners as well as the loss of key personnel. In addition, such negative publicity may come from malicious harassment or unfair competition, which are beyond our control. Such negative publicity may result in the diversion of management's attention and regulatory investigations or scrutiny, which may have a material and adverse effect on our sustainability, financial condition, results of operations and prospects.

Malfunctions, unexpected system failures, system insufficiency or security breaches may occur in our information technology systems.

Information technology ("**IT**") systems are critical to our ability to effectively manage our operations. If we do not allocate sufficient resources to build and sustain proper IT infrastructure, we could be subject to transaction errors, processing inefficiencies, customer service disruptions and loss of customers. Moreover, if our data management systems do not effectively collect, store, process and report relevant data for our business operation, whether due to equipment malfunction or constraints, software deficiencies, system failures, cybersecurity attack or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired. Challenges relating to the building of new IT structures can also lead us to certain errors, inefficiencies, disruptions and loss of customers. Our IT systems and the systems of our third-party IT service providers may also be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, electrical or telecommunications failures, software program errors, computer viruses, cyber-attacks or hackers, and other security issues or threats that may pose a risk of financial losses, business interruptions, unauthorized use of information, damage to reputation or inadequate data protection.

Cybersecurity attacks are evolving and include malicious software, attempts to gain unauthorized access to data and other breaches that could lead to disruptions in systems, data leakage, corruption or other security incidents. Given the unpredictability of the timing, nature and scope of such disruptions, we could potentially be subject to operational interruption, damage to our image and private data exposure. Any actual or perceived failure to protect personal information or important data may expose us to regulatory investigations, administrative penalties, civil claims or reputational damage. We may also incur significant expenses for implementing additional security measures to protect our IT systems.

We engage third-party warehousing and logistics service providers to store and deliver our products. Any delivery delays, improper handling or increase in transportation costs may adversely affect our business, financial condition and results of operations.

We lease warehouses and rely on third-party logistics service providers for storage, transportation and on-site delivery, over which we have limited control. See "Business — Logistics and Warehouse." Any disruption in their services, including capacity shortages, route restrictions, transportation incidents or inefficiencies in cross-regional shipping arrangements, may result in delivery delays or increased logistics costs.

Increases in warehousing or logistics costs, whether due to fuel price fluctuations, supply-chain disruptions, changes in market rates or adjustments in service providers' pricing policies, may increase our operating costs. Given the competitive pricing environment in certain product categories, we may not be able to fully pass such cost increases on to our customers. If delivery delays, improper warehousing or handling of our products, logistics disruptions or cost fluctuations occur, our ability to fulfill orders on schedule may be impaired, which could adversely affect customer relationships, brand reputation and overall business performance.

Increasing focus on environmental, social and governance matters may impose additional costs on us or expose us to further risks.

There is increasing scrutiny from regulators, investors and consumers regarding ESG practices. Our operations may be subject to stricter environmental standards and waste management requirements, and heightened expectations around social responsibility and corporate governance. ESG considerations are evolving rapidly, and failure to meet these requirements or expectations could result in legal penalties, exclusion from certain markets or investment pools, loss of investor confidence and reputational harm. However, these efforts may not be sufficient to address future regulatory changes or stakeholder demands. Additional investments may be required to upgrade facilities, adopt new technologies or implement enhanced compliance systems, which could increase operating costs and capital expenditure.

Moreover, ESG performance is increasingly linked to access to financing and investor sentiment. Failure to demonstrate progress or transparency in ESG matters could limit our ability to attract capital or participate in certain opportunities. Even allegations of non-compliance or perceived shortcomings, regardless of their accuracy, could damage our reputation and brand image. Given the dynamic nature of ESG standards and the growing emphasis on sustainability, there is no assurance that we will be able to meet all applicable requirements or expectations in a timely and cost-effective manner. Any failure to do so may materially and adversely affect our business, financial condition, and results of operations.

