RISK FACTORS

An investment in the H Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in the H Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the H Shares could decline and you may lose all or part of your investment. This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Given the complex nature of the packaging and testing process, our yields and customer relationships could suffer from defects in the services we provide or if we do not respond to rapid technological changes.

Semiconductor packaging and testing services, including bumping, CP, COG and COF processes are complex and require significant technological and process expertise. In line with industry practice, customers usually require us to pass a lengthy and rigorous qualification process that may take several months. Once qualified and in production, defective packaging primarily results from one or more of the following: (i) contaminants in the manufacturing environment; (ii) human error; (iii) equipment malfunction; (iv) changing processes to address environmental requirements; (v) defective raw materials; or (vi) defective electrochemical deposition services. Testing involves sophisticated equipment and software, which are complex and may contain programming errors. The testing equipment is also subject to malfunction and the testing process is subject to human error.

These and other factors may lead to lower production yields, particularly as we change our processing steps or introduce new technologies. In addition, we plan to continue developing and implementing new packaging and testing technologies and expand our offerings to be competitive. In this process, potential failure to qualify new processes, maintain quality standards or acceptable production yields, if significant and prolonged, could result in the loss of customers, increased costs of production, delays, substantial amounts of returned goods and claims by customers relating thereto. Any of these problems could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to obtain the packaging and testing equipment or facilities necessary for our business operations in a timely manner or at a reasonable cost.

The IC packaging and testing business is capital intensive and requires significant investment in expensive equipment manufactured by a limited number of suppliers. The market for IC packaging and testing equipment is characterized by intense demand, limited supply and long delivery cycles. Our operations and expansion plans depend on our ability to obtain equipment from those suppliers in a timely and cost-effective manner. We have no binding supply agreements with any of our equipment suppliers and we acquire our packaging and testing equipment on a purchase order basis, which exposes us to changing market conditions and other risks. We cannot assure you that we will be able to find substitute equipment suppliers if our major equipment suppliers cease to cooperate with us.

Any deterioration in general economic conditions or the semiconductor end market or a slowdown in the semiconductor and electronics industries could reduce demand for our services.

Market conditions in the semiconductor industry track, to a large degree, those for their end applications. Our results of operations also depend significantly on general economic conditions and consumer spending. Consumer spending is affected by a number of economic and other factors beyond our control, such as interest rates, conditions in the real estate and mortgage markets, unemployment rates, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors affecting the spending behavior of consumers. Any deterioration in the market conditions for the end markets of the ICs we package and test could reduce demand for our services and, in turn, could materially and adversely affect our financial condition and results of operations. Our revenue is largely attributable to fees derived from packaging and testing semiconductors for use in smartphones, smart wearable devices, televisions, laptops and tablets. A significant decrease in demand for products in these markets could put pricing pressure on our packaging and testing services. The DDIC market often aligns with broader economic trend and consumer demand, and we cannot assure you that there will not be any downturn in the future or that any future downturn will not affect our results of operations. Any significant decrease in demand for end markets of ICs will adversely affect our business operation and financial condition.

We face intense competition in the global semiconductor packaging and testing industry.

The outsourced semiconductor packaging and testing services market is very competitive. We face substantial competition from established and emerging packaging and testing service providers primarily located in Asia, including companies that may have greater production capacity, financial resources, local market presence, R&D capabilities, marketing resources and technological expertise. In addition, we may compete with integrated device manufacturers who design, manufacture and package and test their own chips. Our competitors may have established relationships, or enter into new strategic relationships, with one or more of the large semiconductor companies that are our current or potential customers or key suppliers to these customers. Consolidation among our competitors could also strengthen their competitive position. We cannot assure you that we will be able to compete successfully in the future against our existing or potential competitors, that our customers will not rely on internal sources, foundries or contract manufacturers for packaging and testing services or that our business, results of operations or financial condition will not be materially and adversely affected by such increased competition.

A reversal or slowdown in the outsourcing trend for IC packaging and testing services could adversely affect our growth prospects and profitability.

Many semiconductor manufacturers that have their own in-house packaging and testing capabilities, known as integrated device manufacturers and original equipment manufacturers, have increasingly outsourced stages of the production process, including packaging, testing, electronic manufacturing and assembly, to independent companies to reduce costs, eliminate production complexity and shorten time to market. In addition, the availability of advanced independent semiconductor manufacturing services has supported the growth of fabless semiconductor companies, which focus exclusively on design and marketing and outsource their manufacturing, packaging and testing requirements to independent companies. We cannot ensure that these manufacturers and companies will continue to outsource their packaging and testing requirements to third parties like us. Furthermore, during an economic downturn, these integrated device manufacturers typically rely more on their own in-house packaging and testing capabilities, therefore decreasing their need to outsource. A reversal of, or a slowdown in, this outsourcing trend could result in reduced demand for our services and adversely affect our growth prospects and profitability.

If we fail to properly anticipate or respond to changing market conditions or develop and introduce new or enhanced services on a timely basis, our ability to attract and retain customers could be impaired and our competitive position could be harmed.

