

RISK FACTORS

An investment in our H Shares involves significant risks. You should carefully consider all information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition and results of operations. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our industry is defined by rapid technological change and evolving market demands. Any failure to keep pace with technological innovation, changing customer demands or industry developments could adversely affect our competitiveness and business.

The semiconductor intelligent transfer system industry is characterized by fast-paced technological evolution and increasingly sophisticated customer requirements, as the semiconductor manufacturing capacity shifts toward advanced process nodes. Our future success depends on our ability to anticipate and respond to changes in industry standards, technological developments, customer preferences, and other market dynamics. However, we may not always be able to accurately predict or promptly respond to emerging technological trends or evolving industry needs or develop or adopt new or enhanced technologies in a timely manner, meet customer requirements, achieve market acceptance, or successfully commercialize technologies under development.

Faster-than-expected or unforeseen shifts in technology or market demand may shorten product lifecycles, diminish the commercial relevance of our existing products, and result in the loss of customers. In addition, rapid changes in our industry and customer demands may render our existing products less competitive or obsolete, requiring us to incur significant costs and time to upgrade or modify our technologies.

As a provider of intelligent semiconductor transfer system, we must promptly accommodate the latest wafer manufacturing technologies and upgrade our products accordingly. We must also respond swiftly to customers’ evolving and customized requirements across multiple dimensions, especially compatibility with advanced semiconductor manufacturing equipment. If we fail to adapt to industry changes or customer demands, or are unable to access critical new technologies, we may lose existing customers or fail to attract new ones. A decline in demand for our products—whether due to competing technologies, shifting customer preferences, or other factors—could materially and adversely affect our business, results of operations, and future prospects.

The industry in which we operate is highly competitive. If we fail to compete effectively against other market players, our business, financial condition and results of operations may be adversely affected.

The industry in which we operate is highly competitive and characterized by continual technological advancement and evolving market trends. To maintain our competitive position and market share, we must consistently innovate our existing products and introduce new offerings that meet changing market demands. These innovations may involve enhanced technical specifications, new product models, expanded features and applications within existing models, or entirely new product categories.

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The competitive landscape of our industry is continually evolving, driven by a combination of complex international and domestic factors, including the overall performance of the global semiconductor industry, international trade policies and geopolitical tensions, domestic semiconductor policy directions, and rapid technological progress. In China, the semiconductor intelligent transfer system market is experiencing intensifying competition between established international players and rapidly rising domestic manufacturers, amid national priorities promoting technological self-sufficiency.

International manufacturers leverage decades of expertise and extensive intellectual property portfolios, continuing to set industry benchmarks for high-precision and highly reliable semiconductor intelligent transfer system. At the same time, domestic manufacturers are expanding their market presence by rapidly advancing from mature technologies into more complex and higher-value segments. Their efforts aim to narrow the gap in consistency and reliability and challenge the longstanding dominance of international competitors.

Moreover, the competitive landscape of our industry is fragmented. Some competitors may have greater resources and advantages, technological and production capabilities, including longer operating histories, larger IP portfolios, broader sales and marketing networks and stronger customer relationships. If we are unable to maintain our competitive edge, we may experience declines in market share and profitability, which would adversely affect our business, financial condition and results of operations.

We depend on the growth of the semiconductor industry. Any slowdown in the growth of semiconductor industry could adversely affect our business, financial condition, and results of operations.

We derive our revenue from companies operating in the semiconductor industry. Demand for our products is closely linked to industry conditions, including the timing, scale, and execution of capacity expansion and technology-upgrade plans by semiconductor companies. Any slowdown, stagnation, or downturn in the semiconductor industry may reduce customers’ demand for new equipment or result in delays, reductions, or cancelations of procurement plans, which could adversely affect our business, financial condition and results of operations.

The semiconductor industry is cyclical and subject to periodic fluctuations arising from factors including changes in end-market demand, inventory adjustments, transitions to new technologies, macroeconomic conditions, and geopolitical or regulatory developments. Historically, periods of strong industry growth have often been followed by phases of reduced investment and weakened demand. During industry downturns, our customers and their downstream customers may reduce procurement volumes, extend replacement cycles for existing equipment, seek to renegotiate pricing, defer acceptance or installation of equipment, or decrease capital expenditures. Such actions may lead to reduced revenue, lower utilization of our production capacity and increased pricing pressure.

Uncertainty regarding the semiconductor industry’s growth trajectory also increases the risks associated with our product development and production planning. We may incur significant capital expenditures, research and development, engineering and manufacturing costs in anticipation of expected customer demand or industry expansion that may not materialize. If actual market demand is lower than projected, or if customers modify, postpone or cancel their expansion plans or purchase orders, we may be unable to recover such costs in a timely manner or at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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Our historical results may not be indicative of our future performance, and we may not be successful in expanding our operations or managing our growth.