Our business could be adversely affected if we fail to detect or prevent misconduct by our employees or any intentional or negligent fraudulent, illegal or other improper activities by our counterparties.

The quality of our products may be compromised if our employees commit misconduct or fail to adhere to our established internal control standards. Our risk management systems, IT systems and internal control procedures may be unable to sufficiently monitor our operations to identify noncompliance or suspicious transactions promptly, or at all. Furthermore, our counterparties may engage in intentional or negligent fraud or other illegal or improper activities or enter into unauthorized arrangements, which may occur or may have occurred without detection in the course of our commercial transactions. As such, we may be exposed to the risks of undetected misconduct by our employees or fraudulent or other improper activities by our counterparties. For example, fraud or misconduct may include unauthorized business transactions or arrangements, bribery, embezzlement, misappropriation of third-party intelligent property and other proprietary rights, unauthorized access to our systems, misuse of data or disputes arising from arrangements by third parties involving our solutions without our knowledge or authorization. We have addressed past incidents of employee misconduct. For example, certain employees may have been involved in bribery-related activities. During the Track Record Period and up to the Latest Practicable Date, there was not any misconduct which had materially and adversely impacted our business operations and financial condition. However, there can be no assurance that we will not experience any such incidents in the future. In any such event, we may become, or be joined as, a defendant in litigation or other administrative or investigative proceedings, or we could incur liability to our customers or any other third parties. These incidents may be difficult to detect or prevent and any such incidents may result in complaints from our customers or third parties that may seriously damage our reputation which would impair our ability to attract or retain customers, or divert management attention, regardless of whether the claims have merit. As such, any such undetected fraudulent or improper incident could expose us to financial losses, legal or regulatory proceedings and disputes that could negatively affect our results of operations.

Our reputation, business, operating results and financial condition could be adversely affected if we are involved in legal proceedings or commercial disputes.

Our business is subject to the risk of disputes, claims or legal proceedings brought by customers, suppliers, employees, government agencies and others in the forms of private actions, administrative proceedings, regulatory actions or other litigation. The outcome of such proceedings can be difficult to assess or quantify. Claimants in such proceedings may seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such disputes may remain unknown for a substantial period of time. Any potential legal disputes and proceedings could subject us to additional litigation costs and could negatively affect our results of operations if changes to our business operations are required. There could be negative publicity associated with such disputes or proceedings, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, any significant disputes or proceedings could adversely affect our business sustainability, results of operations, financial condition or reputation.

Failure to comply with property-related laws and regulations regarding certain of our owned or leased properties could adversely affect our business.

We own and lease properties in various locations in the PRC and overseas, primarily for production, office operations and R&D. See "Business — Properties."

We may encounter difficulties in securing building real estate certificates for our owned properties due to various reasons including outstanding application materials. Such defects may result in increased legal and administrative costs, production delays, or even the inability to use or develop affected properties, impacting our continued use of the affected sites and our overall financial performance.

Any non-renewal of leases, material increase in rental costs or any challenge by third parties or governmental authorities to our leasehold interests may adversely affect our business operations and financial performance. Our leased properties are also subject to fluctuations in the property rental market. There can be no assurance that our existing leases will be renewed on original terms. In addition, there can be no assurance that our existing lease agreements will not be terminated by the lessors prior to their expiry in accordance with applicable laws or contractual provisions. If we are required to relocate our office or production facilities, it may require us to incur additional financial and time costs to identify suitable alternative premises, relocate our office and manufacturing facilities in a timely manner, or secure leases on comparable terms.

In addition, certain lessors had not provided title certificates of a portion of properties we leased in the PRC as of the Latest Practicable Date. Those leased properties are easily replaceable and do not serve as the primary production and operation sites for us. According to the relevant PRC laws and regulations, our rights as occupant of these properties may be adversely affected due to the absence of the relevant building ownership certificates. We cannot assure you that the landlord of these properties have the right to lease the relevant property to us. As advised by our PRC Legal Advisors, we may not be able to continue to use such property if the ownership or the validity of such lease is challenged by third parties. In such a scenario we will have to relocate to other premises, which could result in additional costs. Should disputes arise due to title encumbrances to such properties or government action, we may encounter difficulties in continuing to lease such properties and may be required to relocate in the future.