The semiconductor industry is subject to constant and rapid changes in technology, constant product and technology upgrade, frequent new product introductions and evolving technical standards. New technologies may be introduced, which may make the current technologies on which our services are based less competitive or even obsolete or require us to make changes to our technology that could be expensive and time-consuming to implement. The timing of new product developments, the life cycle of existing electronics products and the level of acceptance and growth of new products can also affect demand for our services. Due to the evolving nature of the markets, our future success depends on our ability to accurately anticipate and respond to changes in industry standards, technological requirements, customer and consumer preferences and other market conditions. Our failure to properly anticipate or respond to changing market conditions could impair our competitive position, and adversely affect our business, results of operations and financial condition. If we fail to continue to upgrade our service offerings to keep up with the evolving needs of our customers, our market share could be negatively impacted. As a result, the average selling prices of our services and gross profit margin may decline, which in turn could adversely affect our business, results of operations and financial condition.

We generate the majority of our revenue from a limited number of key customers.

We rely on a small group of customers for a substantial portion of our business. Revenue from our five largest customers in each year during the Track Record Period accounted for 72.6%, 66.4% and 68.9% of our revenue in 2023, 2024 and 2025 and sales to our largest customer in each year during the Track Record Period accounted for 31.7%, 24.2% and 27.5% of our revenue in the respective years. As part of our strategy, we have been focusing on sales to key customers through long-term service agreements. We also continue to serve smaller customers and those with less regular ordering patterns. We expect that we will continue to rely on a relatively limited number of customers for a significant portion of our revenue. Any adverse development in our key customers' operations, competitive position or customer base could materially reduce our revenue and materially adversely affect our business.

Semiconductor companies generally rely on packaging and testing service providers with which they have established relationships. New customers also typically require us to undergo a lengthy and rigorous certification process. Accordingly, if we lose any of our key customers, we may not be able to replace them in a timely manner. If any of our key customers reduces or cancels its orders or terminates existing contractual arrangements and if we are unable to attract new customers and establish new contractual arrangements with existing or new customers, our revenue could reduce and our business and results of operations may be materially and adversely affected.

We make substantial investments in equipment and facilities and the demand of our customers may not develop as we expect.

We make significant investments in equipment and facilities in order to satisfy the demand of our customers. The amount of our capital expenditures depends on several factors, including the performance of our business, our assessment of future industry and customer demand, our capacity utilization levels and availability, advances in technology, our liquidity position and the availability of financing. Our ongoing capital expenditure requirements may place pressure on our cash and liquidity. Moreover, during periods of production capacity expansion, the additional depreciation and factory operating expenses associated with such capital expenditures may adversely affect our profitability. We may also make significant capital expenditures to support specific business opportunities with certain key customers from time to time and the additional equipment purchased for such opportunities may not be readily redeployed for other customers. If demand is insufficient to utilize such capacity, or we are unable to efficiently redeploy such equipment, our capacity utilization, profitability could be negatively impacted. Furthermore, if we cannot generate or raise additional funds to pay for capital expenditures, particularly in some of the advanced packaging and testing areas, as well as R&D activities, our growth and future profitability may be materially and adversely affected.

Our business may be impacted by geopolitical uncertainties and other political, social and economic instability that leads to business interruptions.

Any future political turmoil could cause revenue or profits for the semiconductor industry as a whole to decline dramatically. For example, uncertainties in the U.S.-China relationship, the broader political environment or international trade policies could lead to further revisions in laws or regulations, changes in their interpretation and enforcement, trade sanctions, import or export duties and tariffs, or restrictions on trade, all of which may adversely affect our results of operations. The U.S. government has also enacted trade measures, including licensing requirements on exporting certain advanced computing and semiconductor manufacturing items, as well as AI-related items to China or other designated countries. On the other hand, in response to U.S. trade restrictions, the Chinese government has enacted policy measures to support domestic semiconductor companies to achieve self-sufficiency in semiconductor production and reduce reliance on foreign suppliers. While we strive to build flexible and resilient supply chains to address shifts in market conditions and to satisfy customer needs, fragmented operations may increase our vulnerability to market disruptions and adversely affect our results of operations.

Our revenues and profitability may decline if we are unable to obtain adequate supplies of raw materials and energy in a timely manner, or at a reasonable price or effectively pass on the price fluctuation of certain raw materials to customers.

Our operations require that we obtain adequate supplies of raw materials, such as gold, gold salt, electroplating chemicals, gold targets, trays and photoresist, at acceptable prices in a timely and cost-effective manner. In the past, shortages in the supply of some materials, whether by specific vendors or by the semiconductor industry generally, have resulted in occasional industry-wide price adjustments and delivery delays. We source most of our raw materials from a limited group of suppliers. We purchase all of our materials on a purchase order basis and have no long-term contracts with any of our suppliers. Suppliers have in the past, and may in the future, extend lead times, increase the price or limit the supply of required materials to us because of market shortages. Consequently, we may, from time to time, experience difficulty in obtaining sufficient quantities of raw materials on a timely basis. In particular, gold is a key raw material used in our bumping. We generally adopt the average spot price on the London Metal Exchange for the preceding quarter in our pricing to customers. However, because there is a time lag between our procurement of gold and the timing at which we quote prices to customers, the movements of gold price may not be passed on to customers immediately. In addition, we may need to reject raw materials and parts that do not meet our specifications, resulting in potential delays or declines in output. If the supply of raw materials is substantially reduced or disrupted, there are significant increases in their prices that we cannot pass on to our customers, or the lead times are extended, we may incur additional costs to acquire sufficient quantities of these materials to maintain our production schedules and commitments to customers, and our revenue and earnings could be adversely affected.