We are at a critical stage of rapid growth and scaling. During the Track Record Period, our revenue increased substantially, being RMB133.3 million, RMB308.9 million and RMB521.5 million in 2023, 2024 and 2025, respectively, representing a CAGR of 97.8% from 2023 to 2025. However, there can be no assurance that we will be able to maintain our historical growth rates in the future.

As a rapidly growing company operating in a continually evolving industry, we may encounter risks and challenges typically faced by companies at a similar stage of development. Forecasts regarding our future revenue, expenses and financial performance may be less accurate than they would be if we had a longer operating history or operated in a more predictable industry environment. Our business, financial condition and results of operations depend, in part, on our ability to effectively manage our growth and implement our growth strategies. See “Business—Our Growth Strategies.” Managing our expansion places significant demands on our managerial, administrative, operational, financial and other resources. In addition, our continued growth depends on our ability to maintain stable production capacity and deliver reliable products to our customers.

Our efforts to expand our business may prove more costly than anticipated, and we may not be able to increase our revenue sufficiently to offset rising operating expenses. We may incur significant losses in the future for various reasons, including the risks described in this document, unforeseen expenses, operational challenges, delays and other unexpected events. If we are unable to achieve or sustain profitability, our business could be adversely affected. Furthermore, if we fail to achieve the necessary operational efficiencies as we scale, our growth rate may decline, which could negatively impact investor perceptions of our business and prospects and adversely affect the market price of our H Shares.

If we are unable to retain our existing customers or attract new customers, our business, financial condition, and results of operations could be materially and adversely affected.

Our ability to acquire new customers in a cost-effective manner and to retain existing customers is critical to our business growth and profitability. There is no assurance that we will be able to maintain stable relationships with our existing customers, that newly acquired customers will continue to engage us, or that the net profits generated from new customers will exceed the costs associated with acquiring them.

During the Track Record Period, we generated our revenue from the provision of intelligent semiconductor transfer system to companies in the semiconductor industry. Our results of operations therefore depend heavily on the development, performance and cyclical dynamics of the industries in which our customers operate. In addition, revenue contributions from existing customers may decline significantly or fluctuate for various reasons, including dissatisfaction with the performance of our equipment, the quality of our services or maintenance support, negative publicity relating to our brand, or the availability of competing products or services. If we are unable to retain existing customers or acquire new customers in a cost-effective manner, our business, financial condition and results of operations may be adversely affected.

In 2023, 2024 and 2025, revenue derived from our five largest customers accounted for 60.1%, 84.6%, and 69.3%, respectively, of our total revenue in the same years. Revenue generated from our largest customer in each year accounted for 18.1%, 59.4%, and 39.8%, respectively. There is no assurance that customers who have contributed significant revenue in the past, individually or collectively, will continue to do so in future periods. We may lose one or more key customers as a result of intensified competition, material changes in their operations, or any deterioration in our business relationships.

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The loss of, or a significant reduction in revenue generated from, one or more key customers, any reduction, delay or cancelation of orders, or a decision by key customers to procure solutions from competitors could materially and adversely affect our business, financial condition, results of operations and prospects. In addition, if any key customers fail to settle their current or future outstanding balances, our operating expenses may increase and our cash flows may be adversely affected.

We are exposed to concentration risk of reliance on our major customers.

During the Track Record Period, we generated a majority of our revenue from our major customers, primarily including semiconductor manufacturing equipment companies, IDM companies, and wafer foundries. In 2023, 2024 and 2025, revenue derived from our five largest customers accounted for 60.1%, 84.6%, and 69.3%, respectively, of our total revenue. Revenue generated from our largest customer in each year accounted for 18.1%, 59.4%, and 39.8%, respectively.

Our reliance on a limited number of major customers exposes us to customer concentration risk and counterparty risk. There is no assurance that we will be able to maintain our business relationships with these major customers or suppliers in the future. In addition, we cannot guarantee that our major customers will not undergo changes in their business scope or business models, or that they will continue to maintain their market position or reputation.

Any material adverse change in the operations, financial performance or financial condition of our major customers may negatively affect the level of business they conduct with us. For example, if any of our major customers cease or significantly reduce their purchases of our products, there is no assurance that we would be able to secure new customers with comparable demand, or at all.

Any loss of, or reduction in business from, our major customers, or our inability to replace such customers, could adversely affect our business, financial condition, results of operations and profitability.

We have been and intend to continue investing significantly in R&D, which may negatively impact our profitability and operating cash flow in the short term and may not generate the results we expect to achieve.