As of the Latest Practicable Date, our Company and our major subsidiaries did not complete registration or filing of eight leases in the PRC. Under the Measures for the Administration of Commercial Housing Leases (《商品房屋租賃管理辦法》), parties to a lease agreement are required to register and file the executed lease agreement with the relevant governmental authorities. See "Regulatory Overview – Laws and Regulations Relating to Leasing." As advised by our PRC Legal Advisors, if the relevant local housing management authorities require us to complete registration within a specified period and we fail to do so, we may be subject to administrative fines of between RMB1,000 and RMB10,000 for each affected property. However, according to the Civil Code of the PRC, the validity of a lease agreement are not affected, notwithstanding the failure to complete registration or filing. As of the Latest Practicable Date, we have not received any rectification notices or been subject to any administrative penalties in relation to such unregistered lease agreements. Nevertheless, there can be no assurance that we will not be subject to challenges, lawsuits or other actions taken against us with respect to the lands or properties owned, used or leased by us for which we or the relevant lessors do not hold valid title certificates or fail to complete relevant registration procedures in the future.

If we fail to protect, or incur significant costs in defending, our intellectual property, trade secrets and other proprietary rights, our business, financial condition and results of operations could be adversely affected.

Our intellectual property rights are key to our competitiveness. See "Business — Intellectual Property." We continue to seek to protect our intellectual property and proprietary knowledge by applying for patents, trademarks and other forms of intellectual property rights. However, we cannot guarantee that we will be successful in obtaining such intellectual property rights in a timely manner or at all. We also use contractual arrangements and trade secret protection clauses with employees and business partners to protect our intellectual property and proprietary rights. Nevertheless, contractual arrangements afford only limited protection, and the actions we take to protect our intellectual property and proprietary rights may not be adequate. If we fail to effectively protect our intellectual property, our business, financial condition and results of operations could be adversely affected.

In addition, there can be no assurance that we can prevent third parties from infringing upon our intellectual property rights. Unauthorized use of our intellectual property, unfair competition, defamation or other violations of our rights by our employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may adversely affect our business. We have been and may, from time to time, be required to initiate litigation, arbitration or other proceedings to enforce our intellectual property rights, which may be time-consuming and expensive to resolve and could divert our management attention, regardless of the outcome, and adversely affect our business, financial condition and results of operations.

Third parties may assert or claim that we are infringing upon their intellectual property and proprietary rights, which could divert our management attention, cause us to incur additional costs and prevent us from selling or using the technology to which such rights relate.

Our success depends on our ability to use and develop our technologies without infringing the intellectual property rights of third parties. We cannot assure that our operations or any aspects of our business do not, and will not, infringe or otherwise violate trademarks, patents, copyrights, know-how or other intellectual property rights held by third parties and may therefore be subject to legal proceedings or claims.

Our products and solutions involve complex and cutting-edge technologies. We operate and sell our products in multiple jurisdictions with differing and evolving interpretations of intellectual property laws, as well as varying procedures and standards for granting intellectual property rights. See "Business — Sales and Marketing." In addition, due to confidentiality rules in certain jurisdictions, we may be unaware of pending patent applications filed by third parties. We cannot guarantee that courts or regulatory authorities will agree with our analyzes or conclusions. If we are found to have violated the intellectual property rights of others, we may be subject to liabilities, prohibited from using the relevant intellectual property, required to obtain licenses on unfavorable terms or forced to develop alternative technologies. As a result, our business, financial condition, results of operations and prospects could be materially and adversely affected. Intellectual property litigation and related proceedings are often costly and time-consuming and may divert management attention and technical resources. An adverse outcome could result in damages, licensing or royalty obligations, product redesigns or injunctions restricting the manufacture or sale of our products and may cause customers to delay or limit their purchases.

