RISK FACTORS

An [REDACTED] in our H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, should evaluate the following risks associated with the [REDACTED] in our H Shares. You should pay particular attention to the fact that we conduct our operations in China, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the [REDACTED] of our H Shares, and could cause you to lose all or part of your [REDACTED].

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

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the geographic markets in which we operate; and (iii) risks relating to the [REDACTED]. There may be additional risks and uncertainties presently not known to us or not expressed or implied below or those we currently deem immaterial could also harm our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including the risks discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We generate a significant share of our revenue from a limited number of key customers, especially our largest customer.

Our customer concentration has been and remains high, with a significant portion of our revenue derived from a limited number of battery manufacturers, especially our largest customer. Revenue generated from our largest customer for the years ended December 31, 2023, 2024, and 2025 accounted for 86.0%, 67.1%, and 75.8%, respectively, of our total revenue during those respective periods. Revenue generated from our five largest customers for the same periods accounted for 98.7%, 97.2%, and 94.4%, respectively, of our total revenue. For concentration analysis of our largest customer, see "Business — Our Customers" in this document.

Although we have entered into framework procurement agreements with many of our customers, including our largest customer, such agreements typically do not obligate them to purchase our lithium-ion battery intelligent equipment or machine vision solutions in any guaranteed quantity. Our operating results will continue to depend on the capital expenditure plans and production expansion strategies of these key customers, as well as their ability to execute on their own business plans. If any of our major customers scale back or terminate their business relationships with us, or if we are unable to negotiate favorable contractual terms or secure new customers on comparable terms, our business, financial condition, and results of operations may be materially and adversely affected.

In particular, our key customers may adversely impact our business in the following ways: they may cancel, change, or delay equipment purchase commitments with little or no notice; they may reduce capital expenditure on battery production lines or machine vision inspection systems due to industry overcapacity or shifts in technology; they may develop in-house intelligent equipment or machine vision capabilities; or they may consolidate their supplier base and shift purchases to our competitors.

Furthermore, many of our key customers are large battery and new energy corporations with substantial negotiating power relative to us. Our business could also be adversely affected if customers are unable to settle accounts or make payments on schedule. As we generate a significant share of our revenue from a limited number of customers, any loss or fluctuation in their business may adversely affect our results of operations and financial condition.

We are exposed to credit risks related to defaults of and recoverability of our trade and bills receivable from our customers.

As of December 31, 2023, 2024, and 2025, our trade and bills receivables amounted to RMB69.2 million, RMB90.3 million, and RMB194.2 million, respectively. Our trade and bills receivable turnover days were 126 days, 78 days, and 97 days in 2023, 2024, and 2025, respectively, reflecting the extended credit periods associated with our staged payment arrangements. Our allowance for credit losses as at December 31, 2023, 2024, and 2025 was approximately RMB3.2 million, RMB4.9 million, and RMB2.7 million, respectively.

Our trade receivable balance may continue to grow alongside our business expansion, which may increase our exposure to uncollectible receivables. Our customers in the lithium-ion battery and new energy industries may themselves face significant financial pressures arising from industry overcapacity, fluctuating raw material costs, and changes in government subsidies and policies. Any deterioration in their financial condition could impair their ability to make timely cash payments or honor their bank acceptance drafts, resulting in significant bad debt losses for us.

Our ability to meet our own financial obligations largely depends on the ability of our customers to fulfill their payment obligations to us, which is subject to general economic, financial, competitive, legislative, regulatory, and other factors beyond our control. If we are unable to collect our trade receivables or notes receivable in a timely manner or at all, our liquidity, cash flow management, business, financial condition, and results of operations may be materially and adversely affected.

We have recorded a net operating cash outflow for the year ended December 31, 2023, and there can be no assurance that we will not experience net cash outflows in future periods.

We recorded a net operating cash outflow of RMB136.9 million in 2023. See "Financial Information — Liquidity and Capital Resources" in this document for details. We cannot assure that our prospective business activities or other factors beyond our control, such as market competition and macroeconomic fluctuations, will not adversely impact our operating cash flow or result in net operating cash outflows in the future. Should we experience prolonged and sustained net operating cash outflows, we may lack sufficient working capital to fund our operating expenses, which could materially and adversely affect our business, financial condition, results of operations and future prospects.

We are subject to inventory management risk.

Effective inventory management is critical to our operations, given the technically complex and highly customized nature of our lithium-ion battery intelligent equipment and machine vision inspection systems. Our inventories comprise raw materials, work-in-progress, finished products, and goods delivered, and our production processes require a broad range of components, including precision optical elements, specialized electronic parts, and proprietary mechanical assemblies, many of which have long procurement lead times. While our ERP system provides operational visibility and supports inventory planning, it cannot fully mitigate the inherent risks associated with inventory management. If we hold insufficient inventory of critical components, we risk production delays that could result in missed delivery deadlines and contractual penalties. Conversely, excessive inventory accumulation exposes us to obsolescence risk, as advances in battery manufacturing processes or machine vision technologies may render certain components or semi-finished products redundant.

Our inventory levels have grown considerably over the Track Record Period, with inventory turnover days remaining relatively high during the Track Record Period. Payments from our customers are typically settled through a combination of cash and bank acceptance drafts, with full payment generally received only upon customer acceptance or warranty expiry. Any adverse changes in our customers' operating environment could therefore impair our ability to collect payment for goods already delivered. We have also recorded inventory write-downs during the Track Record Period, amounting to approximately RMB14.1 million, RMB19.5 million, and RMB10.9 million for the years ended December 31, 2023, 2024, and 2025, respectively. Any further increase in inventory turnover days, order cancellations, or substantial impairment provisions could materially and adversely affect our liquidity, working capital, financial condition, and results of operations.

We are subject to risks related to our long cash conversion cycle and significant working capital requirements.

Our business is working capital intensive. We typically commit cash resources as projects progress, including for procurement of raw materials, optical components, and precision mechanical parts used in our lithium-ion battery intelligent equipment and machine vision systems, as well as for production and project execution, while cash receipts from customers are generally received over an extended period under staged payment arrangements. As a result, our cash receipts may lag behind our cash expenditures, particularly where a greater proportion of consideration is received only at later milestones such as installation and testing, acceptance and expiry of the warranty period, or where project schedules extend.

During the Track Record Period, our inventory turnover days remained high at 788 days, 690 days, and 534 days in 2023, 2024, and 2025, respectively. The relatively long inventory turnover days during the Track Record Period was primarily due to our revenue recognition policy for revenue from the sales of lithium-ion battery intelligent equipment and machine vision systems, which is only recognized upon receipt of customer acceptance. Goods that have already been delivered to battery manufacturers and new energy vehicle companies remain recorded as inventory until customer acceptance is confirmed, resulting in a significant amount of inventory being held on the balance sheet, thereby extending the inventory turnover period. Our trade and bills receivables turnover days were 126 days, 78 days, and 97 days in 2023, 2024, and 2025, respectively, while our trade and bills payables turnover days were 238 days, 270 days, and 337 days during the same periods, respectively. Accordingly, our cash conversion cycle, calculated as inventory turnover days plus trade and bills receivables turnover days minus trade and bills payables turnover days, was 676 days in 2023, 498 days in 2024, and 294 days in 2025. These factors indicate that the time required for us to convert inventories and receivables into cash may be extended, and we may be required to maintain substantial working capital to support our operations.

If our inventory turnover days or trade receivable turnover days increase or remain high, if our trade payable turnover days shorten, or if the timing of staged payments from battery manufacturers, new energy vehicle companies, and other downstream customers shifts further toward later milestones such as acceptance or expiry of the warranty period, our cash conversion cycle may remain prolonged or lengthen further. Any such developments could increase pressure on our liquidity and cash flow, limit our financial flexibility in funding procurement, production, and project execution of lithium-ion battery intelligent equipment and machine vision solutions, and adversely affect our business, financial condition, and results of operations.

If we fail to maintain existing customers and attract new customers, or fail to do so in a cost-effective manner, our business may be materially and adversely affected.

Our ability to maintain and grow our revenue depends significantly on our success in retaining existing customers and attracting new customers in the lithium-ion battery intelligent equipment and machine vision industries. During the Track Record Period, we served a range of battery manufacturers. However, we cannot assure you that our existing customers will continue to purchase our products and solutions at historical levels, or at all, as their procurement decisions are subject to their own capital expenditure cycles, production expansion plans, and technology preferences.

The market for lithium-ion battery intelligent equipment and machine vision solutions is becoming increasingly competitive, with a growing number of domestic and international players offering comparable products. Our ability to attract new customers depends on, among other things, our product performance and reliability, pricing competitiveness, after-sales service capabilities, and the breadth of our solution offerings. If we are unable to differentiate our products and solutions effectively, we may be required to reduce prices or increase sales and marketing expenditures in order to maintain or expand our customer base, which could materially reduce our profit margins and adversely affect our financial performance.

Furthermore, the sales cycle for lithium-ion battery intelligent equipment is typically long, requiring significant investment of time and resources in customer qualification, product customization, installation, and testing before revenue can be recognized. If our efforts to acquire new customers do not generate sufficient returns to justify such investments, or if we experience delays in customer onboarding and acceptance, our business, financial condition, and results of operations could be materially and adversely affected.

We may experience cost increases or supply disruptions in the procurement of equipment, raw materials and parts required for our operations.

The manufacturing of our lithium-ion battery intelligent equipment and machine vision inspection solutions depends on a broad range of specialized inputs, including precision optical components, high-performance cameras and sensors, specialized electronic parts, servo motors, industrial controllers, and customized mechanical assemblies. Many of these components are sourced from a limited number of qualified suppliers, some of which are located overseas or operate in markets subject to supply constraints. Any disruption to the supply of these critical inputs, whether caused by supplier production failures, logistics bottlenecks, natural disasters, trade restrictions, or geopolitical tensions, could interrupt our production schedules, delay customer deliveries, and expose us to contractual penalties.

In addition to supply disruptions, we are exposed to the risk of cost increases in the procurement of key raw materials and components. Fluctuations in the prices of raw materials such as steel, aluminum, and electronic components, driven by global commodity market dynamics, inflationary pressures, or currency movements, could materially increase our production costs. As our contracts with customers are often agreed upon at fixed or estimated prices prior to procurement, any unexpected cost escalation may not be fully recoverable from customers, thereby compressing our gross margins and adversely affecting our profitability.