The semiconductor intelligent transfer system industry is characterized by rapid technological innovation and increasingly sophisticated customer requirements. To remain competitive, we must continue to allocate substantial financial and human resources to R&D. Our R&D efforts primarily focus on enhancing our intelligent semiconductor transfer system to accommodate the latest wafer-manufacturing technologies. In 2023, 2024 and 2025, our R&D expenses were RMB41.4 million, RMB59.6 million and RMB47.1 million, representing 31.0%, 19.3% and 9.0%, respectively, of our total revenue.

Continued investment in R&D may increase our operating expenses and adversely affect our profitability and operating cash flow in the short term. In addition, R&D activities are inherently uncertain and may be subject to delays, cost overruns, technical challenges or shifts in market demand. There is no assurance that our R&D efforts will result in the successful enhancement of existing products, the commercialization of new products, the achievement of anticipated performance improvements, or the timely and cost-effective completion of development projects. If we fail to anticipate technological trends, meet evolving customer requirements, or achieve acceptable returns on our R&D investments, our market position, growth prospects and financial performance could be materially and adversely affected.

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Our future success depends on our ability to retain key management and R&D personnel and our ability to attract, train and retain talented personnel.

Our business and future prospects depend on the continued service and contributions of our key management and R&D personnel, who are responsible for the overall planning and execution of our operations as well as the development of new products. If any of our Directors, senior management or key R&D personnel were to cease their service or employment with us, we may experience difficulties in identifying suitable replacements within a reasonable period of time, at an acceptable cost, or at all.

Given the highly technical and specialized nature of our operations, we are required to attract, train and retain a workforce comprising highly skilled employees and other key personnel. If any of these individuals become unable or unwilling to continue their service, we may not be able to replace them promptly or effectively, which could adversely affect our operational capabilities.

Competition for experienced talent in our industry is intense. We may be required to offer higher remuneration packages or additional benefits to attract and retain the qualified personnel necessary to support our business expansion and strategic objectives. Our ability to recruit, train and integrate new employees may not keep pace with the growth of our business.

If we fail to attract, train or retain employees and other key personnel in sufficient numbers, our business, financial condition and results of operations may be materially and adversely affected. In addition, employees who depart may pose risks to us if they disclose our commercially sensitive information or know-how to third parties, which could diminish the technological advantages we have developed.

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

We primarily manufacture wafer transfer equipment, AMHS, and semiconductor packaging automation equipment for use in fabrication plants. Our equipment is subject to stringent performance and reliability requirements. Any defect, inconsistency or failure in product quality or performance may result in customer complaints, product returns or the termination of business relationships.

If our equipment fails to meet customer specifications or applicable industry standards, we may be exposed to claims for damages, contractual liabilities or legal proceedings. Quality issues arising in connection with the manufacturing of advanced-node wafers may give rise to heightened liability due to the critical nature of their applications. Recurring quality issues may also lead to reduced demand, loss of revenue and erosion of market share.

As we expand our production capacity and introduce additional equipment models, the complexity of our manufacturing processes is expected to increase, which may further elevate the risk of quality-related issues. Any failure to effectively manage product quality could materially and adversely affect our business, financial condition and results of operations.

Any failure to protect our intellectual property rights could undermine our competitive position and adversely affect our business prospects.

Our success depends, to a significant extent, on our ability to protect our proprietary technologies and products from competition through the obtaining, maintenance and enforcement of our intellectual property rights. We seek to protect technologies that we consider commercially important through, among other means, the filing of patent applications. However, the process of applying for and prosecuting patents can be costly and time-consuming, and we may not be able to file or pursue all necessary or desirable patent applications in a timely manner, at a reasonable cost, or at all. In addition, we may not always identify patentable aspects of our R&D work before the opportunity to obtain patent protection lapses, which may limit our ability to prevent competitors from developing and commercializing competing products.

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Patents may be invalidated, and patent applications may not be granted, for various reasons, including known or unknown deficiencies in the application or a lack of novelty in the underlying invention or technology. Even if granted, such patents may offer only limited protection, may be insufficient to prevent competitors from developing or marketing competing technologies, or may not provide us with any material competitive advantage. Competitors may also design around our patents by developing similar or alternative technologies or products that do not infringe our intellectual property rights. Furthermore, although certain extensions may be available, patent protection is inherently limited in duration, and upon expiry, we may face increased competition for the relevant products.