Furthermore, our business operations rely on various third-party software for R&D, operational management and administrative functions. The licenses governing such software are often complex and impose specific restrictions on usage scope, number of users and deployment environments. Our internal controls may not in all cases prevent the inadvertent or unauthorized use of unlicensed or improperly licensed software by our personnel. Failure to obtain sufficient licenses or to comply with applicable license terms could result in legal action by software vendors, including claims for damages, injunctions requiring us to discontinue the use of critical software, liability for legal costs, reputational harm and operational disruption, any of which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to obtain additional financing when desired on favorable terms or at all.

Historically, we have funded our operations through a combination of equity and debt financing, supplemented by cash generated from our business activities. While these sources have supported our needs to date, we anticipate that future requirements relating to ongoing operations, capital expenditures, strategic investments and other funding obligations may necessitate additional financing. There is no assurance that we will be able to obtain new bank loans, renew existing credit facilities or secure equity or debt financing on favorable terms, or at all. Access to financing is subject to numerous factors beyond our control, including prevailing market conditions, fluctuations in interest rates, lender risk appetite, regulatory developments and our own financial performance. During periods of economic uncertainty or tightening credit markets, available funding options may become more limited or more expensive, which may increase our cost of capital and further reduce the likelihood of achieving profitability. Moreover, any issuance of equity securities would dilute the ownership interests of existing shareholders. If we are unable to secure adequate funding on acceptable terms, we may face constraints in meeting our working capital needs or pursuing our business development and growth strategies. Such constraints may hinder our ability to develop new products, expand production capacity, upgrade technologies, enter new markets or respond effectively to competition.

Discontinuation of any of preferential tax treatment that we and our subsidiaries currently enjoy or imposition of any additional taxes and surcharges may affect our business, results of operations and financial condition.

Our Company was recognized as a High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential income tax rate of 15% for a valid period of three years. In addition, we and some of our subsidiaries are entitled to other preferential tax treatment. See "Financial Information — Description of Selected Components of Consolidated Statements of Comprehensive Income — Income Tax Expense." During the Track Record Period, we benefited from the preferential tax treatment, and we recorded income tax expenses of RMB106.3 million, RMB173.3 million and RMB208.4 million in 2023, 2024 and 2025, respectively. We cannot assure that the preferential tax treatments policies in the PRC will remain unchanged and that the preferential tax treatments granted to us will be successfully renewed, and such treatments may be withdrawn or altered by tax authorities in the future. If preferential tax treatments are changed, canceled, or discontinued, or if our preferential status is not renewed or is revoked, we would be subject to the standard PRC corporate income tax rate of 25% on our taxable income. Any increase in our tax liabilities could materially increase our tax obligations and adversely impact our net profit.

In addition, our business is subject to risks associated with the tax laws and regulations of the countries in which we operate, including changes to such laws, regulations or policies, or the imposition of additional taxes, surcharges, or penalties. If any of the foregoing occurs, our business, financial condition and results of operations may be materially and adversely affected.

Force majeure events, such as natural disasters, adverse weather conditions, public health and public security hazards, may severely disrupt our business and operations.

Our operations are vulnerable to interruption and damage from natural disasters and other calamities, such as fires, floods, severe weather conditions, earthquakes, power failures, civil unrest, and acts of terrorism. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophes or extraordinary events were to occur, our ability to operate our business could be seriously impaired, and therefore adversely affect our operations and financial conditions. In addition, our business could be affected by public health epidemics and pandemics, such as the outbreak of Ebola, SARS, avian influenza, H1N1 or COVID-19 virus or other diseases. Even if we are not directly affected, such disaster or disruption could affect the operations or financial conditions of our customers, which could harm our results of operations. If any of our employees is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or otherwise disrupt our business operations and adversely affect our financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

The economic and social conditions in the jurisdictions we operate could affect our business, results of operations, financial conditions and prospects.