Furthermore, as competition in the lithium-ion battery equipment industry intensifies and demand for advanced machine vision and intelligent manufacturing solutions continues to grow, competition for high-quality specialized components among equipment manufacturers may further tighten supply availability and drive up procurement costs. While we seek to manage these risks through supplier diversification, strategic inventory management, and long-term procurement arrangements, there can be no assurance that such measures will be sufficient to fully mitigate the impact of supply disruptions or cost increases on our business, financial condition, and results of operations.

We may not continue to enjoy certain government grants and incentives we received in the past.

During the Track Record Period, we received various forms of government grants and incentives in China, including subsidies and financial incentives from the Changzhou municipal government in connection with the construction of our new manufacturing facility. We cannot assure you that we will continue to receive government grants and incentives at comparable levels, or at all, in the future.

The Changzhou municipal government has provided us with financial incentives to support the establishment of our new factory, which is intended to expand our production capacity for lithium-ion battery intelligent equipment and machine vision systems. However, the continued receipt of such incentives is contingent upon our compliance with the specific conditions and requirements stipulated by the relevant government authorities, including but not limited to investment commitments, employment targets, production milestones, and tax contribution thresholds. If we fail to satisfy any of these conditions or requirements, or if the relevant government authorities modify, reduce, or discontinue such incentive programs, we may be required to return previously received grants or become ineligible for future disbursements, which could materially impact our financial performance.

More broadly, government grants and incentives we receive are subject to the discretion of the relevant authorities and may be influenced by changes in national and local industrial policies, fiscal budget priorities, and the overall policy environment for the intelligent manufacturing and new energy equipment sectors. In recent years, the Chinese government has been actively promoting the development of advanced manufacturing, intelligent equipment, and new energy industries; however, there is no assurance that such favorable policy orientation will be sustained or that our company will continue to be designated as a beneficiary. Any reduction or elimination of preferential policies applicable to high-technology enterprises, intelligent manufacturing companies, or new energy equipment manufacturers could adversely affect our effective tax rate and overall financial performance.

Furthermore, certain government grants we receive are non-recurring in nature. The amount and timing of such grants are inherently uncertain and may not be replicated in future periods. If we are unable to continue to benefit from government grants and incentives at historical levels, our business, financial condition, and results of operations could be materially and adversely affected.

The discontinuation of the preferential tax treatment or other preferential treatment currently available to us in the PRC or other unfavorable changes in tax law or government grant policy could result in additional tax obligations and expenses.

We currently benefit from preferential tax treatment in the PRC, principally comprising the reduced corporate income tax rate applicable to enterprises recognized as High and New Technology Enterprises ("**HNTE**"), as well as value-added tax refund policies applicable to our software products. Under the prevailing HNTE regime, some of our operating entities are entitled to a preferential corporate income tax rate of 15%, compared to the standard rate of 25% applicable to ordinary enterprises in China. In addition, our qualifying software products are eligible for value-added tax refunds on the portion exceeding a specified threshold, which meaningfully reduces our overall tax burden.

However, our continued enjoyment of these preferential treatments is subject to periodic review and re-certification by the relevant government authorities. The HNTE qualification must be renewed every three years and requires us to consistently satisfy a range of criteria, including minimum thresholds for research and development expenditure as a proportion of total revenue, the proportion of revenue derived from high-technology products and services, and the proportion of qualified scientific and technical personnel. If we fail to meet any of these requirements upon renewal, or if the relevant authorities determine that we no longer qualify, we may lose our preferential tax status and become subject to the standard corporate income tax rate, which could significantly increase our tax liabilities and adversely affect our net profit.

Similarly, the value-added tax refund policy applicable to software products is subject to changes in national tax legislation and regulatory interpretation. Any tightening of the eligibility criteria for software product classification, or any modification or discontinuation of the refund policy, could reduce the tax benefits we currently enjoy. Furthermore, the PRC government may amend, supplement, or repeal existing preferential tax policies in response to changes in industrial policy priorities, fiscal considerations, or international tax reform developments, including ongoing global minimum tax initiatives. Any such unfavorable changes could result in additional tax obligations and expenses, thereby materially and adversely affecting our business, financial condition and results of operations.

Fluctuations in foreign currency exchange rates could adversely affect our business.

Although our business operations are primarily conducted in China with revenues and costs largely denominated in Renminbi, we are exposed to foreign currency exchange rate risks arising from our international sales of lithium-ion battery intelligent equipment and machine vision solutions to overseas customers. We also procure certain key components and materials from overseas suppliers, which may involve payments denominated in foreign currencies.

Fluctuations in foreign currency exchange rates, particularly the depreciation of foreign currencies against the Renminbi, could reduce the Renminbi equivalent of revenue we receive from overseas customers, thereby compressing our profit margins on international sales. Conversely, appreciation of foreign currencies against the Renminbi could increase the cost of imported components, adversely affecting our cost structure. As our international business expands alongside growing global demand for lithium-ion battery production equipment and machine vision systems, our aggregate exposure to foreign currency fluctuations may increase correspondingly.

The value of the Renminbi against other currencies is subject to changes in Chinese and foreign government policies, macroeconomic conditions, and market forces, all of which are beyond our control. While we may from time to time employ hedging instruments to mitigate our foreign exchange exposure, there can be no assurance that such measures will be adequate or cost-effective. Any significant adverse movement in foreign currency exchange rates could materially and adversely affect our business, financial condition, and results of operations.

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

We operate production facilities, including our manufacturing facilities in Yixing and Changzhou, where we design, assemble, and test our lithium-ion battery intelligent equipment and machine vision inspection solutions. Our production processes involve sophisticated machinery, precision optical components, advanced electronic systems, and specialized software, all of which must function in a highly coordinated manner to deliver products that meet the exacting specifications of our customers. Any unexpected disruption to our production facilities, whether caused by fire, flood, power outages, equipment breakdowns, natural disasters, pandemics, or other force majeure events, could significantly impair our manufacturing capacity and our ability to fulfill customer orders on schedule.

Given the highly customized and technically complex nature of our products, production disruptions cannot typically be remedied quickly. The procurement of replacement components, particularly precision optical elements and specialized electronic parts, may involve lengthy lead times, and the re-commissioning of production lines following a disruption may require significant time and resources. Any prolonged interruption to our production could result in delayed deliveries, contractual penalties, and customer dissatisfaction, potentially causing us to lose orders to competitors.

Furthermore, as we expand our production capacity at our Changzhou facility to meet growing demand from battery manufacturers and new energy vehicle companies, the consequences of any production disruption could be correspondingly more severe. Although we maintain insurance coverage for certain operational risks, such coverage may not be sufficient to fully compensate for all losses. Any significant production disruption could materially and adversely affect our business, financial condition, and results of operations.

We operate in the highly competitive lithium-ion battery intelligent equipment and machine vision inspection solution markets and we may not be able to effectively compete with existing and new competitors.

The markets for machine vision inspection solutions and lithium-ion battery intelligent equipment are highly competitive and rapidly evolving. We face competition from a broad range of domestic and international players, including established global automation and machine vision companies, specialized domestic intelligent equipment manufacturers, and emerging technology companies that are increasingly directing their resources toward the lithium-ion battery and new energy equipment sectors.

Competition in our markets is principally based on product performance and precision, the breadth and sophistication of solution offerings, pricing, after-sales service and technical support capabilities, speed of delivery and customization, and the ability to meet increasingly stringent quality and safety requirements of battery manufacturers and new energy vehicle companies. As our customers operate in capital-intensive industries where production efficiency and quality control are critical, they demand continuously improving performance and reliability from their equipment suppliers. If we are unable to keep pace with evolving customer requirements or technological advancements, our competitive position may be eroded.

The lithium-ion battery intelligent equipment market has in recent years experienced significant capacity expansion driven by the global growth in electric vehicles and energy storage systems. This has attracted considerable new investment and new entrants into the market, intensifying pricing pressure and potentially compressing our profit margins. Certain of our competitors may be willing to offer products at lower prices or on more favorable commercial terms in order to gain market share, which could force us to reduce our prices or increase our sales and marketing expenditures in order to remain competitive, thereby adversely affecting our profitability.

Furthermore, some of our large battery manufacturer customers possess significant financial and technical resources and may seek to develop in-house intelligent equipment or machine vision inspection capabilities, either independently or in partnership with third parties, which could reduce their reliance on external suppliers such as us. The emergence of disruptive technologies, including artificial intelligence-driven inspection systems, advanced robotics, and next-generation battery manufacturing processes, may also render our existing products and solutions less competitive or obsolete if we fail to innovate and adapt in a timely manner.

If we are unable to compete effectively against existing and new competitors, retain our existing customers, or attract new customers on favorable terms, our market share, revenue, and profitability may be materially and adversely affected, which could have a material adverse effect on our business, financial condition, and results of operations.

We are subject to risks associated with the overseas expansion of our business.

As part of our strategic growth initiatives, we are actively expanding our operations into overseas markets. For example, we are planning to provide lithium-ion battery intelligent equipment and machine vision inspection solutions to a major international electronics and smart manufacturing conglomerate with large-scale production facilities in the region. While this expansion is intended to broaden our customer base and diversify our revenue streams, it exposes us to a range of risks and uncertainties that are distinct from those we encounter in our domestic operations.

Operating in overseas markets requires us to navigate unfamiliar legal, regulatory, and business environments. Local laws governing equipment import and customs clearance, labor practices, environmental compliance, foreign investment, and technology transfer may differ materially from those in China and may change with limited notice. Any failure to comply with local regulatory requirements could result in penalties, operational disruptions, or restrictions on our ability to conduct business in those markets.

Our overseas operations are also exposed to geopolitical risks, including trade tensions, diplomatic disputes, and changes in bilateral relations between China and the countries in which we operate. Any deterioration in the political or trade environment, or broader regional geopolitical instability, could adversely affect our ability to execute on our expansion plans, deliver equipment, or collect receivables from overseas customers.

Currency exchange rate risks are further heightened in the context of our overseas expansion, as revenue from international contracts may be denominated in foreign currencies while a significant portion of our costs remains denominated in Renminbi. Adverse movements in exchange rates could compress our profit margins on overseas business.