We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions.

We operate within a global supply chain, and our services are sold globally as part of various end products. As such, we face risks associated with international trade regulations and geopolitical developments. Although the primary risk to our business from these measures is indirect, we are exposed to the impact of them through our international customers and global supply chain, since our services are susceptible to geopolitical developments and trade restrictions. For example, if tariffs or other import restrictions are imposed on our customers' products exported to the United States or other overseas markets, the increased cost may reduce the competitiveness and market demand for our services. A decline in our customers' sales could, in turn, lead to reduced order volumes, order cancellations or downward revisions to their forecasts for our services. Furthermore, to mitigate their own exposure, our customers may demand price concessions from us or adjust their supply chain arrangements, which could diminish our role or lead to the loss of business. Any of these developments could materially and adversely affect our customer relationships, revenue and profitability.

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have led to broader and substantially higher tariffs, export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. Regarding tariffs, in February 2025, the United States imposed a 20% tariff on certain categories of Chinese goods (the "**Fentanyl Tariff**"). Subsequently, on April 2, 2025, the United States imposed a 10% baseline tariff on all imports from its trading partners, along with additional country-specific tariffs for various countries (the so-called "**Reciprocal Tariff**", as adjusted from time to time). These actions have led to a series of retaliatory measures by other countries, including China, and further countermeasures by the United States. On May 12, 2025, the President of the United States issued an executive order that suspended certain retaliatory tariff increases imposed on April 8 and April 9 against China and reinstated the Reciprocal Tariff on imports originating from Chinese mainland, Hong Kong, and Macau for a 90-day period. On August 11, 2025, the President of the United States signed an executive order extending the deadline for higher tariffs on China for another 90 days until November 10, 2025. Following a U.S.-China leaders' meeting on October 30, 2025, the United States and China announced steps to pause certain tariff escalations. On November 4, 2025, the President of the United States issued executive orders that, among other things, reduced the Fentanyl Tariff from 20% to 10%, effective November 10, 2025, and continued the suspension of heightened China-specific Reciprocal Tariff rates through November 10, 2026, thereby maintaining the 10% Reciprocal Tariff baseline on imports from China during that period.

At the same time, on May 28, 2025, the U.S. Court of International Trade ruled that many of the tariffs the current administration put in place, including the Reciprocal Tariff and the Fentanyl Tariff, exceeded the president's legal authority, which was affirmed by the U.S. Court of Appeals for the Federal Circuit on August 29, 2025. On February 20, 2026, the U.S. Supreme Court issued its opinion affirming the lower court's ruling, striking down the tariffs implemented pursuant to the International Emergency Economic Powers Act ("**IEEPA**"), including the Reciprocal Tariff and the Fentanyl Tariff. Accordingly, all duties collected pursuant to the invalidated IEEPA-based tariffs are unlawful exactions and must be returned in full to the importers of record, together with any applicable interest, in accordance with governing customs refund procedures and statutory requirements. Following this decision, the administration rescinded the IEEPA-based tariffs but concurrently imposed new 10% tariffs on a global basis for a 150-day period under separate statutory authority and discussed plans to rely on other statutory authorities to impose other tariffs. The U.S. tariff policies are rapidly evolving, and the outcome, including the timing, impact and potential legal challenges regarding the newly implemented tariffs, is highly uncertain. Any additional tariff may increase the price of the end products imported to the U.S. market and reduce their competitiveness. Our end customers who import the products may wish to pass on the additional tariff along the supply chain, wholly or partially to us, their other suppliers or their customers. Even if the tariff is not passed on to us, the reduced competitiveness of our customers' end products could lead to the reduction or cancellation of their purchase orders from us, and tariffs could generally negatively affect economic conditions in China and other countries, which could adversely affect our business.

Exports, re-exports and transfers of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. Regarding economic sanctions, the most significant controls are those administered by the Office of Foreign Assets Control ("**OFAC**") of the Treasury, which impose primary sanctions on transactions involving a U.S. nexus (e.g., U.S. persons or USD clearing), and, in certain circumstances, secondary sanctions exposure for non-U.S. persons engaging in specified dealings with certain countries or regions, governments, entities, and individuals targeted by U.S. sanctions. Regarding U.S. export controls, in October 2022, the BIS issued an interim final rule (the "**BIS October 2022 IFR**") to limit China's access to advanced computing integrated circuits, supercomputers, and advanced semiconductor manufacturing. In October 2023, the BIS released another interim final rule (the "**BIS October 2023 IFR**") that updated and expanded the restrictions from the BIS October 2022 IFR (together with the BIS's April 2024 interim final rule, the "**BIS 2022/23 IFRs**"). Among other measures, the BIS 2022/23 IFRs added certain advanced and high-performance computing integrated circuits and related computer commodities to the Commerce Control List, imposing new or expanded license requirements for certain items subject to the U.S. Export Administration Regulations ("**EAR**"). These controls target items that are destined for, or may be used in developing or producing supercomputers, advanced node integrated circuits, and advanced semiconductor manufacturing equipment in certain jurisdictions, including China. Most recently, in January 2025, the BIS issued an interim final rule (the "**BIS January 2025 IFR**") to further limit China's access to advanced computing integrated circuits.