Some competitors hold extensive patent portfolios and may allege that our products infringe their intellectual property rights, which could lead to infringement or other related proceedings. Intellectual property disputes are common in the semiconductor-related industry and may be used for competitive purposes. The hiring of employees from competitors may also expose us to risks of alleged misuse of proprietary information. Although we exercise care in managing our suppliers, we cannot assure that supplier-provided products will be free from intellectual property risks or that we will be able to recover losses arising from such claims. If any third-party infringement claims against us are successful, we may face invalidation of our patents, payment of damages, compulsory licensing, redesign requirements or injunctions, any of which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to successfully implement our business development strategies, which could adversely affect our growth prospects.

We have adopted a range of business development strategies aimed at strengthening our technological capabilities, scaling up production capacity and efficiency, deepening our integration with the industrial ecosystem and strengthening our global presence. These strategies are designed to capture growth opportunities and strengthen our competitiveness and support our sustainable development. See “Business—Our Growth Strategies.”

However, the expansion of our business involves inherent risks and uncertainties. Our new business initiatives are at an early stage and may require longer-than-expected development cycles, may not gain market acceptance, or may be executed without sufficient prior experience. The successful implementation of our business development strategies is subject to various factors beyond our control, including changes in market demand or industry trends, delays in new product development or technology upgrades, increased competition, supply chain disruptions, challenges in attracting and retaining qualified personnel, and changes in regulatory or policy environments. If we are unable to effectively execute our strategies or if these initiatives fail to deliver the expected benefits, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our investments and acquisitions may not realize the expected benefits.

We have made certain investments and acquisitions along the semiconductor manufacturing industry value chain. For example, we acquired 70.0% equity interest in Waftech in 2023 to support our globalization strategy. See “History, Development and Corporate—Major Acquisitions, Disposals and Mergers—Acquisition of Waftech.” Such investments and acquisitions may involve certain risks and uncertainties, including but not limited to failure to achieve expected business objectives, unanticipated costs, inadequate return on investment and issues not discovered during due diligence, which may adversely affect our business, financial condition, and results of operations.

In addition, we may expand into new businesses through investments or acquisitions. Upon completion of such investment or acquisition, we may devote resources to support its business development or conduct business integration. These activities involve certain risks and uncertainties, and therefore there can be no assurance that we will be able to realize the expected benefits.

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Any failure to accurately forecast demand or manage our inventories and contract costs effectively could adversely affect our business, financial condition, and results of operations.

As a provider of intelligent semiconductor transfer system, our business depends on efficient inventory management to ensure production continuity and timely delivery. During the Track Record Period, our inventories primarily consisted of raw materials and other components, work-in-progress, finished goods, and goods delivered to customers. Our contract costs primarily represent the costs we incur to carry out the contract, such as expenses for providing onsite technical services to customers. As of December 31, 2023, 2024, and 2025, our inventories and contract costs were RMB169.0 million, RMB237.5 million, and RMB289.7 million, respectively.

We are required to manage our inventory levels based on forecasts of market demand for our customers’ products, taking into account the production lead times of key components and procurement and logistics cycles. As the performance of the semiconductor industry is influenced by a combination of complex international and domestic factors, we may face challenges in forecasting demand and aligning our procurement cycles. Our increased inventory levels driven by our expanded business scale may increase our exposure to inventory risk. There is no assurance that our inventory levels will consistently align with customer demand. In addition, risks associated with prolonged inspection and acceptance processes following product delivery may create challenges for our operating cash flow. During the Track Record Period, our inventories and contract costs turnover days were recorded at 579 days, 341 days and 263 days in 2023, 2024 and 2025, respectively.

Excess inventory may lead to increased storage costs, reduced turnover and a higher risk of obsolescence and write-offs. Conversely, underestimating demand or supplier delays may result in inventory shortages, missed delivery schedules and potential loss of customer trust. Either scenario could materially and adversely impact our business, financial condition and results of operations.

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

We believe that the availability of high-quality after-sales services is an important factor influencing customers’ purchasing decisions. As our operations and customer base continue to expand, we must be able to provide customer support that meets our clients’ needs at scale. However, we cannot assure you that we will be able to respond promptly to short-term increases in customer demand for technical support or maintenance services. In addition, we may not be able to refine or adapt the scope and delivery of our maintenance services or technical support in a timely manner to address changes in the after-sales service offerings of our competitors.

We face potential operational and safety risks in our production.

We face various potential operational and safety risks in our production, including but not limited to: (i) natural disasters (such as fires, floods, earthquakes, typhoons and other disasters), (ii) social and labor unrest, environmental incidents or public health emergencies, (iii) disruption of utility supplies such as water, electricity, gas and telecom, and (iv) production accidents or interruptions due to operational errors, equipment breakdowns or improper management.