The growth of the regional and global economies has slowed in recent years. It remains uncertain whether, and for how long, the regional and global economic slowdown will persist. There are considerable uncertainties over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. There have been concerns over war, unrest and terrorist threats in certain countries and regions, which have resulted in volatility in oil and other markets. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies as well as the expected overall economic growth rate. It is unclear whether these challenges and uncertainties will be effectively managed or resolved and what effects they may have on the global political and economic conditions in the long term. Any economic slowdown or negative business sentiment could have an indirect potential impact on our industry. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs. As a result, our business operations and financial performance may be adversely affected.

Regulatory changes may adversely affect our business, operating results and financial condition, thereby leading to impacts on our [REDACTED].

We operate in an industry that is subject to extensive and evolving laws and regulations, including those relating to automotive manufacturing, product quality and safety, environmental protection, taxation, labor management and data security. Regulatory authorities may from time to time introduce new regulations, adjust existing rules, strengthen supervision or modify enforcement practices. These changes may impose additional licensing or filing requirements, increase compliance obligations, or result in more stringent operational standards. If we are required to adjust our operations, upgrade facilities, enhance product testing procedures, modify product features or increase investment in compliance systems to meet new regulatory requirements, our operating costs may increase and our business activities may be disrupted. Any failure to respond to evolvement in the regulatory environment in jurisdictions where we operate could materially affect our business and impede our ability to continue our operations. Such impacts may in turn affect the value of our H Shares and the **[REDACTED]** returns of our **[REDACTED]**.

We are subject to regulations on currency conversion and cross-border transfers, which may limit our ability to utilize our revenues effectively, discharge dividends and other obligations, and impact the value of our H Shares.

Our business may be subject to the regulatory requirements of convertibility and remittance of currencies. For example, the PRC government requires that the conversion of Renminbi into foreign currencies must be subject to certain regulatory procedures and, under certain circumstances, remittances out of China are also subject to certain regulatory procedures. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations and support our global business operations. Under existing PRC foreign exchange regulations, payments for current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, provided that certain procedural requirements are met. However, approval from or registration with competent authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses. If we cannot fulfill the relevant regulatory requirements, or if regulations on foreign currency exchanges impose additional requirements, it may impair our ability to have sufficient foreign currency capital to fund our future business activities conducted in foreign currencies.

We face foreign exchange risks. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and financial performance.

A significant portion of our revenue and expenses is denominated in Renminbi, while the net **[REDACTED]** from the **[REDACTED]** and certain procurement or overseas business activities may be denominated in Hong Kong dollars, U.S. dollars or other foreign currencies. Fluctuations in the Renminbi exchange rate against these foreign currencies may therefore affect the value of our revenue, costs, assets and liabilities when expressed in foreign currencies. If the Renminbi is depreciated, the value of the net **[REDACTED]** from the **[REDACTED]** and any foreign-currency-denominated assets may decline when converted into Renminbi. Exchange-rate volatility may also affect our pricing competitiveness in overseas markets and the financial performance of our international operations. Movements in Renminbi exchange rates are affected by, among others, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system. Any significant depreciation or appreciation of the Renminbi, or increased volatility in the foreign exchange market, could materially and adversely affect our operating results, financial condition and the value of your **[REDACTED]**.

We face certain legal and regulatory risks relating to social insurance and housing provident fund.