In addition to the restrictions introduced above, the BIS also maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed. In recent years, the United States has placed an increasing number of entities, on the Entity List and other restricted or prohibited party lists. In addition to naming additional persons to these lists, BIS has imposed complex and restrictive rules applicable to doing business with persons on them. The restrictions applicable to Entity List parties include licensing requirements for exports, re-exports, or transfers of items subject to the EAR, which in most cases restrict these named entities from receiving essentially any item subject to the EAR, including, in some cases through the application of the EAR's foreign direct product rules, to items produced wholly outside the United States.

We screen our direct customers and suppliers against applicable sanctions and export control restricted party lists prior to entering into transactions and on a periodic basis thereafter, and have not identified any transactions that violated applicable economic sanctions or export control laws and regulations. We maintain policies and procedures designed to facilitate compliance with applicable sanctions and export control requirements.

However, due to the nature of our industry, we do not have full visibility over the ultimate end-users of our products in all circumstances. Although we implement compliance controls designed to mitigate sanctions and export control risks, we cannot guarantee that our products will not be transferred, without our knowledge or authorisation, to parties that are or become subject to sanctions or export control restrictions.

In addition, sanctions and export control laws, regulations and policies are subject to change, sometimes with immediate effect, and additional parties may be designated on applicable restricted party lists without prior notice. Certain of our customers, suppliers or other business counterparties may currently be, or may in the future become, subject to sanctions or export control restrictions. Any expansion of such restrictions, or changes in applicable sanctions or export control laws, regulations, policies or licensing requirements, may restrict our ability to conduct business with certain counterparties, increase our compliance costs, or otherwise adversely affect our business, financial condition and results of operations.

In addition, although only a limited amount of our testing equipment originates from the United States and such imports are not subject to licensing requirements for import into the PRC, we cannot predict future changes in applicable export controls laws and regulations. If export controls laws and regulations were adversely changed, our ability to import advanced production equipment or components from certain jurisdictions may be restricted and our capacity to upgrade or maintain our manufacturing lines may be negatively impacted. If we fail to promptly secure alternative customers or sources of supply on acceptable terms, our business may be materially and adversely affected.

In addition, if the sales of the customers' end solutions are restricted, prohibited or made subject to any export controls or economic sanctions imposed by any jurisdictions, the customers' demand for our services may decline, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

U.S. outbound investment regulations and other foreign laws and regulations could have a negative impact on our future ability to access to capital.

On October 28, 2024, the Treasury issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the "**Outbound Investment Rule**"). On January 2, 2025, a U.S. outbound investment security program (the "**OISP**"), implemented by the Treasury under the Outbound Investment Rule, became effective. The OISP imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "Covered Foreign Persons." U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "Covered Transactions," and include certain acquisitions of an equity interest or contingent equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The OISP contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. Although we are engaged in semiconductor packaging and testing services and do not ourselves manufacture integrated circuits or other semiconductors, our involvement in packaging activities for integrated circuit applications may implicate the definition of "covered activities" under the OISP.

As advised by our legal advisors, we may be considered a "Covered Foreign Person" engaged in "covered activities", specifically, integrated circuit packaging that may fall within the scope of "Notifiable Transactions" under the OISP. Based on the technology thresholds applicable under the OISP, our packaging activities are not considered to meet the criteria for "Prohibited Transactions." Accordingly, U.S. persons may be required to notify the relevant U.S. authorities if they engage in transactions involving our equity interests that constitute "Notifiable Transactions" under the OISP.

Notwithstanding the foregoing, following the completion of the [REDACTED], U.S. persons are generally expected to be able to invest in our H Shares pursuant to the publicly traded securities exception under the OISP, provided that such investments do not confer rights beyond standard minority shareholder protections.

However, the Outbound Investment Rule continues to evolve, including through potential future changes associated with the implementation of the U.S. Comprehensive Outbound Investment National Security Act of 2025 (the **"COINS Act"**), and the resulting regulatory uncertainty may adversely affect our ability to attract or obtain future investments from U.S. investors, as well as reduce U.S. investors' interest in our equity securities.

Our R&D efforts are not guaranteed to yield the results we anticipate.

In order to maintain our competitive position and continue to grow our business, we need to continuously develop and introduce innovative services for our existing and potential downstream customers, which include display panel manufacturers and brand companies in the consumer electronics industry. The downstream markets, including consumer electronics, automotive and computing applications, are driven by expanding application scenarios and increasing requirements for chip performance, which in turn necessitate continuous technological advancement and innovation. Accordingly, we emphasize our R&D activities, which require considerable human resources and capital investment. In 2023, 2024 and 2025, our R&D expenses amounted to RMB78.9 million, RMB89.4 million and RMB117.7 million, representing 6.4%, 6.0% and 6.6% of our revenue in the respective years. However, we cannot assure you that these efforts will be successful or produce our anticipated results. We may not be able to apply the technologies we developed to introduce new services in time to capture the first-mover advantage, or at all. Any failure in successfully translating our R&D efforts to new services could have a material adverse impact on our business, results of operations and financial condition.