Such risks may result in damages to, or destruction of, manufacturing facilities, personal injury or death, environmental damages, economic loss and legal liabilities. The occurrence of any of these events could result in the interruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

Any interruption to our operations may result in our inability to design and manufacture products as required by our customers and our inability to fulfill customers’ orders in a timely manner or at all. This may result in financial loss and damages to our reputation, which will adversely affect our business, financial condition, and results of operations.

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We maintain limited insurance coverage, which may not be sufficient to cover potential liabilities, losses or business risks, and any claims beyond such coverage could adversely affect our business.

We maintain insurance policies as required under the laws and administrative regulations in the jurisdictions where we operate, as well as based on our assessment of our operational needs and prevailing industry practices. However, our business is exposed to a variety of risks, and our existing coverage may be insufficient in scope or amount, or in some cases, entirely unavailable. Insurance companies in the PRC and Malaysia do not always offer comprehensive insurance products that address all operational risks we face. As a result, certain material risks, such as those relating to production, delivery and sales, or extended supply chain disruptions, may remain uninsured even if we wish to obtain coverage.

As of the Latest Practicable Date, we had not maintained product liability insurance, and do not carry any business interruption or litigation insurance. We cannot guarantee that a product liability claim or other litigation will not be brought against us in the future, or that we will be able to purchase product liability insurance or other related insurance on acceptable terms.

Moreover, even for risks that are insured, our coverage may be subject to deductibles, exclusions, limits, or disputes with insurers over policy interpretation, which could result in partial or delayed recovery. There is no assurance that our insurance will be sufficient to cover all potential losses or that we will be able to obtain additional coverage in the future on terms acceptable to us.

Any damage to, or failure to maintain and enhance, our brand and reputation could adversely affect our business and competitive position.

Our brand image and corporate reputation are important to our competitiveness and growth. Various factors, including product quality, the effectiveness of our marketing, the management of business partner relationships, the handling of complaints and negative publicity, may adversely affect our brand if not properly managed. Any actual or perceived decline in product quality or any negative publicity could lead to the loss of key customers or increased regulatory scrutiny.

Promoting our brand may require additional expenses, and there is no assurance that such investments will be effective or generate returns that justify the cost. If we are unable to strengthen or protect our brand image and corporate reputation, we may face difficulties in retaining or expanding our customer base, and our business and growth prospects may be adversely affected.

Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data, could subject us to potential liabilities.

In the course of our operations, we collect and store business, operational, and transaction data arising from our dealings with customers, suppliers, and other counterparties, and are therefore subject to applicable laws and regulations relating to data protection and information security in China and Malaysia. See “Regulatory Overview—Regulations on Cybersecurity, Data Security and Protection of Personal Information” and “—Regulations on Data Protection and Anti-Money Laundering,” and “Business—Data Security and Privacy.” These laws and regulations impose stringent requirements on the collection, use, storage, retention, transfer, disclosure and other processing of data, and may require us to adopt specific technical and organizational measures to protect such data.

Any improper handling of data or information security incidents, such as unauthorized access to our database, could result in reputational damage and civil or regulatory liabilities, which may have material legal, financial, and operational consequences. Any allegation of non-compliance, whether substantiated or not, could damage our reputation and customer trust, which could in turn materially and adversely affect our business, financial condition and results of operations. We may face cybersecurity risks and evolving data security regulatory requirements, and any failure to address such risks or comply with applicable laws could adversely affect our business.

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Disruptions and delays in local and global supply chains and logistics could have a material and adverse impact on our business operations.

We rely on the timely supply of raw materials and other components to carry out our manufacturing plans as scheduled. Any delays or disruptions in supplies from our suppliers may have a material and adverse impact on our ability to meet the market demands and our marketing and sale of our products.

In addition, any disasters or unanticipated catastrophic events, including adverse weather, fires, technical or mechanical difficulties, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of pandemics could disrupt our transportation channels and impair the operations of our suppliers, and impede our ability to manufacture and deliver our products to customers in a timely manner.

Any disruption or delay in our production or in the delivery of our products and services could adversely affect our ability to produce sufficient quantities of products and to meet customer demand. In such circumstances, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our property valuation is based on certain assumptions which, by their nature, are subjective and uncertain and may materially differ from actual results.

Valuations of our selected property interest as of April 30, 2026 prepared by AVISTA Valuation Advisory Limited, an independent property valuer, are set forth in the valuation report set out as Appendix III to this document. The valuations are made based on assumptions which, by their nature, are subjective and uncertain and may differ from actual results. In addition, unforeseeable changes in general and local economic conditions or other factors beyond our control may affect the value of our properties. As a result, the valuation of our properties may differ materially from the price we could receive in an actual sale of the properties in the market and should not be taken as their actual realizable value or an estimation of their realizable value.