Under PRC laws and regulations, we are required to participate in various employee benefit plans, including social insurance fund and housing provident fund, and contribute to the amounts equal to certain percentage of last year's monthly average salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we did not make adequate contributions to the social insurance and housing provident fund with respect to certain of our employees, as required by the relevant PRC laws and regulations. As a result, we may be required to make additional contributions to social insurance fund and/or housing provident fund and pay late payments and fines under PRC laws and regulations. As of the Latest Practicable Date, we had not received any order to settle the shortfall from the relevant regulatory authorities with respect to the social insurance and housing provident funds, nor had we been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date. In view of the above, we believe the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance and housing provident fund contribution or become subject to material administrative penalties by relevant authorities is remote. Nevertheless, if there are any changes in the relevant laws and regulations or where there are material changes in the implementation standards of local governments, which may result in, for instance, a requirement that we make supplemental contributions, a new determination that we are not in compliance with labor laws and regulations, or that we are subject to new fines or other administrative penalties, our results of operation, financial conditions, business and prospects may be adversely affected.

Pursuant to Article 19(1) of the Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in 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)》) (the "**New Judicial Interpretation**"), promulgated on July 31, 2025, and effective as of September 1, 2025, if an employer and an employee agree or the employee commits that social insurance contributions are not required to be paid, the People's Court shall deem such agreement or commitment invalid, and where an employer fails to pay social insurance contributions, and the employee requests to terminate the labor contract and claims economic compensation from the employer in accordance with the PRC Labor Contract Law, the People's Court shall support such claim. In light of the New Judicial Interpretation, in each of the period during the Track Record Period and up to the Latest Practicable Date, (i) we (a) made social insurance contributions for all our employees and (b) did not make any arrangement with their employees not to participate in the social insurance, either by unilateral undertakings or mutual agreements and (ii) there were no incidents with regard to the termination of the labor contracts between us and our respective employees, which was initiated by our employees, on the grounds that we had failed to make social insurance contributions. As advised by our PRC Legal Advisors, the New Judicial Interpretation does not have a material and adverse impact on our business operation. However, if the relevant PRC authorities hold a different view with us and determine that we are not in compliance with the New Judicial Interpretation, our results of operation, financial conditions, business and prospects may be adversely affected.

We are a PRC enterprise and we are subject to PRC tax on our global income. Our H Share [REDACTED] could be liable for PRC taxes on dividends obtained from us and profits from the disposition of their H Shares.

Under the current tax laws and regulations in China, non-Chinese resident individuals and non-Chinese resident enterprises are subject to different tax obligations with respect to dividends paid to them by us and the gains realized upon the sale or other disposition of our H Shares.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), non-Chinese resident individuals are required to pay individual income tax at a rate of 20% on interest, dividends and bonuses they obtain from China. 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. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation (the "**SAT**") (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》), domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excess tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

For non-Chinese resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises under the EIT law, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by Chinese Resident Enterprises on Dividends Paid to Overseas Non-Chinese 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》) issued by the SAT, such tax rate has been reduced to 10%. If there is any development in the applicable tax laws and regulations or the interpretation or application of such laws and regulations, the value of your holdings in our H Shares may be adversely affected.

You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us, our Directors and senior management residing in Chinese Mainland.

We are a joint stock company incorporated under the laws of the PRC with limited liability, and substantially all our assets are in the PRC. In addition, most of our Directors and all our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors and senior management personnel. When it comes to trans-jurisdictional recognition and enforcement of judgments, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in Chinese Mainland or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be 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**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of mainland China or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in Chinese Mainland if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in Chinese Mainland if the parties in dispute have not entered into a jurisdiction agreement in writing under the 2006 Arrangement. As between Chinese Mainland and Hong Kong, the new arrangement entered between the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region on January 18, 2019, which took effect on January 29, 2024, has lifted the requirements for a choice of court agreement in writing in a civil or commercial case under the previous regime on bilateral recognition and enforcement. However, the 2006 Arrangement will remain applicable to a "jurisdiction agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. However, since the 2019 Arrangement is newly effected and promulgated, the interpretation, application and enforcement must be determined in accordance with the relevant laws and regulations in effect at the time.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of Chinese Mainland and Hong Kong.

As our A Shares are listed on the Shanghai Stock Exchange and our H Shares will be **[REDACTED]** on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and devote additional resources in continuously complying with all sets of listing rules in the two jurisdictions.