Our business prospects may be harmed if we are unable to protect proprietary technology from infringement and operate without infringing the proprietary rights of others.

Our success depends in part on our ability to obtain and maintain patent protection for our technologies, processes and products, to safeguard our trade secrets and proprietary know-how and to successfully enforce our intellectual property rights against third-party infringement or misappropriation, such as unauthorized replication, reverse engineering and design theft. In the event that our issued patents and patent applications do not adequately provide coverage for our technologies, processes or products, we would not be able to exclude others from developing or utilizing these technologies, processes and products. Furthermore, the degree of future protection of our proprietary rights is uncertain because legal means may not adequately protect our rights or permit us to gain or keep our competitive advantage.

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

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

If we are not able to fully comply with present or future environmental, safety and occupational health laws and regulations, our business, financial condition and results of operations may be adversely affected.

We are subject to various laws and regulations relating to the use, storage, discharge, and disposal of chemical by-products of, and water used in, our packaging and testing processes, and the emission of volatile organic compounds and the discharge and disposal of solid industrial wastes. In addition, increasing global efforts to combat climate change may lead to the enactment of stricter laws and regulations aimed at reducing carbon emissions. With an increasing number of governments likely to adopt carbon tax mechanisms, we may be forced to incur significant expenses to comply with applicable environmental and climate-related laws and regulations. These potential expenses include, but are not limited to, paying any carbon taxes incurred if our emission levels exceed applicable thresholds, obtaining renewable energy sources, renewable energy certificates or carbon credits, and substituting more environmentally-friendly raw materials to use in our operations, which may be more costly or less readily available than our existing raw materials. During the Track Record Period and up to the Latest Practicable Date, we were fined by the Hefei Municipal Bureau of Ecology and Environment for exceeding permitted pollutant discharge levels. The fine has been paid in full and rectification has been completed. However, we cannot assure you that similar incidents will not recur, which could adversely affect our business and results of operations.

Our business depends substantially on the continuing efforts of our senior management, and our ability to attract and retain key employees.

Our business operations depend on the continuing efforts of our management, particularly the members of our senior management team and R&D personnel. If one or more members of our management or R&D personnel are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, members of our management may join a competitor or form a competing company. There can be no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our management. As a result, our business may suffer the loss of services of one or more members of our management, which in turn could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

If we experience increases in labor costs or deterioration in labor relations, our production costs may be affected.

Labor costs have been fluctuating and may rise in the future due to various factors, including inflationary pressure, changes in minimum wage standards, government mandates on employee benefits, social insurance contributions or market competition for skilled workers. Rising labor costs could increase our overall production costs. We may not be able to fully pass on such cost increases to our customers through higher prices in a timely or effective manner, which could negatively affect our margins. In addition, sustained increases in labor expenses may require us to adjust workforce allocation or enhance automation, which could lead to temporary inefficiencies and additional investment.

At the same time, we seek to maintain favorable labor relations with our employees as we believe that our long-term growth depends on the expertise, experience and development of our employees. See "*Business — Employees*" for further details. However, we cannot assure you that labor disputes will not occur in the future. Any deterioration in labor relations could result in disputes, strikes, claims, legal proceedings or reputational damage. Any such event could lead to loss of key personnel, business interruptions, increased costs associated with recruitment and training and loss of institutional know-how, all of which may materially and adversely affect our business, financial condition, results of operations and prospects.

We may require additional funding to finance our operations, which may not be available or on terms acceptable to us.

We believe that our current cash and cash equivalents and the anticipated cash flow will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We may not be able to obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions in the markets in which we operate. Furthermore, if we raise additional funds by incurring debt, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service our debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

Our insurance coverage may be insufficient to cover all of our potential losses.

We maintain insurance coverage over the shipment of our wafers and chips, property and business operation. We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse impact on our business, results of operations and financial condition.

Our information systems may experience system failures, interruptions or security breaches.

Our business operations rely on our information systems for various functions. These systems are critical for maintaining operational efficiency, data accuracy and timely decision making. However, our information systems are subject to various risks, including system failures, cyber-attacks, data breaches and other security incidents. Any such event could disrupt our operations, compromise our data, and result in significant remediation costs, legal liabilities and reputational damage. Furthermore, our information systems need to be regularly updated and upgraded to keep pace with technological advancements and changing business needs. These updates and upgrades require significant investment and may cause system disruptions or compatibility issues. We also engage certain third-party service providers for the development, upgrade and maintenance of certain information systems. Any failure of these third-party service providers to meet their service obligations could affect the performance of our information systems. Furthermore, any breach of contract or termination of services by these third-party service providers could result in disruptions to the operation of our information systems and we may incur additional costs and experience delays in finding alternative service providers.

We may face warranty claims, product return and liability risks, economic damage claims and negative publicity if our packages fail.

Our packages are incorporated into a number of end products. If our packages fail, our business may be exposed to warranty claims, product return and liability risks, economic damage claims and negative publicity. We receive warranty claims from our customers from time to time in the ordinary course of our business. If we were to experience an unusually high incidence of warranty claims, we could incur significant costs and our business could be materially and adversely affected. In addition, we are exposed to the product and economic liability risks and the risk of negative publicity affecting our customers. Our sales may decline if any of our customers are sued on a product liability claim. We also may suffer a decline in sales from the negative publicity associated with such a lawsuit or with adverse public perceptions in general regarding our customers' products. Further, if our packages are delivered with defects, we could incur additional development, repair or replacement costs or suffer other economic losses, and our credibility and the market's acceptance of our packages could be harmed.