Furthermore, managing overseas operations requires significant investment in local talent, management infrastructure, and after-sales service capabilities. We may face challenges in recruiting qualified local personnel, providing timely on-site technical support, and managing cultural and language differences in customer relationships. If we are unable to successfully establish and scale our overseas operations or fulfill our contractual obligations to international customers, our business, reputation, financial condition, and results of operations could be materially and adversely affected.

We cannot guarantee that our business development strategies will be successfully implemented or bring about the outcomes as we expect.

We are executing a variety of strategies to drive business expansion. See "Business — Our Business Strategies" and "Future Plans and [REDACTED]" in this document. However, business expansion inherently entails risks and uncertainties, and our new initiatives, which span areas including the development of next-generation lithium-ion battery intelligent equipment, the advancement of our machine vision inspection capabilities, and the expansion of our overseas operations, are at varying stages of development, some of which may ultimately prove unsuccessful.

It may take longer than anticipated for us to develop the requisite technologies, establish market awareness and acceptance of our products and solutions among our potential customers, or accumulate sufficient operational experience to execute these initiatives effectively. The markets in which we operate are characterized by rapid technological evolution and intensifying competition, and there can be no assurance that our new business initiatives will achieve the expected level of market acceptance or deliver the desired financial returns.

Our growth strategies require substantial investments in research and development, production capacity, talent acquisition, and sales and marketing, the returns on which are inherently uncertain. If our efforts to implement these strategies fail to enhance our monetization capabilities, do not result in sustainable revenue growth, or do not generate sufficient returns to justify the associated investment costs, we may be unable to maintain or increase our revenues or recover such costs. Any failure to successfully execute our growth strategies could materially and adversely affect our business, financial condition, and results of operations.

We may need additional capital for business growth, product development and technology R&D programs and marketing efforts. If we are unable to raise capital in a timely manner or on acceptable terms, or at all, we could incur losses and be forced to delay, reduce or eliminate such efforts.

We may require additional capital beyond that generated by our operating activities from time to time to fund our research and development in lithium-ion battery intelligent equipment and machine vision inspection technologies, expand our production capacity, and better serve our customers. Accordingly, we may need to issue additional equity or debt securities or obtain credit facilities to meet such funding requirements.

Future issuances of equity or equity-linked securities could significantly dilute our existing shareholders, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our H Shares. The incurrence of debt financing would result in increased debt service obligations and could subject us to operating and financing covenants that restrict our operations or our ability to pay dividends to our shareholders.

Our ability to obtain additional capital in a timely manner or on commercially acceptable terms is subject to various factors beyond our control, including general capital market conditions, investor sentiment toward the intelligent manufacturing and new energy equipment sectors, and broader economic, political, and regulatory conditions in China, Hong Kong, and globally. Volatility in capital markets or a deterioration in the business environment for our industry could limit our access to external financing or significantly increase its cost.

If we are unable to obtain adequate financing on satisfactory terms when required, our ability to sustain our research and development programs and support our business growth could be materially impaired, which could adversely affect our business, financial condition, and prospects.

We may be unable to identify, capture or execute expansion opportunities or strategic alliances for new businesses, and acquired businesses and strategic alliances may have unknown or contingent liabilities, which may affect our business, results of operations, financial condition and prospects.

As part of our growth strategy, we intend to pursue strategic investments and acquisitions targeting companies that are highly synergistic with our existing capabilities, with a focus on opportunities that can enhance our optics and algorithm capabilities, improve key components, optimize our core process solutions, and expand our overseas service capabilities. We may also explore opportunities to expand our industry application scenarios and platform capabilities. As of the Latest Practicable Date, we had not identified any potential targets.

There is no assurance that we will identify suitable targets, negotiate commercially acceptable terms, or successfully integrate acquired businesses. Even where suitable targets are identified, execution can be difficult, time-consuming, and costly, and necessary financing may not be available on acceptable terms. Acquired businesses may not deliver the expected financial or operational results and could involve substantial cash expenditures, dilutive equity issuances, goodwill impairment, or exposure to undisclosed liabilities. We may additionally suffer reputational and financial harm from product quality issues that occurred at targets prior to acquisition. Furthermore, our expansion efforts would require significant management attention and could divert resources from our existing operations. If we are unable to execute our expansion strategy successfully, our business, financial condition, results of operations, and prospects could be materially and adversely affected.

In addition, we may from time to time enter into strategic alliances or other forms of cooperation with third parties to complement our capabilities in machine vision inspection and lithium-ion battery intelligent equipment, or to expand into new markets and application scenarios. Such arrangements may expose us to risks including potential leakage of proprietary algorithms, optical technologies, or other confidential information, non-performance by counterparties, and increased costs in establishing or maintaining these relationships. As we may have limited ability to monitor or control our strategic partners, any reputational harm suffered by them could adversely affect our own brand and customer relationships.

Our due diligence may fail to identify existing problems relating to intellectual property, product quality, regulatory compliance, or customer relations. We may also face integration challenges including employee retention, cultural alignment, and operational consistency. If we fail to identify, execute, or integrate strategic alliances or acquisitions effectively, our business, financial condition, and results of operations could be materially and adversely affected.

We may be unable to maintain our quality assurance systems effectively and any failure to maintain our quality standards may affect our market reputation and results of operations.

The reliability and precision of our machine vision inspection solutions and lithium-ion battery intelligent equipment are fundamental to our business, as our customers operate in industries where product quality and manufacturing consistency are critical to safety, performance, and regulatory compliance. Our customers, which include leading battery manufacturers and new energy vehicle companies, impose stringent quality requirements on the equipment and solutions we supply, and any failure to meet such standards could result in production line disruptions, product recalls, or safety incidents at their facilities.

Maintaining effective quality assurance systems across our research and development, component procurement, manufacturing, and after-sales service functions requires continuous investment in personnel, testing infrastructure, and process controls. As we scale our production capacity at our new Changzhou manufacturing facility and expand our overseas operations, the complexity of maintaining consistent quality standards across our operations increases correspondingly. Any lapses in quality control, whether arising from defective components sourced from third-party suppliers, manufacturing process deviations, or software and algorithm errors in our machine vision systems, could result in equipment malfunctions, inaccurate inspection results, or substandard battery production outcomes for our customers.

Such quality failures could damage our reputation, result in contractual disputes, warranty claims, or litigation, and lead to the loss of key customer relationships. If we are unable to maintain our quality assurance standards effectively, our business, market reputation, financial condition, and results of operations could be materially and adversely affected.

Our failure to meet contractual commitments could harm the results of our operations.

We enter into contracts with our customers for the design, manufacture, delivery, installation, and commissioning of customized intelligent equipment and machine vision inspection solutions. These contracts typically specify detailed technical specifications, delivery schedules, installation milestones, and acceptance criteria, and may include provisions for liquidated damages or penalties in the event of our failure to meet agreed commitments. Given the highly customized and technically complex nature of our products, fulfilling these contractual obligations requires precise coordination across our research and development, procurement, manufacturing, and after-sales service functions.

Our ability to meet contractual commitments may be adversely affected by a variety of factors, including delays in the procurement of key components such as precision optical elements and specialized electronic parts, unforeseen technical challenges during the development or customization of equipment, production capacity constraints, or difficulties in on-site installation and commissioning, particularly for our overseas projects. Any failure to deliver equipment on schedule or to meet the agreed technical specifications and performance standards could trigger contractual penalties, require us to incur additional rectification costs, or result in the rejection of delivered equipment by customers. Repeated or significant failures to honor our contractual commitments could damage our reputation, undermine customer confidence, and jeopardize our long-term customer relationships. If we are unable to consistently fulfill our contractual obligations, our business, results of operations, and financial condition could be materially and adversely affected.

We are exposed to risks in relation to work safety and occurrence of accidents, as well as other operational, transportation and occupational-related risks.

We operate in an industry that involves complex manufacturing environments, high-voltage equipment, precision machinery, and on-site installation and servicing activities, which expose us to risks related to work safety and the occurrence of accidents. Our lithium-ion battery intelligent equipment and machine vision inspection solutions are deployed in battery production lines that handle flammable and potentially hazardous materials. Malfunctions, improper operation, equipment failure, software errors, or integration issues may lead to production disruptions, fires, explosions, electrical hazards, or other safety incidents. Such events could result in personal injury, loss of life, property damage, environmental harm, regulatory investigations, and significant financial liabilities.

Our employees and contractors may be exposed to occupational hazards, including electrical risks, mechanical injuries, high-temperature environments, chemical exposure, and risks associated with working at heights or in confined spaces. Although we implement safety protocols and training programs, we cannot eliminate the possibility of human error, negligence, or non-compliance with safety procedures. Any significant workplace accident could damage our reputation, lead to increased insurance costs, trigger penalties or suspension of operations, and adversely affect employee morale and retention.

In addition, our operations involve the transportation, installation, and commissioning of large, high-value equipment, often across different jurisdictions. Accidents during transportation or on-site assembly may cause delays, equipment damage, cost overruns, or contractual disputes. We may also face product liability or indemnification claims if our equipment or inspection systems are alleged to have contributed to defective battery products or safety incidents at customer facilities.

From 2023 to 2025 and up to the Latest Practicable Date, we had not experienced any material work safety accidents, significant occupational injury incidents, or major transportation or operational accidents. However, there can be no assurance that such incidents will not occur in the future. Furthermore, evolving workplace safety, environmental, and occupational health regulations may increase our compliance costs or expose us to additional liabilities. Any failure to maintain a strong safety record could materially and adversely affect our business, financial condition, and results of operations.

If we are unable to protect or promote our brand and reputation or if we are associated with any negative publicity, our business, financial condition and results of operations could be materially and adversely affected.

Maintaining and enhancing our brand identity is essential to sustaining our market position in the industry. The successful promotion of our brand depends on our ability to achieve widespread recognition of our capabilities, retain existing customers, attract new ones, and effectively differentiate our products and solutions from those of our competitors. These efforts require substantial and ongoing expenditures, which are expected to increase as competition in our markets intensifies and as we expand into new application scenarios and overseas markets. There is no assurance that such investments in brand promotion will generate commensurate revenue growth.