We face uncertainties and risks in overseas manufacturing and operations.

Beyond China, we have a manufacturing base in Malaysia. We may continue to maintain our overseas manufacturing base mainly for semiconductor packaging automation equipment in the future. For details, see “Business—Manufacturing—Our Manufacturing Bases.” The construction and operations in relation to our overseas manufacturing base are subject to various risks and uncertainties, including but not limited to:

- political and economic instabilities, including changes in government policies or regulations affecting foreign investments, economic fluctuations and currency volatility, geopolitical tensions or conflicts impacting business operations;
- lack of familiarity with local laws, regulatory requirements and industry standards;
- potential differences in environmental, construction and other standards between Malaysia and Chinese mainland;
- lack of familiarity with local operating and market conditions;
- operational constraints imposed by local labor union systems and potentially more stringent labor protection regulations;
- risk of legal proceedings in Malaysia;
- potential failure to achieve the expected returns from investing in overseas manufacturing base;

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- potential difficulties in managing relationships with foreign customers;
- difficulties in enforcing agreements and collecting overdue receivables under local legal systems;
- difficulties and costs of staffing and managing overseas operations;
- challenges due to differences in social environment, culture and languages;
- difficulties in managing relationships with local communities and potential disputes with them; and
- other obstacles and risks related to overseas manufacturing and operations.

As a multinational company, our success depends, in part, on our ability to manage these risks. The abovementioned risks vary from country to country and may be difficult to predict. We may not be able to develop and implement initiatives that address these risks effectively, and there can be no assurance that risks we may face as we expand our overseas manufacturing and operations will not adversely affect our reputation, business, results of operations, financial condition and the use of [REDACTED] from the [REDACTED].

Our compliance, risk management and internal control systems may not be sufficient to protect us from credit, market, liquidity, operation and other risks.

We seek to improve and update our risk management and internal control systems on a regular basis. See “Business—Risk Management and Internal Control” for details. However, there is no assurance that they will be effective in safeguarding our risk management and internal control functions and fulfilling their purposes by ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Since our risk management and internal control systems depend on effective implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes.

In addition, given our growing global business operations, we must comply with the legal and regulatory requirements in different jurisdictions. The policies we have put in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, breaches of sanctions, fraud, deception, tax evasion and other criminal or improper conduct may be insufficient to prevent such non-compliance.

Further, there can be no assurance that our employees will not engage in misconduct or omissions that could materially and adversely affect our business, financial condition, or results of operations. In addition, although we maintain strict standards in selecting our business partners, there is no assurance that they will not engage in misconduct or omissions. Any such misconduct by our business partners may affect our operations and reputation, which may in turn adversely impact our business, financial condition, and results of operations.

The occurrence of any of these risks may result in reputational damage and materially adverse legal consequences, including, without limitation, the suspension or revocation of licenses relevant to our business operations, the loss of qualifications of our management or employees, and the imposition of fines, sanctions, or penalties on us or our management or employees. These events could also lead to third-party claims for damages or other detrimental legal consequences, including civil or criminal penalties.

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We may be involved in administrative and legal proceedings and commercial disputes, which could materially affect our business, financial condition, and results of operations.

We may be subject to administrative or legal proceedings or commercial disputes from time to time in the ordinary course of our business, which could have a material adverse effect on our business, financial condition, and results of operations. Claims arising out of actual or alleged violations of law could be asserted against us by our customers, our competitors, governmental entities in civil or criminal investigations and proceedings, or other entities.

These claims could be asserted under a variety of laws, including but not limited to product liability laws, intellectual property laws, labor and employment laws, securities laws, tort laws, contract laws, property laws, and employee benefit laws.

There is no guarantee that we will be successful in defending ourselves in legal and administrative actions or in asserting our rights under various laws. Even if we are successful in our attempt to defend ourselves in legal and administrative actions or to assert our rights under various laws, enforcing our rights against the various parties involved may be expensive, time-consuming, and ultimately futile.

These actions could expose us to negative publicity and to substantial monetary damages and legal defense costs, injunctive relief, and criminal, civil, and administrative fines and penalties.

We are subject to anti-corruption, anti-bribery, sanctions and similar laws, and noncompliance with such laws can subject us to administrative, civil and criminal fines and penalties, collateral consequences, remedial measures and legal expenses.

We are subject to anti-corruption, anti-bribery, sanctions and similar laws in the jurisdictions where we and our business partners operate, which generally prohibit companies and their employees, agents and affiliates from offering or accepting bribes, engaging in corrupt practices, or conducting business with certain sanctioned parties or jurisdictions. Despite our efforts to implement and maintain compliance programs, we cannot assure you that our internal controls, policies and procedures will always be sufficient or effective. Any failure by our directors, officers, employees or business partners to comply with these laws could expose us to enforcement actions, fines, penalties or sanctions, as well as reputational damage, which could materially and adversely affect our business, financial condition and results of operations.