We face risks associated with the misconduct of our employees, suppliers and their employees and other related individuals.

Our business operations and reputation are significantly influenced by the conduct of our employees, business partners, their employees and other related individuals. Despite our efforts to implement stringent oversight mechanisms and ethical guidelines, it may not always be possible to prevent or detect misconduct by these individuals. The misconduct by these parties, including fraudulent activities, non-compliance with laws and regulations, unethical business practices or any other actions that are inconsistent with our corporate policies and values, may subject us to potential liabilities and damage our reputation, leading to loss of consumers, decreased market share and potential difficulties in attracting and retaining business partners.

We may, from time to time, become a party to litigation, other legal and contractual disputes, claims and administrative or other regulatory proceedings.

We may, from time to time, be subject to various litigation, legal or contractual disputes, claims, or administrative proceedings in the ordinary course of our business, including, but not limited to, various disputes with or claims from our consumers, suppliers, customers, business partners and other third parties. Ongoing or threatened litigation, legal or contractual disputes, claims or administrative proceedings may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings that are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and have a material and adverse impact on our business, results of operations and financial condition.

We face risks in relation to the inability to obtain and maintain the approvals, licenses and permits required for our operations.

We are required to maintain various approvals, licenses and permits in order to operate our business. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations. Also, they may be valid only for a fixed period of time and subject to renewal and accreditation. There is no assurance that we will be able to obtain, renew or maintain all necessary approvals, licenses and permits for our existing or future business operations. Any failure to obtain or maintain such approvals, licenses or permits may result in suspension or cessation of certain business activities, delay or cancellation of our expansion plans, and may subject us to regulatory penalties, fines, or other legal liabilities. We may also be exposed to significant administrative or legal proceedings and reputational damage arising from actual or perceived non-compliance with laws or regulatory requirements, which could have a material and adverse impact on our business operations, financial condition and prospects.

Failure to collect our trade receivables or bills receivables in a timely manner may adversely affect our profitability and liquidity.

We may not be able to collect our trade receivables in a timely manner, and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. We had trade and bills receivables of RMB231.2 million, RMB275.3 million and RMB359.0 million as of December 31, 2023, 2024 and 2025, respectively. Any significant delay or default in our collection of trade and bills receivables may impose pressure on our cash flow and working capital and reduce the pool of available financial resources relative to our expectations and expenditure plans, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Our fixed cost structure may adversely impact profitability during periods of reduced demand.

The semiconductor packaging and testing business is capital intensive, requiring significant investment in expensive equipment and facilities. A substantial portion of our expenses consists of depreciation and amortization of property and equipment. For example, our total depreciation and amortization was RMB275.1 million, RMB357.2 million and RMB415.4 million as in 2023, 2024 and 2025. If our revenues decline due to factors such as reduced customer demand or market downturns, these relatively fixed depreciation and amortization expenses may not decrease at the same rate. This could lead to a material decline in our gross profit margins, overall profitability and cash flows.

Our operations are subject to foreign exchange fluctuations.

Certain of our sales and procurements, as well as a portion of our recognized assets and liabilities, are denominated in currencies other than the functional currency of the Company, being RMB, which exposes us to foreign exchange risks. As of December 31, 2023, 2024 and 2025, our non-RMB denominated financial assets accounted for 4.9%, 4.6% and 4.2% of our total assets, respectively, with US dollars denominated revenue accounting for 61.8%, 55.9% and 56.3% of our total revenue. Any significant fluctuations in the exchange rates between foreign currencies and RMB may materially and adversely affect our results of operations.

In 2023, 2024 and 2025, we incurred net foreign exchange gains of RMB4.1 million, RMB6.6 million and a net foreign exchange loss of RMB1.3 million, respectively. We cannot predict the future exchange rate fluctuations, and we cannot assure you that we will not incur any net exchange loss in the future. While we have actively managed our currency risks, such measures may not be effective or economically feasible under all circumstances. See Note 39 of Appendix I to this Document for further details.

During the Track Record Period, we have maintained certain hedging policies, such as leveraging certain derivative instruments, in an effort to reduce our exposure to foreign exchange risks and commodity price risks, and we may maintain, or further enhance, our hedging policies in the future. Our derivative financial instruments mainly include forwards, options and futures contracts. As of December 31, 2023, 2024 and 2025, our derivative financial liabilities amounted to nil, nil and RMB2.7 million, respectively. However, the availability and effectiveness of these hedging measures may be limited, and we may not be able to adequately cover our exposure or at all.

Our indebtedness could adversely affect our cash flow, increase our vulnerability to economic conditions and limit or restrict our business activities.