Negative publicity relating to performance issues, delivery delays, or quality incidents involving our products and solutions, whether or not justified, could damage our brand and reduce demand for our offerings. If we are unable to effectively manage or contain such negative publicity, our business, financial condition, and results of operations could be materially and adversely affected.

Furthermore, where our products are integrated with third-party components, substitution of incompatible or lower-quality parts may cause performance failures. While we have implemented contractual requirements and technical standards to mitigate these risks, there can be no assurance that our suppliers will consistently comply with our requirements, and our brand and reputation may be adversely affected by such defective components.

As we engage third-party logistics providers for certain delivery arrangements, any delays, mishandling or service deficiencies on their part could adversely affect our business, financial condition and operating results.

The delivery of our lithium-ion battery intelligent equipment to customers requires careful handling and precise logistical coordination, given the substantial size, weight, and technical sensitivity of our products. Precision optical components, sophisticated electronic assemblies, and customized mechanical structures are particularly vulnerable to damage arising from improper packaging, exposure to unsuitable temperature or humidity conditions, vibration during transit, or inadequate handling procedures. We engage third-party logistics providers for certain delivery arrangements, and accordingly rely on their operational competence, reliability, and adherence to our handling specifications to ensure our products arrive at customer sites in good condition and on schedule.

Any delays, mishandling, or service deficiencies on the part of our logistics providers could result in damaged or non-conforming equipment upon arrival, delayed project commissioning, and failure to meet contractual delivery milestones, potentially exposing us to liquidated damages or contractual penalties. In such circumstances, customers may attribute delivery failures or equipment damage to us rather than our logistics providers, which could give rise to warranty claims, customer disputes, and reputational harm. Furthermore, as we expand our overseas operations, our reliance on third-party logistics providers increases, and the risks associated with cross-border transportation, customs clearance delays, and varying standards of logistics service quality become correspondingly more significant. If our logistics providers fail to perform to the required standard, our business, financial condition, and operating results could be materially and adversely affected.

We face risks related to natural disasters, public health emergencies, geopolitical conflicts and other events and circumstances beyond our control.

Our business operations, supply chain, and customer relationships may be materially disrupted by natural disasters, extreme weather events, public health emergencies, geopolitical conflicts, or other force majeure events beyond our control. Our principal operations and manufacturing facilities are located in China, and any natural disasters, floods, earthquakes, or other catastrophic events affecting our production bases in Yixing and Changzhou or our other operating locations could significantly impair our ability to manufacture and deliver our lithium-ion battery intelligent equipment and machine vision inspection systems on schedule. Similarly, any recurrence of large-scale public health emergencies could disrupt our workforce availability, interrupt our supply chain for precision optical components and specialized electronic parts, and delay customer project timelines.

Our business is also exposed to risks arising from geopolitical tensions, trade disputes, and sanctions, particularly given our expanding international presence and our reliance on globally sourced components and technologies. Escalating geopolitical conflicts or trade restrictions could result in increased tariffs, export control limitations, supply chain disruptions, or reduced customer capital expenditure in the new energy and battery manufacturing sectors, all of which could adversely affect our revenue and profitability. Furthermore, as a significant portion of our customers operate in the new energy vehicle and lithium-ion battery industries, any macroeconomic deterioration or policy changes arising from such events could reduce demand for our products and solutions. If any such events materialize, our business, financial condition, results of operations, and prospects could be materially and adversely affected.

The insurance coverage we have may not adequately protect us against all operating risks.

Our business is subject to a variety of operational risks, including production disruptions caused by equipment failures, power outages, or operational errors, as well as environmental or industrial accidents such as fires, explosions, floods, earthquakes, or other natural disasters. Given the technically sophisticated nature of our lithium-ion battery intelligent equipment and machine vision inspection solutions, and the precision-dependent production processes at our manufacturing facilities in Yixing and Changzhou, the occurrence of any such events could result in significant damage to or destruction of our production facilities, personal injury, environmental damage, monetary loss, or legal liability. As we continue to expand our operations in overseas markets, we are also increasingly exposed to risks related to geopolitical tensions, policy changes, and intellectual property protection, any of which could give rise to additional operational and financial liabilities.

We maintain statutory social insurance as required by applicable laws, and our assets, including fixed assets, vehicles, and overseas investments, as well as employee safety, cargo transportation, and other applicable items, are covered by commercial insurance following risk assessment and management team approval. Notwithstanding these measures, we may not maintain adequate or full coverage for business liability, business interruption, or litigation arising from our operations in China and overseas. In particular, our insurance policies may not cover all categories of losses relevant to our business, may be subject to coverage limits, exclusions, or deductibles, or may not be renewed on commercially reasonable terms. If we incur material losses or liabilities that are not adequately covered by our existing insurance, our business, financial condition, results of operations, and prospects could be materially and adversely affected.

We may incur additional costs to address ESG-related risks, which may materially and adversely affect our financial performance.

While the nature of our business in lithium-ion battery intelligent equipment and machine vision inspection solutions does not generate significant emissions or heavy pollution, we nonetheless actively monitor environmental and climate-related risks that may influence our operations, strategies, and financial performance across short-, medium-, and long-term horizons. We track a range of indicators to manage risks arising from our manufacturing and service operations and remain committed to fostering a responsible and sustainable corporate culture. However, meeting these commitments, including investments in energy efficiency, waste reduction, responsible sourcing, and employee welfare initiatives, may entail substantial additional expenditures that could weigh on our profitability. For further details on our ESG initiatives, see "Business — Environmental, Social and Governance" in this document.

In addition, tightening ESG-related regulatory requirements, including evolving ESG disclosure obligations in the jurisdictions where we operate, may lead to higher compliance and operating costs. Failure to adapt to new regulatory regimes or to meet increasing industry and stakeholder expectations could result in reputational harm or cause customers to shift their preference to competitors' products, which may materially and adversely affect our business, results of operations and financial condition.

We procure certain components manufactured by foreign suppliers, which exposes us to uncertainties in supply reliability, pricing and logistics, potentially affecting our operations.

A portion of the components and parts used in our lithium-ion battery intelligent equipment and machine vision inspection systems are manufactured by foreign suppliers, including precision optical lenses, high-performance industrial cameras, specialized sensors, servo drives, and other sophisticated electronic and mechanical parts. While we endeavor to source from multiple qualified suppliers where possible, certain components are only available from a limited number of overseas manufacturers with the requisite technical capabilities and quality standards to meet the stringent performance requirements of our products.

In certain cases, our customers, particularly large-scale battery manufacturers and new energy vehicle producers, specify in their procurement contracts that designated brands or models of components must be incorporated into the equipment we supply. This may require us to procure specific foreign-branded parts regardless of market conditions, pricing fluctuations, or supply availability at the time of procurement. Such requirements significantly limit our ability to substitute alternative suppliers even where comparable components may be available at lower cost or with shorter lead times, thereby exposing us to concentrated supply risk and reduced procurement flexibility. Any shortage, discontinuation, or delayed delivery of these designated components could directly impede our ability to fulfill customer orders on schedule.

Furthermore, our reliance on foreign suppliers exposes us to a range of additional uncertainties, including fluctuations in foreign exchange rates that may increase our procurement costs, extended and unpredictable international shipping lead times, customs clearance delays, evolving export control regulations, and the potential imposition of trade restrictions or sanctions affecting the availability of key components. Geopolitical tensions between China and certain supplier countries could further exacerbate these risks, potentially resulting in supply interruptions that are difficult to remedy in the short term. While we seek to mitigate these risks through advance procurement planning, strategic inventory buffering, and ongoing supplier relationship management, there can be no assurance that such measures will be sufficient to prevent supply disruptions or cost increases from materially and adversely affecting our business, financial condition, and results of operations.

The development of regulations, policies and regulatory requirements in the PRC and overseas regarding lithium-ion battery intelligent equipment and new energy vehicles and the industries in which our customers operate may affect our business operations and prospects.

Our intelligent equipment and machine vision inspection solutions are primarily deployed in the production of lithium-ion batteries, which serve as critical components in new energy vehicles, energy storage systems, and 3C electronic products. As a result, our business performance is closely linked to the health and growth trajectory of these downstream industries, which are in turn significantly shaped by government policies, regulatory frameworks, and macroeconomic conditions in the PRC and key overseas markets. Any adverse development in the regulatory environment governing these downstream industries could reduce capital expenditure by battery manufacturers and new energy vehicle producers, thereby diminishing demand for our equipment and solutions.

Government subsidies supporting the adoption of new energy vehicles and the development of the lithium-ion battery industry in China and major overseas markets have been progressively scaled back in recent years, and further reductions could slow downstream market growth and dampen investment in production capacity expansion. Moreover, overcapacity conditions that have emerged in the lithium-ion battery production and new energy vehicle sectors have led to consolidation pressures and reduced industry investment, further constraining the procurement appetite of our customer base for new intelligent manufacturing equipment and machine vision inspection systems.

The international trade environment presents additional regulatory uncertainty for our business. A number of major economies have introduced policies and incentive programs that promote the adoption of new energy vehicles and battery technologies while incorporating local content requirements or other provisions that limit participation by Chinese manufacturers and their supply chains. These include various subsidy schemes, tax incentive programs, and procurement policies adopted by governments in Europe and North America that restrict eligibility to domestically produced vehicles and batteries. More recently, tariff measures imposed on Chinese-made batteries and new energy vehicles in markets such as the United States and the European Union have introduced further uncertainty, potentially affecting the export prospects and investment plans of our downstream customers, which could in turn reduce demand for our equipment.

Furthermore, a series of executive and legislative actions in major economies aimed at reorienting energy policy toward conventional energy sources introduces additional uncertainty regarding the long-term trajectory of global new energy vehicle adoption, which underpins the growth outlook for the lithium-ion battery manufacturing industry and, by extension, the demand for our intelligent equipment and machine vision solutions. There can be no assurance that current favorable industry policies in the PRC will continue, or that new unfavorable policies or regulatory requirements will not be enacted in the future. We may need to adapt our business focus in response to evolving regulatory requirements affecting the end markets of our products, but we may not be able to do so in a timely or cost-effective manner. Any failure to adapt, or any adverse shift in the regulatory landscape, could materially and adversely affect our business, financial condition, results of operations, and future prospects.