Any failure to effectively manage or expand our production capacity or utilize our production bases could adversely affect our competitiveness and business.

Our future success and growth potential are dependent on our ability to effectively manage, upgrade and increase our production capacity, either generally or with respect to demand from customers for particular products. To successfully upgrade our production capability and expand production capacity, we need to make cost-effective and efficient upgrade and expansion plans, expand and construct new facilities, maintain and purchase production equipment, and hire and train professionals necessary to operate such facilities or equipment.

All these efforts may be affected by several factors including, but not limited to, the following:

- availability of working capital for constructing facilities or purchasing equipment;
- delays in completion of construction and shortages or delays in the delivery of equipment;
- difficulties or delays which may arise in installing the equipment; and
- implementation of new production processes.

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During the Track Record Period, the utilization rates of our different production bases varied. Our Shanghai manufacturing base had relatively high utilization rates of over 80.0%, while our Haining manufacturing base and Malaysia manufacturing base recorded fluctuating utilization rates. Maintaining an optimal level of capacity utilization is critical to our cost structure and business success. If we are unable to expand capacity in a timely manner or at a reasonable cost, or if we overestimate market demand and expand too aggressively, we may face low-capacity utilization, reduced profitability and increased depreciation and other fixed costs. Conversely, if we underestimate demand or fail to bring new capacity online as planned, we may be unable to fulfill customer orders, which could result in loss of sales and damage to customer relationships.

Our production capacity construction plan may also be subject to interruptions caused by risks commonly associated with large construction projects, such as failure to obtain requisite approvals from regulatory authorities, adverse weather conditions, natural disasters, accidents and unforeseen circumstances and problems, and other factors beyond our control.

In addition, if we do not receive sufficient orders from our customers to effectively utilize our production bases, we may be subject to low utilization rates of production capacity or over-capacity for our production bases, which may hurt our profitability and results of operations. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for construction of any new production bases or expansion of any existing facilities and maintenance of expanded production capacity.

An increase in prices of raw materials and other components or shortage in supply may disrupt our supply chain, increase our production costs and delay deliveries of our products to customers.

We depend on third-party suppliers to provide a variety of raw materials and other components necessary for the manufacturing of our products. Our raw materials and other component costs recorded in cost of sales amounted to RMB68.9 million, RMB168.9 million and RMB276.5 million, respectively, in 2023, 2024 and 2025, representing 70.6%, 77.7% and 75.8% of our total cost of sales for the respective years. Our production costs depend on our ability to source key raw materials and other components at competitive prices and to manage our design, R&D, production planning, procurement and manufacturing processes effectively. However, the raw materials and other components we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation and governmental regulations and policies. We typically place orders with our suppliers as and when needed. We have adopted comprehensive policies and measures to manage the price fluctuations of raw materials and other components. See “Business—Our Suppliers—Supply Chain Management—Procurement of Raw Material and Other Components.”

Any shortages or delay in the supply of our raw materials and other components could result in occasional price adjustments or cause delays in our production and delivery to customers. We may in the future experience price fluctuations and supply shortages of certain raw materials and other components, and the predictability of the availability and pricing of these raw materials and other components may be limited. If we are unable to keep up with demand for our products because of failing to obtain the materials needed to successfully manufacture and deliver our products in a timely manner or if we are unable to pass on any increase in the costs of raw materials and other components to our customers, our business could be materially impaired, and market acceptance for our products could be adversely affected.

RISK FACTORS

Failure to detect or prevent fraud or other misconduct by our employees, customers, suppliers or other third parties could adversely affect our business, financial condition, and results of operations.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties, which could subject us to liabilities, fines and other penalties imposed by government authorities and negative publicity. Such misconduct could include:

- concealing unauthorized or unlawful activities, such as money laundering, offering bribes to, or receiving bribes from counterparties in return for any type of benefit or gain;
- intentionally concealing material facts or failing to perform necessary due diligence procedures;
- improperly using or disclosing confidential information or trade secrets;
- misappropriating funds or engaging in theft of assets;
- violations of applicable laws or regulations relating to import-export controls, lobbying or similar activities;
- failure to comply with regulatory requirements relating to environmental, health or safety matters;
- engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities;
- or otherwise failing to comply with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all instances of non-compliance or suspicious transactions in a timely manner, or at all. Furthermore, the precautions we take to detect and prevent fraud and other misconduct may not be effective. There is no assurance that we will not be involved in fraud or other misconduct in the future.