Regulatory requirements and the characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be **[REDACTED]** on the Main Board of the Stock Exchange. Under current laws and regulations of China, without the approval from the relevant regulatory authorities, our H Shares and A

Shares are not interchangeable or fungible, and there is no direct **[REDACTED]** or settlement between the H Share and A Share markets. The H Share and A Share markets have different trading characteristics, including differences in **[REDACTED]**, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the **[REDACTED]** performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the **[REDACTED]** of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating an **[REDACTED]** decision in our H Shares.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in mainland China. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in Chinese Mainland, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective **[REDACTED]** in our H Shares should be reminded that, in making their **[REDACTED]** decisions as to whether to **[REDACTED]** in our H Shares, they should rely only on the financial, operating and other information disclosed in this document. By applying to **[REDACTED]** our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

There has been no previous public market for our H Shares prior to the [REDACTED] and you may not be able to [REDACTED] our H Shares at or above the [REDACTED] you pay, or at all, and there is no assurance that an active or liquid [REDACTED] market for our H Shares will develop or be sustained.

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

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

The **[REDACTED]** and **[REDACTED]** 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 Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that were not related to the operating performance of any particular company. The business performance and the market price of the shares of other companies engaging in similar business may also affect the **[REDACTED]** and **[REDACTED]** of our H Shares. In addition to market and industry factors, the **[REDACTED]** and

[REDACTED] of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, relationships with our business partners, movements or activities of key personnel, actions taken by competitors or regulatory developments. Moreover, shares of other companies listed on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in **[REDACTED]** not directly related to our business performance.

As the [REDACTED] of our H Shares is substantially higher than the consolidated net tangible book value per share, purchasers in the [REDACTED] may experience immediate dilution.

The **[REDACTED]** of our H Shares is expected to be substantially higher than the consolidated net tangible book value per share immediately prior to the **[REDACTED]**. As a result, purchasers of our H Shares in the **[REDACTED]** will experience immediate dilution in the net tangible book value per share of their **[REDACTED]**. Existing Shareholders will benefit from any increase in the net tangible book value per share resulting from the **[REDACTED]**, whereas investors who purchase H Shares at the **[REDACTED]** will bear the dilution arising from the difference between the **[REDACTED]** and the adjusted net tangible book value per share upon completion of the **[REDACTED]**. Furthermore, the net tangible book value per H Share may be further diluted if we **[REDACTED]** additional Shares in the future, whether in connection with capital-raising activities, the exercise of share options or other equity incentive plans, or the acquisition of businesses or assets. Any such future issuance could result in additional dilution to **[REDACTED]** who purchase H Shares in the **[REDACTED]** and could materially and adversely affect the value of their **[REDACTED]**.

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

The interests of our Single Largest Group of Shareholders and its affiliates may differ from the interests of our other Shareholders. They could through their shareholding interest in us exert influence in determining the outcome of any corporate transaction or other matter submitted to our Shareholders for approval, including mergers, consolidations, the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership, as a result, may discourage, delay or prevent a change in control of us, which could deprive our Shareholders of an opportunity to receive a premium for their H Shares in a sale or may reduce the **[REDACTED]** of our H Shares. In addition, to the extent the interests of our Single Largest Group of Shareholders and its affiliates conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

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

We have declared dividends in the past. See "Financial Information – Dividends." However, there is no assurance that dividends of any amount will be declared or distributed in the future. The payment and amount of dividends are subject to applicable PRC laws and regulations, our constitutional documents, and the discretion of our Directors, taking into account factors such as our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, strategic plans and regulatory restrictions, and are subject to Shareholders' approval. Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits with less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting). Our distributable net profit represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. In addition, the calculation of our profits under PRC GAAP may differ from that under IFRS. As a result, even if we record profits under IFRS, we may not have distributable profits under PRC GAAP. No dividend may be declared or paid except out of profits and reserves lawfully available for distribution, and our historical dividends should not be regarded as indicative of our future dividend policy. Furthermore, under PRC foreign exchange regulations, the conversion of Renminbi into foreign currency and remittance out of China for capital items is subject to approval or registration with relevant authorities. If we are unable to obtain sufficient foreign currencies due to foreign exchange control restrictions or future regulatory changes, we may not be able to pay dividends in foreign currencies to our Shareholders.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our H Shares, the [REDACTED] and [REDACTED] of our H Shares may decline.