Our historical performance during the Track Record Period may not be indicative of our future prospects.

During the Track Record Period, we recorded revenue from continuing operations of RMB294.0 million, RMB393.9 million, and RMB552.1 million for the years ended December 31, 2023, 2024, and 2025, respectively. However, our historical performance may not be indicative of our future prospects, and we may not be able to achieve similar performance in the future. Our revenue growth may decline for a variety of reasons, including but not limited to intensifying competition in the lithium-ion battery intelligent equipment and machine vision markets, technological advancements rendering our solutions less competitive, and fluctuations in capital expenditure by downstream battery manufacturers and new energy vehicle companies.

Our performance may be affected by a number of factors, most of which are beyond our control. Such factors include (i) failure to maintain business relationships with key customers in the lithium-ion battery and new energy industries, retain existing customers, and attract new customers; (ii) changes to China's economic and social conditions in general; (iii) changes in procurement strategies, capital expenditure cycles, and production expansion plans of battery manufacturers and new energy vehicle companies; (iv) evolvement in China's policies and regulations, especially in respect of the new energy vehicle and energy storage industries, as well as industrial automation and intelligent manufacturing initiatives; and (v) changes in the macro-economic environment and global supply chain conditions affecting demand for lithium-ion battery production equipment and machine vision solutions. As a result, we cannot assure you that we will be able to continue to grow steadily or avoid making losses.

We experience seasonal fluctuations in our sales.

Our lithium-ion battery intelligent equipment and machine vision inspection solutions typically involve relatively long design, manufacturing, delivery, installation, commissioning, and acceptance cycles. Our customers, who are primarily lithium-ion battery manufacturers, generally finalize their supply contracts toward the end of each year. Following the conclusion of such supply contracts, our customers then proceed to formulate their production plans and initiate tendering and procurement processes for the equipment required, meaning that equipment installation and commissioning activities typically commence in the first half of the following year, with customer acceptance often extending into the second half. This pattern results in a concentration of recognized revenue in the latter part of the financial year, giving rise to uneven cash flows and period-to-period variability in our operating results. If we fail to effectively plan production and delivery schedules or manage working capital during non-peak seasons, our business, financial condition, and results of operations could be adversely affected.

We face risks associated with customer order cancellations that may adversely affect our financial performance.

Our business is exposed to risks arising from customer order cancellations. These cancellations primarily reflect the growing challenges in our operating environment, including intensifying competition in the lithium-ion battery manufacturing sector, evolving capital expenditure priorities among battery manufacturers and new energy vehicle producers, and broader macroeconomic pressures affecting customer investment decisions.

Our lithium-ion battery intelligent equipment and machine vision inspection systems are highly customized and engineered to meet specific customer production line requirements, which significantly limits the extent to which cancelled equipment can be readily redirected to alternative customers without modification. While we may attempt to adjust cancelled equipment for resale, such repurposing typically involves additional engineering costs, potential component write-downs, and extended resale timelines, which could result in inventory impairment losses. Customer order cancellations also create broader operational challenges, including working capital pressures arising from costs already incurred in production, underutilization of our manufacturing capacity, and disruption to our production scheduling.

Our exposure to cancellation risks is particularly pronounced given our customer concentration in the battery manufacturing and new energy vehicle industries, which are inherently cyclical and sensitive to shifts in downstream demand, government policy, and raw material cost dynamics. If order cancellations continue at elevated levels, our business, financial condition, and results of operations could be materially and adversely affected.

Our customers typically make purchases from us on an order-by-order basis and there is no commitment to making future purchases.

Although we have entered into framework procurement agreements with a number of our key customers in the battery manufacturing and new energy vehicle industries, these agreements are principally intended to establish general terms and conditions governing future transactions, such as pricing mechanisms, quality standards, and delivery arrangements, rather than to commit customers to any minimum purchase volume or guaranteed order value. Actual purchases remain subject to individual purchase orders placed at each customer's discretion, reflecting their prevailing capital expenditure plans, production capacity requirements, and technology upgrade schedules at the relevant time. Each order is independently negotiated and awarded, reflecting the highly customized nature of our lithium-ion battery intelligent equipment and machine vision inspection systems, which are designed to meet the specific production line configurations and inspection requirements of individual customers, resulting in inherently limited revenue visibility beyond our existing confirmed order book. Customer purchasing decisions are further influenced by factors beyond our control, including fluctuations in capital expenditure budgets, changes in production capacity expansion plans, evolving machine vision and quality inspection requirements, and competitive offerings from alternative suppliers. If a significant number of our customers fail to place orders under their respective framework agreements, or if we are unable to continuously secure new orders or maintain recurring business from our existing customer base, our revenue, financial condition, and results of operations could be materially and adversely affected.

Non-compliance with applicable laws and regulations by any third party with which we conduct business could disrupt our business operations, damage our reputation and materially and adversely affect our financial condition and results of operations.

Our business operations involve collaboration with third parties, including component suppliers, subcontractors, system integrators, and after-sales service partners, whose conduct and regulatory compliance are beyond our direct control. These third parties are subject to a broad range of applicable laws and regulations, including those governing product quality and safety standards, environmental protection, export controls, data security, and anti-corruption requirements. Any failure by these third parties to comply with applicable laws and regulations could result in disruptions to our supply chain, delays in project delivery, or the imposition of regulatory sanctions that indirectly affect our operations.

Furthermore, as our equipment is deployed in the production facilities of lithium-ion battery manufacturers, any regulatory non-compliance by our customers or business partners that is associated with our products or services could expose us to reputational damage, customer claims, or heightened regulatory scrutiny. Regulators and customers may hold us to account for the conduct of our business partners, and any adverse findings or publicized violations involving parties with whom we are associated could undermine customer confidence in our brand and solutions, thereby materially and adversely affecting our business, financial condition, and results of operations.

We may not be able to respond effectively to technological developments, and such changes may necessitate costly upgrades or replacements of our equipment, potentially adversely affecting our operations.

The markets for lithium-ion battery intelligent equipment and machine vision solutions are highly competitive and rapidly evolving, driven by continuous advancements in battery cell manufacturing technologies, quality inspection methodologies, and automation capabilities. As battery manufacturers and new energy vehicle producers increasingly demand higher precision, greater throughput, and more sophisticated defect detection capabilities, our existing products may lose market share, experience slower growth, or deliver lower profit margins if we fail to keep pace with technological developments and shifting customer requirements. Our success therefore depends on our ability to anticipate industry trends and develop innovative, advanced equipment and machine vision solutions that meet the evolving demands of our customers in a timely and cost-effective manner.

Our research and development efforts may not always yield commercially viable products, and we may experience delays or setbacks at various stages of the product development process, including engineering design, prototype manufacturing, system integration, and performance testing. Product development in the lithium-ion battery intelligent equipment and machine vision sector is resource-intensive, technically complex, and inherently uncertain in outcome, and there can be no assurance that our development initiatives will be completed on schedule, within budget, or result in products that achieve meaningful market acceptance. We may also face difficulties in obtaining the necessary certifications, licenses, or regulatory approvals required for new products in a timely manner, particularly given the highly customized nature of our solutions.

Even upon successful product launch, new products may not generate anticipated returns sufficient to recoup our investment, as market acceptance typically takes time to materialize. Our competitors may develop more advanced or cost-competitive products ahead of us, compelling us to reduce prices or risk losing customers. If we are unable to properly identify market demand, develop and launch new products in a timely manner, price our solutions competitively, or effectively promote adoption among our target customers, our business, financial condition, and results of operations could be materially and adversely affected.

We may be unable to protect our intellectual property rights and may be subject to infringement claims from third parties, either of which could reduce the value of our brands and harm our business and competitive market position.

Our intellectual property assets, including patents, trade secrets, proprietary know-how, trademarks, and copyrights, are fundamental to our competitive positioning in the industry. Our ability to maintain technological differentiation depends on our continued capacity to develop, protect, and commercialize innovations in areas such as precision automation engineering, machine vision algorithms, defect detection methodologies, and battery cell manufacturing process integration. However, the protections afforded by our existing and pending intellectual property rights may prove inadequate. Pending patent applications may not be granted, or if granted, may lack sufficient scope to prevent competitors from developing technically similar equipment or inspection solutions. Trade secrets and proprietary know-how embedded in our equipment designs and machine vision software may be misappropriated through employee attrition, unauthorized disclosure, or third-party reverse engineering, any of which could erode our technological advantages and dilute our competitive position in the market.

We are also exposed to the risk of third-party intellectual property claims arising in the ordinary course of developing and commercializing our lithium-ion battery intelligent equipment and machine vision solutions. Our products incorporate complex combinations of mechanical, optical, electronic, and software technologies, increasing the likelihood that certain elements of our equipment may be alleged to infringe upon patents or other intellectual property rights held by competitors or other third parties. Suppliers of optical components, sensor systems, and proprietary software modules that are incorporated into our machine vision inspection systems may themselves be subject to infringement allegations, which could impair our ability to rely on such technologies and disrupt our supply chain.

Defending against intellectual property claims, whether meritorious or not, can be protracted, costly, and distracting to our technical and management teams, diverting resources that would otherwise be deployed toward research and development and customer engagement. An adverse determination in any such proceedings could compel us to pay damages, redesign affected equipment, or obtain licenses on commercially unfavorable terms, any of which could compress our profit margins and cause customers to defer or cancel procurement of our solutions, thereby materially and adversely affecting our business, financial condition, and results of operations.

We may be unable to protect the confidentiality of our trade secrets, and we may be subject to claims that we, or our employees or our business partners have wrongly used or disclosed trade secrets allegedly owned by others.

Our trade secrets and proprietary know-how, encompassing areas such as machine vision algorithms, optical inspection methodologies, precision automation engineering designs, battery cell formation and testing equipment configurations, and customized software architectures, represent critical competitive assets that underpin our ability to deliver differentiated intelligent equipment and machine vision inspection solutions to our customers. To safeguard these assets, we require all research and development personnel to execute non-disclosure agreements as a condition of their engagement, and we implement data encryption protocols to restrict the circulation of sensitive technical materials, including equipment drawings, algorithmic source code, and process parameters, within the organization. To date, we have not experienced any confirmed incident of research and development confidential information leakage. However, the measures we have implemented may not provide absolute protection against all forms of unauthorized disclosure or misappropriation, and there can be no assurance that our trade secrets will not be compromised in the future.