We have incurred, and may incur in the future, significant indebtedness, including in connection with mergers or acquisitions, which may impact the manner in which we conduct business or our access to external sources of liquidity. In addition to interest payments, a significant portion of our cash flow may need to be used to service our indebtedness, and, therefore, may not be available for use in our business. In addition, although we plan to use the net [REDACTED] of the [REDACTED] to reduce our indebtedness, we may be unable to complete the [REDACTED] on the timing we anticipate or at all, which would further burden our debt service and operations and limit our ability to invest in our business. Our ability to generate cash flow is subject to general economic, financial, competitive, legislative, regulatory, and other factors that may be beyond our control. Our indebtedness could have a significant impact on us, including, but not limited to increasing our vulnerability to general adverse economic and industry conditions; requiring us to dedicate a significant portion of our cash flow from operations to payments on our indebtedness, thereby reducing the amount of our cash flow available to fund working capital, acquisitions and capital expenditures, and for other general corporate purposes; limiting our flexibility in planning for, or reacting to, changes in our business and our industry; restricting us from making strategic acquisitions or exploiting business opportunities; necessitating the divestiture of certain of our assets or businesses in order to generate cash to service our indebtedness; limiting our ability to continue paying dividends; or limiting our ability to borrow additional funds.

Certain of our debt agreements impose restrictions with respect to the maintenance of financial ratios and the disposition of assets. The most restrictive covenants currently require us to maintain a minimum level of interest coverage, and a minimum level of net asset. These restrictive covenants could adversely affect our ability to engage in certain business activities that would otherwise be in our best long-term interests.

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any change in the relevant policies may adversely affect our financial performance and results of operations.

We received government grants and preferential tax treatment under relevant preferential tax policies during the Track Record Period. In 2023, 2024 and 2025, we recognized income from government grants of RMB23.4 million, RMB19.4 million and RMB24.8 million, respectively.

We may not be able to continue to enjoy similar government grants and preferential tax treatment in the future as they are non-recurring in nature. The discontinuation of any of our government grants or current tax treatments could adversely impact our net income and materially increase our tax obligations. Government grants and preferential tax treatments are subject to review by authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants and preferential tax treatments to which we and certain of our subsidiaries are currently entitled would be successfully renewed. There can be no assurance that the local tax authorities will not, in the future, change their position and discontinue any of our current tax treatments, potentially with retrospective effect.

Uncertainty in the valuation of financial assets at fair value through profit or loss may affect our financial position and results of operations.

As of December 31, 2023, 2024 and 2025, we had financial assets at fair value through profit or loss of RMB70.2 million, RMB732.0 million and RMB647.6 million, respectively. The fair value of certain of these financial assets is determined using valuation techniques which involve a significant degree of management judgment and the use of unobservable inputs. Such inputs and assumptions may be subject to a high degree of uncertainty and may not reflect prevailing market conditions, particularly in the absence of active markets for these assets. There is no assurance that our estimates or the assumptions underlying the valuation models will prove to be accurate. If the valuation of these financial assets fluctuates or proves inaccurate due to changes in market conditions or assumptions, our other comprehensive income, and financial performance may be adversely affected.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

In order to operate our business effectively and meet our consumers' demands and expectations, we maintain a certain level of inventory to meet the customers' needs and ensure timely delivery of our products. As of December 31, 2023, 2024 and 2025, we had inventories of RMB237.0 million, RMB288.3 million and RMB303.8 million, respectively. In 2023, 2024 and 2025, our inventory turnover days were 89 days, 82 days and 77 days, respectively.

We determine our level of inventory based on historical sales performance, demand forecasts and supply chain capacity fluctuations. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the customer demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our services, may result in inventory write-downs, and we may consequently sell the excess inventory at discounted prices, which would have an adverse effect on our profitability. Furthermore, if we underestimate the demand for our services, we may not be able to have a sufficient number of materials to meet such unanticipated demand, which could result in delays in the delivery of our services and negatively affect our reputation. Any of the above may materially and adversely affect our business, results of operations and financial conditions.

We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based compensations.

We adopted the Share Incentive Plan in 2023 and the Stock Ownership Plan in 2025. See "*Appendix IV — Statutory and General Information — Share Incentive Plans.*" for further details. In 2023, 2024 and 2025, we recorded equity-settled share-based compensations of RMB32.8 million, RMB34.2 million and RMB37.1 million, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. We may also adopt a share option scheme in the future, which could result in additional share-based compensation expenses and dilution to our Shareholders. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based compensation that could have a material and adverse impact on our results of operations.

Our historical dividends may not be indicative of our future dividend policy, and we cannot assure you whether and when we will pay dividends in the future.

We have declared dividends in the past. However, we cannot assure you that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of the Chinese mainland, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are at the discretion of our Directors, after taking into account various factors, including our results of operations, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of the Chinese mainland. See "*Financial Information — Dividend Policy*" for further details. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of the Chinese mainland, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of the Chinese mainland to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of the Chinese mainland.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Changes in economic, political or social conditions or government policies in the markets in which we operate could have a material adverse effect on our business and results of operations.

We derive revenue from multiple jurisdictions. As such, changes in any of these jurisdictions could have a material and adverse impact on our future prospects, business, results of operations and financial condition. For example, a substantial part of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our future prospects, business, results of operations, and financial condition are, to a material extent, subject to economic, political and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our services and our ability to maintain our operations may suffer, which could consequently lead to a material and adverse impact on our business, results of operations and financial condition. Moreover, if foreign governments implement laws or regulations restricting investment in Chinese entities and we are deemed to be subject to such restrictions, the investment and transactions in our Shares, our business prospects, results of operations, financial conditions and future capital raising may be adversely affected.