The **[REDACTED]** market for our H Shares will depend in part on the availability of research reports and analyzes published by securities or industry analysts. We cannot assure you that analysts will initiate or continue to provide coverage of our Group. If analysts choose not to publish research regarding our business, our industry position or our financial performance, investor interest in our H Shares may decrease. In addition, if any analysts who cover us issue reports containing unfavorable commentary, lower their recommendations, reduce their earnings forecasts or otherwise present our prospects in a negative manner, the **[REDACTED]** and **[REDACTED]** of our H Shares may be adversely affected. Negative or limited analyst coverage may also impair our ability to attract new **[REDACTED]**. As a result, the value of your **[REDACTED]** in our H Shares may be materially and adversely affected.

We may require additional capital, and any future [REDACTED] of H Shares or other equity securities could have a material and adverse effect on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future and may cause further dilution to our Shareholders.

The **[REDACTED]** of our H Shares may decline if a substantial number of our securities are sold or become available for sale in the public market. Even the perception that such sales may occur could exert downward pressure on the **[REDACTED]** of our H Shares. For example, we may require additional capital in the future to support our R&D initiatives, expand production capacity, strengthen our sales and service network, pursue strategic investments or respond to changes in our operating environment. If our internal resources are insufficient to meet these needs, we may seek to raise additional funds through public or private **[REDACTED]** of H Shares or other equity or equity-linked securities. The increased supply of our shares in the market could adversely affect the **[REDACTED]** of our H Shares.

Furthermore, any such **[REDACTED]** would increase the total number of shares outstanding and dilute the ownership interests of existing Shareholders. In addition, future capital raising activities depend on market conditions, investor sentiment and regulatory approvals, which may not always be favorable. If we are unable to raise capital on terms acceptable to us, our ability to execute our business strategies may be constrained. Accordingly, future equity **[REDACTED]** may materially and adversely affect your **[REDACTED]** by diluting your shareholdings and, depending on market conditions, could also impact the **[REDACTED]** of our H Shares.

The industry data and forecasts quoted in this document from various government publications have not been independently verified.

Certain facts, forecasts and statistics in this document, particularly in "Industry Overview," related to the PRC and global economy and the industry in which we operate, are sourced from publicly available sources such as government publications that we believe to be reliable. However, we cannot guarantee the quality or reliability of these sources. We believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. We do not believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor or any other party involved in the **[REDACTED]** and no representation is given as to its accuracy or completeness. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC and the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors and should not be unduly relied upon. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

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

This document contains forward-looking statements relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge from the forward-looking statements in this document. Whether actual results will conform with our predictions is subject to several risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. See "Forward-looking statements."

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

Any information or opinions regarding our Group or the **[REDACTED]** that appear in press articles, online platforms, social media or other media sources have not been prepared, reviewed or verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** and the **[REDACTED]** or any of their respective affiliates or advisors. Such information may be incomplete, inaccurate, inconsistent with the facts, based on speculation or presented without sufficient context. Media reports may also include forward-looking statements, financial projections or commentary that do not reflect our actual business, prospects or financial condition as disclosed in this document. Reliance on such information may result in an inaccurate understanding of our Group or the **[REDACTED]**. **[REDACTED]** should rely solely on the information contained in this document and any formal announcements made by us in Hong Kong to make an informed **[REDACTED]** decision. We strongly caution **[REDACTED]** not to base any **[REDACTED]** decisions on information obtained from press articles or other media sources.