The risk of trade secret leakage may arise through various channels, including the departure of key research and development personnel to competitors, inadvertent disclosure during customer collaboration or joint development engagements, unauthorized access to our internal systems by external parties, or the actions of subcontractors and third-party technology partners who are exposed to our proprietary technical information in the course of project execution. In the lithium-ion battery intelligent equipment and machine vision sectors, where technological differentiation is a key driver of competitive advantage, the unauthorized disclosure or misappropriation of our proprietary algorithms, inspection models, or equipment designs could enable competitors to replicate our solutions, erode our market positioning, and diminish the value of our intellectual property portfolio. Additionally, we may face claims that our employees or business partners have misappropriated or misused trade secrets belonging to former employers or other third parties, which could expose us to costly litigation and reputational damage regardless of the merits of such claims. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations, and prospects.

We use third-party IT systems for certain key functions, and any failures, interruptions or security issues affecting these systems could adversely affect our business, financial condition and results of operations.

Our business operations rely on a range of third-party information technology systems to support critical organizational functions, including financial management system for accounting, budgeting, and financial reporting, OA system for internal communications and document management, and ERP system for procurement, inventory management, production scheduling, and order tracking. In the context of our lithium-ion battery intelligent equipment and machine vision inspection solution business, where project execution requires complex coordination across engineering, procurement, manufacturing, and after-sales service functions, the reliable and uninterrupted operation of these systems is essential to maintaining operational efficiency and fulfilling customer delivery commitments. Any system failure, unplanned downtime, or data corruption affecting these platforms could disrupt internal workflows, delay project execution, and impair our financial reporting accuracy.

As we process and store commercially sensitive information through these third-party systems, including customer order specifications, equipment design parameters, machine vision algorithm configurations, and financial data, we are exposed to cybersecurity risks that are partially outside our direct control. Third-party vendors may be targeted by cyberattacks, ransomware, or data breaches that could result in the leakage of our confidential business information, potentially exposing us to regulatory liability, customer claims, and reputational harm.

Furthermore, our operational continuity is subject to the ongoing availability and commercial viability of these third-party providers. Any discontinuation of product support, material changes to licensing terms, or insolvency of a provider could necessitate a disruptive and costly system migration, diverting management attention and technical resources from our core business activities. Any of the foregoing risks could materially and adversely affect our business, financial condition, and results of operations.

We may face labor shortages, rising labor costs, or other factors impacting our workforce.

Our ability to design, develop, and deliver advanced lithium-ion battery intelligent equipment and machine vision inspection solutions depends critically on the expertise and continuity of our skilled workforce, particularly our research and development engineers, machine vision algorithm specialists, precision automation engineers, software developers, and experienced project management personnel. The market for such specialized technical talent in the intelligent manufacturing and machine vision sectors is highly competitive, and we have observed that competitors have actively sought to recruit our experienced employees by offering materially higher compensation packages. The loss of key technical personnel to competitors not only deprives us of accumulated institutional knowledge, proprietary expertise, and customer relationship experience, but may also risk the inadvertent transfer of our operational know-how, despite the non-disclosure agreements and data protection measures we have in place. Replacing such personnel is time-consuming and costly, and any prolonged vacancy in critical technical roles could delay ongoing equipment development projects, impair product quality, and disrupt customer delivery commitments.

Beyond talent attrition, we may also face broader workforce challenges arising from rising labor costs driven by market competition for qualified technical personnel, increasingly stringent labor regulations, and the general escalation of compensation expectations in the intelligent manufacturing sector in China. Any significant increase in our labor costs could compress our profit margins, particularly in the context of competitive pricing pressures in the lithium-ion battery equipment market. Furthermore, shortages of qualified engineers and technicians with relevant experience in battery manufacturing process integration or machine vision system deployment could constrain our capacity to scale operations, pursue new customer engagements, and execute our research and development roadmap in a timely manner, thereby materially and adversely affecting our business, financial condition, and results of operations.

We depend on the continued services and contributions of our management and other key employees, including experienced R&D personnel and skilled engineers.

Our success depends, and will continue to depend, to a significant extent on our ability to attract, retain, and motivate key members of our management team, including Mr. Wang Gang and Mr. Zhang Quan, among others, who are our executive Directors and senior management. Our continued success also depends on our ability to ensure that each of these key individuals remains actively involved in our management and strategic decision-making. Our future performance will further rely on their ongoing contributions in formulating and executing our business plans and in identifying and pursuing new market opportunities in the lithium-ion battery intelligent equipment and machine vision inspection solution sectors. The loss of service of any of these individuals, or ineffective management of leadership succession or transitions, could significantly disrupt our operations and delay or prevent the achievement of our development and strategic objectives, which could materially and adversely affect our business, financial condition, results of operations, and prospects.

Our future success also depends on our ability to attract, retain, and motivate other key employees, including experienced research and development personnel, machine vision algorithm specialists, precision automation engineers, and other highly skilled technical professionals, while preserving our unique corporate culture. Developing and advancing proprietary machine vision algorithms, intelligent automation controls, battery manufacturing process integration capabilities, and integrated hardware-software inspection solutions require deep technical expertise and cross-disciplinary engineering capabilities that are difficult to cultivate and replace. These key employees possess specialized knowledge and industry experience that are critical to our product development, technological innovation, and long-term competitiveness in the intelligent equipment market.

We intend to hire additional qualified employees to support our operations and planned expansion. The lithium-ion battery intelligent equipment and machine vision industries are characterized by strong demand and fierce competition for technical and managerial talent, and there can be no assurance that we will be able to attract or retain sufficient qualified personnel to meet our strategic and operational requirements. Rising labor costs, driven by intensifying market competition, global labor shortages, and inflationary pressures, may further increase our operating expenses and compress our profit margins. Furthermore, our ability to train and integrate new employees efficiently may not keep pace with our business expansion, which could impair workforce productivity and delay project execution for our customers. Any of these factors could adversely affect our ability to achieve our strategic objectives and may materially and adversely affect our business, financial condition, and results of operations.

We have adopted a [REDACTED] Share Option Scheme, which may materially impact our future results of operations and dilute the ownership interests of our Shareholders.

We have adopted a [REDACTED] Share Option Scheme by the Shareholders at the extraordinary general meeting held on May 25, 2026. We believe the granting of share-based payment is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based payment to employees in the future.

As such, any share-based payments under such scheme will decrease our net profit and the additional Shares issued upon exercise will dilute the ownership interests of our Shareholders.

Our business requires a number of approvals, licenses, permits and certificates, and we may not be able to obtain or renew these approvals, licenses, permits and certificates in a timely manner.

The development, manufacturing, and commercialization of our lithium-ion battery intelligent equipment and machine vision inspection systems are subject to various regulatory requirements, and we are required to obtain and maintain a range of approvals, licenses, permits, and certifications from relevant governmental and industry authorities in order to operate our business and market our products. These include, among others, business operation licenses, product quality certifications, high-technology enterprise certifications, and other industry-specific approvals that are prerequisite to our participation in certain customer procurement processes or the execution of large-scale equipment supply contracts. In addition, certain of our products are highly customized to meet the specific production line requirements of battery manufacturers and new energy vehicle producers, which may necessitate the procurement of additional product-specific certifications or customer-mandated compliance approvals prior to installation and commissioning.

The application and renewal processes for such approvals and certifications can be time-consuming, administratively complex, and subject to regulatory changes that may introduce new or more stringent requirements. Any failure or delay in obtaining, maintaining, or renewing the necessary approvals, licenses, permits, or certifications could restrict our ability to manufacture and deliver our equipment, impair our eligibility to pursue certain customer contracts, and materially and adversely affect our business, financial condition, and results of operations.

We and our Directors, management, employees, Shareholders and their respective affiliates may be subject to lawsuits, contract disputes, employment-related claims and other legal or administrative proceedings or fines, any of which could have a material and adverse effect on our business, results of operations, financial condition and reputation.

During the Track Record Period and as of the Latest Practicable Date, neither we nor our Directors had been a party to any material legal, arbitral, or administrative proceedings that could, individually or in the aggregate, have a material adverse effect on our business, financial condition, or results of operations. However, as we continue to expand our lithium-ion battery intelligent equipment and machine vision inspection systems business, we, our Directors, management, employees, shareholders, and their respective affiliates may in the future become subject to or involved in lawsuits, contract disputes, employment-related controversies, product liability claims, or regulatory investigations arising from our business operations or commercial relationships. Such proceedings can be costly, time-consuming, and operationally disruptive, involving substantial expenditures related to investigation, litigation, settlement, penalties, or regulatory fines, while simultaneously diverting management attention and technical resources away from our core business activities. Regardless of outcome, any litigation or related adverse publicity could undermine customer confidence in our products and solutions and damage relationships with key battery manufacturers and new energy vehicle producers. Any legal or regulatory proceedings involving our Directors, management, employees, shareholders, or their affiliates could further expose us to indirect reputational harm and financial liability, which could materially and adversely affect our business, financial condition, results of operations, and liquidity.

We are or may become subject to a variety of privacy and data security laws, policies and contractual obligations, and our failure or failure of our third-party vendors or contractors to comply with them could harm our business.

In the course of operating our lithium-ion battery intelligent equipment and machine vision inspection systems business, we collect, process, store, and transmit relevant data, including limited, equipment performance data, machine vision inspection outputs, employee personal information, and other ordinary business information. Our operations are subject to an increasingly complex and evolving framework of privacy and data security laws and regulations, including the Cybersecurity Law of the People's Republic of China, the Personal Information Protection Law, the Data Security Law, and other applicable national and local regulations governing the collection, storage, processing, and cross-border transfer of data. Compliance with these regulatory requirements demands continuous investment in data governance infrastructure, internal policies, and staff training, and the regulatory landscape continues to evolve in ways that may impose additional compliance obligations or operational restrictions on our business.