China's economy has experienced significant growth over the past decades. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Changes in the business environment in China and the other jurisdictions in which we operate could have a material and adverse impact on our business, results of operations and financial condition.

Any uncertainties embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

We are subject to certain uncertainties embedded in the legal systems of some geographic markets where we operate. Laws and regulations that have recently been enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject the enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

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

Companies operating in the PRC are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of employees in the Chinese mainland. According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and contribute to social insurance funds and housing provident fund for the benefits of their employees.

There is no assurance that our historical and current practices with respect to the contribution of social insurance plans and housing provident fund will at all times satisfy the government authorities in the Chinese mainland. In the event of any such non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. See "*Regulations — Laws and Regulations Relating to Employment, Social Insurance And Housing Provident Fund — Social insurance and housing provident fund*" for further details. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the Chinese mainland, we may be exposed to penalties or be required to compensate employees. Such events could impact our results of operations and financial condition.

Given the magnitude, complexity and continuous amendments to these laws and regulations, compliance therewith may be onerous and may involve substantial financial resources as well as other resources to establish efficient compliance and monitoring systems. The liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations.

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws, and a majority of our assets are located in the Chinese mainland. In addition, most of our Directors and senior management reside in the Chinese mainland. As a result, it may be complex for investors to effect service of process outside of the Chinese mainland upon us, our Directors or senior management or to enforce judgments obtained against us in courts outside the Chinese mainland. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the Chinese mainland only if the jurisdiction has a treaty with the Chinese mainland or if the jurisdiction has been otherwise deemed by the courts of the Chinese mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in the Chinese mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible. On January 14, 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in the Chinese mainland and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2019 Arrangement.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the establishment of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. See "*Regulatory Overview — Regulations Relating to Overseas Listing on Securities and Overseas Listing*" for further details.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《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》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

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

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from such future financing activities into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our financial conditions and business prospects.

We are subject to the currency exchange regulatory system.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

We are a PRC enterprise, and we are subject to PRC tax on our global income. As such, any gains on the sales of H Shares and dividends on the H Shares may be subject to the PRC income taxes.

Under the PRC EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the Chinese mainland and a non-Chinese mainland investor's jurisdiction of residence that provides for a different income tax arrangement, the PRC withholding tax at the rate of 10% is normally applicable to dividends from the Chinese mainland sources payable to investors that are non-Chinese mainland resident enterprises, which do not have an establishment or place of business in the Chinese mainland, or which have an establishment or place of business in the Chinese mainland if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% PRC income tax rate if such gains are regarded as income from sources within the Chinese mainland unless a treaty or similar arrangement provides otherwise.

If PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-Chinese mainland resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence do not have tax treaties or arrangements with the Chinese mainland may not qualify for benefits under such tax treaties or arrangements.

RISKS RELATING TO THE [REDACTED]

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

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

Our A Shares are listed on the Shanghai Stock Exchange. The characteristics of the A Share and H Share markets may differ.

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

There has been no prior public market for our H Shares, and an active trading market for our H Shares may not develop or be sustained.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. There can be no guarantee that an active trading market for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company and the Sole Sponsor-Overall Coordinator (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our Shares will be traded following the completion of the [REDACTED]. The market price of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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

The trading price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in the Chinese mainland that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our H Shares. A number of companies based in the Chinese mainland have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies has experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward Chinese mainland-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our Shares in the public market could negatively affect the price of our Shares and our ability to raise additional capital in the future.

The market price of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the public market, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

You will incur immediate and significant dilution and may face further dilution if we issue additional Shares in the future.

The [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share immediately prior to the [REDACTED]. Therefore, purchasers of the [REDACTED] in the [REDACTED] will experience an immediate dilution in [REDACTED] consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

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

Our Single Largest Group of Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the [REDACTED], our Single Largest Group of Shareholders will collectively beneficially own approximately [REDACTED]% of the voting power of our outstanding share capital, assuming the [REDACTED] is not exercised and no additional Shares are issued pursuant to the 2023 Restricted Share Incentive Plan. The concentration of voting power and the substantial influence of our Single Largest Group of Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other shareholders of an opportunity to receive a premium for their Shares as part of the sale of our Company and reduce the price of our Shares. In addition, the interests of our Single Largest Group of Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Single Largest Group of Shareholders will continue to have the ability to exercise their substantial influence over us and to cause us to enter into transactions or take, or fail to take actions or make decisions which conflict with the best interests of our other shareholders.

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

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

Certain facts, forecasts and other statistics contained in this Document were derived from publicly available official sources and have not been independently verified and may not be reliable.

Certain facts, forecasts and other statistics in this Document are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by the Company and the Sole Sponsor, any of our or their respective Directors, executive officers or representatives or any other person involved in the [REDACTED] and no representation is given as to their accuracy. You should therefore not place undue reliance on such information. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

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

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Accordingly, prospective investors should not rely on any such information or publication in making their decision whether to invest in our H Shares. Prospective investors are reminded that, in making their investment decisions as to whether to purchase our Shares, they should rely only on the financial, operational, and other information included in this document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document.