Beyond our internal operations, we rely on third-party vendors and contractors, including providers of financial management systems, office automation platforms, and enterprise resource planning systems, who process or have access to certain categories of our business and customer data in the course of delivering their services. Any failure by these third parties to implement and maintain adequate data security measures, or any data breach, unauthorized access, or misuse of data occurring within their systems, could result in the leakage of customer data for which we may bear legal or contractual responsibility. In the context of our machine vision inspection business, where customers may provide us with production quality-related data, any such incident could severely damage customer relationships and erode confidence in our data handling practices.

Any failure by us or our third-party vendors to comply with applicable privacy and data security laws, contractual data protection obligations, or customer-imposed security requirements could expose us to regulatory investigations, administrative penalties, civil litigation, and reputational harm, any of which could materially and adversely affect our business, financial condition, and results of operations.

Failure by us or our stakeholders to comply with applicable laws and regulations, including anti-money laundering, anti-terrorism, anti-corruption, anti-bribery, export control and economic and trade sanctions laws and regulations, could result in significant penalties and reputational harm, and could thus materially and adversely affect our business, financial condition and results of operations.

We, together with our employees, customers, suppliers, and business partners, are subject to a broad range of applicable laws and regulations across the jurisdictions in which we operate, and any failure to comply with these requirements could result in significant penalties and reputational harm, and could materially and adversely affect our business, financial condition, and results of operations.

In particular, we and our stakeholders are subject to anti-money laundering ("**AML**"), anti-terrorism, anti-bribery, export control, and economic and trade sanctions laws and regulations that prohibit, among other things, dealing in proceeds derived from criminal activities, engaging in bribery or corrupt practices, and conducting unauthorized imports or exports of controlled products, services, or technologies. Ensuring effective compliance with this complex and evolving regulatory framework requires us and our stakeholders to establish and maintain robust internal controls, governance policies, and operational procedures that specifically address these areas of regulatory exposure. Developing, implementing, and continuously monitoring such compliance programs demands considerable management attention, dedicated resources, and ongoing expenditures. Notwithstanding these efforts, there can be no assurance that our compliance programs, or those of our stakeholders, will be fully effective in preventing violations or the misuse of our products, solutions, or business operations for money laundering, terrorist financing, bribery, corruption, or other unlawful purposes.

Any failure by us or our stakeholders to comply with applicable AML, anti-terrorism, anti-bribery, export control, or sanctions regulations could expose us to substantial fines, regulatory enforcement actions, suspension of business licenses, heightened regulatory scrutiny, or other penalties. Any instance of fraudulent, corrupt, or otherwise unlawful conduct by us or our stakeholders could equally give rise to similar regulatory consequences and inflict lasting reputational damage, which could undermine customer and investor confidence and materially and adversely affect our business operations, financial condition, and results of operations.

Failure to make adequate contributions to various employee benefits plans according to the procedures under the relevant PRC laws and regulations and the laws and regulations of other jurisdictions in which we operate may subject us to penalties or other consequences.

Under applicable PRC laws and regulations, employers are required to make full contributions to social insurance and housing provident funds on behalf of their employees based on their actual salaries. During the Track Record Period, our PRC subsidiaries had not made full contributions to social insurance and housing provident funds for certain employees in strict accordance with their actual remuneration levels. In addition, during the Track Record Period and up to the Latest Practicable Date, the social insurance and housing provident fund contributions for two employees were remitted through a third-party agency arrangement rather than directly by us as the employing entity. As a result, we may be subject to orders requiring retroactive payment of outstanding contributions, together with late payment surcharges or administrative penalties imposed by the relevant regulatory authorities.

Our PRC Legal Advisors have advised that, in the absence of any material changes to the prevailing laws and regulations governing social insurance and housing provident fund contributions, and provided that no material employee complaints, reporting, or related litigation or arbitration proceedings arise, the risk of our PRC subsidiaries being subject to concentrated retroactive recovery actions or significant administrative penalties by the competent authorities in respect of the above-mentioned contribution shortfalls during the Track Record Period is relatively low. Nevertheless, there can be no assurance that regulatory enforcement practices will not change or that affected employees will not raise formal complaints, and any such development could expose us to financial liability and reputational harm that may materially and adversely affect our business, financial condition, and results of operations.

The adjustment of rental fees, the termination of lease contracts or other relevant disputes relating to our leased properties could have an adverse impact on our business operations.

With the exception of our newly-built Changzhou manufacturing facility, which we own, substantially all of our other operational properties, including our research and development centers, production facilities, sales offices, and after-sales service bases, are held under lease arrangements with third-party landlords. The continued availability and affordability of these leased premises are therefore critical to the uninterrupted operation of our lithium-ion battery intelligent equipment and machine vision inspection systems business. Upon the expiration of our existing lease agreements, landlords may decline to renew leases on commercially acceptable terms, seek to impose material increases in rental fees, or elect not to renew at all, which could compel us to relocate operational facilities at significant cost and disruption. Any forced relocation of our research and development facilities or production workshops could disrupt ongoing equipment development projects, interrupt manufacturing workflows, and delay customer delivery schedules, thereby damaging our relationships with key battery manufacturers and new energy vehicle producers.

Furthermore, disputes arising from lease terms, property conditions, or landlord-initiated early terminations could result in unexpected operational disruptions and legal costs. The need to identify, fit out, and commission replacement facilities that meet the technical and spatial requirements of our intelligent equipment manufacturing and machine vision system integration operations could be time-consuming and costly, particularly in locations with limited availability of suitable industrial premises. Any of the foregoing could materially and adversely affect our business operations, financial condition, and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE GEOGRAPHIC MARKETS IN WHICH WE OPERATE

Changes in China's economic, political and social conditions, as well as government policies, could have a material adverse effect on our business and prospects.

Our business, prospects, financial condition, and results of operations are, to a material extent, subject to economic, political, and legal developments in the jurisdictions where we operate. Factors that may affect us include economic slowdowns in the places where we operate, inaccurate assessments of market conditions of the markets where we operate, government-led economic policies and initiatives, changes in prevailing market interest rates, higher rates of bankruptcy, and changes to applicable laws, regulations and other regulatory policies. In addition, government regulations on capital investments or changes in tax regulations.

Any slowdown in the economic growth of the jurisdictions where we operate may reduce the demand for the products we promote and sell and could materially and adversely affect our business, financial condition, results of operations and prospects.

The CSRC or other PRC governmental authorities carry out regulations in connection with overseas [REDACTED] and future capital raisings activities, which we must abide by.

On February 17, 2023, with the approval of the State Council, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines (the "**Overseas Offering and Listing Trial Measures**"), which came into effect on March 31, 2023. The Overseas Offering and Listing Trial Measures comprehensively reformed the regulatory regime for overseas securities [REDACTED] and [REDACTED] by China-based companies, conducted either in direct or indirect manners, by adopting a filing-based regulatory mechanism. See "Regulatory Overview — Regulatory Provisions — Laws and Regulations Relating to Overseas Issuance and Listing" in this document for details. According to the Overseas Offering and Listing Trial Measures, this [REDACTED] shall be deemed as an indirect [REDACTED] by PRC domestic enterprise, and we are required to submit filings with the CSRC within three business days after we submit application for this [REDACTED]. The CSRC confirmed completion of such filings on [•]. Furthermore, the filing procedure with the CSRC under the Overseas Offering and Listing Trial Measures may be required for any future [REDACTED], [REDACTED] or any other capital raising activities. It is uncertain whether we could complete the procedure in relation to any further capital raising activities in a timely manner, or at all. Any failure to complete the filing procedure in a timely manner may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business, results of operations and financial conditions. Furthermore, on February 24, 2023, the CSRC and other relevant government departments released the Provisions on Strengthening the Confidentiality and Archives Administration Related to the Overseas Securities Offering and Listing by Domestic Enterprises (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》), which came into effect on March 31, 2023. The Provisions aims to expand the applicable scope of the regulation to indirect overseas [REDACTED] and [REDACTED] by PRC domestic companies and emphasize the confidentiality and archive management duties of PRC domestic companies during the process of overseas [REDACTED] and [REDACTED].

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this [REDACTED] or future capital raising activities before settlement and delivery of the Shares we are [REDACTED] hereby. Consequently, if you engage in market [REDACTED] or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Overseas Offering and Listing Trial Measures for this [REDACTED] or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and [REDACTED] of the Shares.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The value of the RMB against the Hong Kong dollar, US dollars and other currencies fluctuates and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar or other currencies in the future.

In addition, the [REDACTED] from the [REDACTED] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the Hong Kong dollar may result in a decrease in the value of our [REDACTED] from the [REDACTED]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in a foreign currency.

There might be uncertainties in effecting services of legal process, enforcing foreign judgments or arbitration awards against us or our Directors and senior management personnel in the PRC.

We are a joint stock limited company incorporated in Chinese Mainland and almost all of our assets are located in China and most of our operations are conducted in China as well. In addition, a majority of our Directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for you to effect service of process upon us or those persons in the PRC for disputes brought in courts outside the PRC.

On July 14, 2006, the PRC and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"), which came into effect on August 1, 2008. Pursuant to the Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. It is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the Arrangement.

On January 18, 2019, the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement broadens the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with certain rules without the parties' agreement. The New Arrangement came into effect on January 29, 2024 and replaced the Arrangement.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our Directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, there is no assurance that a judgment rendered by a court outside the PRC would be recognized and enforced in a PRC court.

The M&A Rules and certain other regulations establish complex procedures for certain acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth opportunities through acquisitions in China.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM and other government authorities jointly issued the Rules on Mergers and Acquisitions of Domestic Enterprise by Foreign Investors (《關於外國投資者併購境內企業的規定》) which was effective as of September 8, 2006 and amended on June 22, 2009 (the "**M&A Rules**"). The M&A Rules and other regulations and rules concerning mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires MOFCOM be notified in advance of any change-of control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned; (ii) such transaction involves factors that have or may have impact on the national economic security; or (iii) such transaction will lead to a change in control of a domestic enterprise which bolds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》) promulgated by the SCNPC which became effective in 2008 and recently amended in 2022 requires that transactions which are deemed concentrations and involve parties with specified share of the market must be cleared by the SAMR before they can be completed. In addition, the Notice of the General Office of the State Council on the Implementation of Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), effective in March 2011, and Measures for the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective in January 2021, require acquisitions by foreign investors of PRC companies engaged in certain industries that are crucial to national security be subject to security review before the consummation of such acquisition.

The permit, filing or other requirements of relevant government authorities in relation to our proposed [REDACTED] or further capital raising activities may be required under PRC laws.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. The MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of the PRC and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal [REDACTED], and the supervision over overseas [REDACTED] by domestic companies. Stringent measures aimed at establishing a robust regulatory system are expected to be taken to deal with the risks associated with overseas [REDACTED] companies based in or having significant operations in China, and to tackle any related cybersecurity and data security, cross-border data transmission, and confidential information management, among other matters.

Further, on February 17, 2023, the CSRC released the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which apply to overseas [REDACTED] and [REDACTED] by domestic companies of equity shares, depository receipts, corporate bonds convertible to equity shares, and other equity securities, and came into effect on March 31, 2023. According to the Overseas Listing Trial Measures, overseas [REDACTED] and [REDACTED] by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity and data security and duly fulfill their obligations to protect national security, and the domestic companies may be required to rectify, make certain commitment, divest business or assets, or take any other measures as per the competent authorities' requirements, so as to eliminate or avert any impact of national security resulting from such overseas [REDACTED] and [REDACTED]. No overseas [REDACTED] and [REDACTED] shall be made under any of the following circumstances: (i) such securities [REDACTED] and [REDACTED] is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities [REDACTED] and [REDACTED] may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law, among other scenarios. The Overseas Listing Trial Measures provide that if an [REDACTED] meets both of the following conditions, the overseas securities [REDACTED] and [REDACTED] conducted by such [REDACTED] will be determined as an indirect overseas [REDACTED] and [REDACTED] subject to the filing procedure set forth under the Overseas Listing Trial Measures: (i) 50% or more of the [REDACTED]'s operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements over the same period for the most recent accounting year is accounted for by domestic companies; and (ii) the main parts of the [REDACTED]'s business activities are conducted in Mainland China, or its main places of business are located in Mainland China, or the senior managers in charge of its business operation and management are mostly Chinese citizens or domiciled in Mainland China. For an [REDACTED] and [REDACTED] in an overseas market, the [REDACTED] shall designate a major domestic operating entity to file with the CSRC within 3 working days after the relevant application is submitted overseas. For details, see "Regulatory Overview — Regulatory Provisions — Laws and Regulations Relating to Overseas Issuance and Listing" in this document.

Pursuant to these regulations, the [REDACTED] is subject to the filing requirement with the CSRC as advised by our PRC Legal Advisor. We received the filing notice issued by the CSRC dated [•] indicating that we have completed the filing application. Nonetheless, in the event of any future events that are material to us or failure to complete overseas securities [REDACTED] and [REDACTED] within 12 months from the date of the filing notice, we are under the obligation to report such events to or update the filing application with the CSRC.

In addition, our future capital raising activities such as follow-on equity or debt offerings, [REDACTED] on other stock exchanges and going private transactions, may also be subject to the filing requirement with the CSRC. Failure to complete such filing procedures as required under the Overseas Listing Trial Measures, or a rescission of any such filings completed by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in Mainland China, and other forms of sanctions that may materially and adversely affect our business, financial conditions and results of operations.

Holders of H Shares may be subject to PRC taxation.

Non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares in accordance with applicable PRC tax laws, rules and regulations.

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), non-PRC resident individuals are subject to a 20% PRC individual income tax on their dividend income derived from China and we are required to withhold such tax from our dividend payments. If there is an applicable tax treaty to avoid double taxation and taxation evasion between China and the jurisdiction where the foreign individual resides, the applicable tax rate shall be determined in accordance with such tax treaty. Considering that the applicable tax rate on dividends is usually 10% according to tax treaties or tax agreements and that the number of stockholders is large for a [REDACTED] company, to simplify the tax administration, generally a domestic non-foreign-investment enterprise with shares [REDACTED] in Hong Kong can withhold dividend income tax at a rate of 10%. There remains uncertainty as to whether gains realized by non-PRC resident individuals on disposition of H Shares are subject to PRC individual income tax.

Pursuant to the PRC Enterprise Income Tax Law and other applicable PRC tax rules and regulations, non-PRC resident enterprises that do not have establishments or premises in the PRC, or have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to a 10% PRC enterprise income tax rate on dividend income received from a PRC company and gains realized upon the sale or other dispositions of equity interest in a PRC company. The 10% tax rate is subject to reduction under any special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise domiciles.

The interpretation and implementation of the PRC Enterprise Income Tax Law and other applicable PRC tax rules and regulations by the PRC tax authorities are evolving, including whether and how non-PRC resident H shareholders are subject to personal income tax or enterprise income tax on gains realized upon the sale or other dispositions of their H shares. In addition, the value of your investment in our H Shares may be materially affected by unfavorable changes in the applicable tax rates currently stipulated by the PRC tax authorities.

RISKS RELATING TO THE [REDACTED]

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

Prior to the completion of 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 will develop and be sustained following the completion of the [REDACTED]. The initial [REDACTED] for our H Shares to the public will be the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]), and the [REDACTED] may differ significantly from the [REDACTED] of the H Shares following the [REDACTED].

The price at which our H Shares will [REDACTED] after the [REDACTED] will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- changes in laws and regulations in the PRC;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in China and worldwide.

In addition, the Stock Exchange has, from time to time, experienced significant price and volume fluctuations that have affected the [REDACTED] for the securities of companies quoted on the Stock Exchange. As a result, [REDACTED] in our H Shares may experience volatility in the [REDACTED] of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Furthermore, if additional funds are raised through our issuance of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership for such Shareholders may be reduced. Such new securities may also confer rights and privileges that take priority over those conferred by the H Shares.

Any possible [REDACTED] of our [REDACTED] Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the [REDACTED] of our H Shares.

Subject to the approval of the State Council securities regulatory authority, all of our [REDACTED] Shares may be [REDACTED] into H Shares, and such [REDACTED] Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange. Any [REDACTED] or [REDACTED] of the [REDACTED] Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. However, the PRC Company Law provides that in relation to the [REDACTED] of a company, the shares of that company which are issued prior to the [REDACTED] shall not be transferred within one year from the date of the listing. Therefore, upon obtaining the requisite approval, our [REDACTED] Shares may be [REDACTED], after the [REDACTED], in the form of H Shares on the Stock Exchange after one year of the [REDACTED], which could further increase the supply of our H Shares in the market and could negatively impact the [REDACTED] of our H Shares.

The sale, or even the perception of potential sales, of a substantial number of our H Shares in the public market in the future could materially and adversely affect the [REDACTED] of our H Shares and hinder our ability to raise additional capital in the future.

A decline in the [REDACTED] of our H Shares may occur if significant volumes of H Shares or related securities are [REDACTED] [REDACTED], or if new shares or share-linked securities are issued. Even the expectation of such transactions could negatively impact investor confidence. Furthermore, any future [REDACTED] or anticipated [REDACTED] of a large number of our securities could make it more difficult for us to raise capital at a specific time or on favorable terms. Issuing additional shares or share-linked securities may also result in dilution of existing shareholders' interests. Such newly issued securities could carry rights and privileges that rank ahead of those attached to our H Shares, which may further disadvantage current holders.

Pre-[REDACTED] Investors will incur immediate dilution and may experience further dilution in the future.

As the [REDACTED] is higher than the net tangible asset value per Share of our Shares immediately prior to the [REDACTED], investors of our Shares in the [REDACTED] will experience an immediate dilution. In addition, we may need to raise additional funds in the future to finance expansion of or new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of such Shareholders in our Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by our [REDACTED].

There can be no assurance that the H Shares will remain [REDACTED] on the Stock Exchange.

Although it is currently intended that the H Shares will remain [REDACTED] on the Stock Exchange, there is no guarantee of the continued [REDACTED] of the H Shares. Among other factors, our Company may not continue to satisfy the [REDACTED] requirements of the Stock Exchange. Holders of H Shares would not be able to sell their H Shares through [REDACTED] on the Stock Exchange if the H Shares were no longer [REDACTED] on the Stock Exchange.

The interest of Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised, and no further Shares are issued under the [REDACTED] Share Option Scheme), our Controlling Shareholders will own [REDACTED]% of the total issued share capital of our Company and become the single largest group of Shareholders by virtue of the acting-in-concert arrangement. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for their H Shares in a sale of our Company or may reduce the [REDACTED] of our H Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased H Shares in the [REDACTED]. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to certain information obtained from the Frost & Sullivan Report contained in this document.

Certain facts and statistics in this document, including but not limited to information and statistics relating to the bioprocess solutions and laboratory products and services industries, are extracted from the Frost & Sullivan Report or are derived from various official government publications and other publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Joint Sponsors, [REDACTED], any of their respective directors and advisors, or any other persons or parties involved in the [REDACTED], and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information complied by other sources and prospective [REDACTED] should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this document.

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

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the [REDACTED] from the [REDACTED] to, among others, (i) upgrade and expand our East China headquarters (Changzhou) manufacturing base; (ii) construct our R&D center and the R&D of intelligent equipment for next-generation battery technologies; (iii) expand our sales and delivery networks; (iv) pursue acquisitions and equity investments that are complementary to our business and strategies; and (v) contribute to our daily business operation. See "Future Plans and [REDACTED] — [REDACTED]" in this document for more information. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [REDACTED] from this [REDACTED].

Prior dividend distributions are not an indication of our future dividend policy.

Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our Shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our H Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see "Financial Information — Dividends" in this document.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after considering our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our Shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Waivers [have been granted] from compliance with certain requirements of the Listing Rules by the Stock Exchange. Shareholders will not have the benefit of the Listing Rules that are so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for[, and the Stock Exchange has granted to us], a number of waivers from strict compliance with the Listing Rules. See "Waivers from Strict Compliance with the Listing Rules" in this document for further details. There is no assurance that the Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multijurisdictional compliance, all of which could adversely affect us and our Shareholders.

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

There may be, subsequent to the date of this document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED], which contained, among others, certain financial information, projections, valuations and other forward-looking information about us and the [REDACTED]. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our [REDACTED]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, [REDACTED] should not rely on any such information, reports or publications in making their decisions as to whether to [REDACTED] in the [REDACTED]. 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.