Any illegal, fraudulent, corrupt or collusive activity by our employees, customers, suppliers or other third parties, including those in violation of anti-corruption or anti-bribery laws, could subject us to negative publicity that could severely damage our brand and reputation. If conducted by our employees, it could further subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities or result in loss of current and future customer contracts. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, customers, suppliers or other third parties could materially and adversely affect our reputation and business.

RISK FACTORS

Grants under our share incentive plans may increase equity-settled share-based payment expenses, potentially adversely affecting our financial performance.

As talented management and employees are critical to driving our long-term technological breakthroughs and market success, we have established share incentive plans to grant shares to certain employees and external consultants in recognition of their contribution to our success. We believe the granting of compensation is crucial to our ability to attract and retain key personnel, employees and external consultants. In 2023, 2024 and 2025, we incurred equity-settled share-based payment expenses of RMB17.4 million, RMB3.2 million and RMB2.4 million, respectively. We may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share incentive plan from time to time. If we choose to do so, we may experience a substantial change in our share-based payment expenses in the reporting periods following this [REDACTED]. In addition, the issuance of equity pursuant to share-based incentive plans may result in immediate and potentially significant dilution to our existing shareholders and could adversely affect the trading price of our H Shares.

Downturns or volatility in general economic conditions could have a material adverse effect on our business, financial condition, results of operations, and liquidity.

Our sales and profitability depend significantly on general economic conditions and the demand for the end products in the markets in which our customers compete. Weaknesses in the economy and financial markets can lead to lower demand in our target product groups. Economic uncertainty affects businesses such as ours in a number of ways, making it difficult to accurately forecast and plan our future business activities. A decline in end-user demand can affect the demand of the customers for our products, and the tightening of credit in financial markets may lead consumers and businesses to postpone spending, either of which may cause our customers to cancel, decrease or delay their existing and future orders with us.

We may not accurately assess the impact of changing market and economic conditions on our business and operations. Any adverse changes in economic conditions, including any recession, economic slowdown or disruption of credit markets, may also lead to lower demand for our products. In addition, financial difficulties experienced by our suppliers or distributors could result in product delays, increased accounts receivable defaults and inventory challenges. All these factors related to global economic conditions, which are beyond our control, could adversely impact our business, financial condition, results of operations, and liquidity.

We may be the subject of unfair competition, harassing, or other detrimental conduct by third parties including complaints to regulatory authorities, negative social media postings, and the public dissemination of malicious statements related to us that could harm our reputation and cause us to lose market share, customers and revenue.

We may be the subject of unfair competition, harassing, or other detrimental conduct by third parties. Such conduct includes complaints to regulatory authorities, negative social media postings, and malicious assessments against us. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to spend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time. Additionally, allegations against us, may be disseminated by anyone, whether or not related to us. Social media often publish such content without verifying the accuracy of the content posted and without affording us an opportunity for redress or correction. The occurrence of any of these events may harm our reputation, and in turn may cause us to lose customers and revenue.

RISK FACTORS

Our operations depend on IT systems and networks, and any failures, disruptions, or cybersecurity breaches could compromise the confidentiality of our proprietary information and result in legal, regulatory, and business consequences.

We rely extensively on IT systems, some of which are supported by third-party vendors, to manage and operate our business. If these systems malfunction, cease or experience interruptions in normal operations, experience security breaches or do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have an adverse impact on our operations and financial condition. If the software installed on the computers used by us and our employees is not properly authorized or licensed, we may be subject to claims or litigations from software vendors. We may be subject to IT system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecom failures, acts of terrorism or war, computer viruses, physical or electronic break-ins or other events. We have business continuity and disaster recovery ability, which may not be sufficient for managing operational disruptions resulting from circumstances beyond our control.

Our IT systems may be subject to computer viruses, malicious codes, unauthorized access, phishing and other cyberattacks. We continue to assess potential threats and adopt proper measures to address these threats. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in implementing adequate preventative measures. To date, there have been no material impact on our business or operations from these attacks. However, we cannot guarantee that our efforts will prevent attacks or breakdowns to our or our third-party providers' databases or systems. If the IT systems, networks or service providers we rely upon fail to function properly and we do not effectively address these failures in a timely manner, we may be subject to operational risks, litigation, and regulatory actions, including administrative fines, that could materially and adversely affect our business and financial condition.

Our business, financial condition, and results of operations may be adversely affected by international trade policies, export controls, economic sanctions, and geopolitical factors.

Our business operations and supply chain may be affected by changes in international trade policies, export control regulations, economic sanctions, geopolitical tensions, and trade protection measures. The U.S. government has imposed economic and trade sanctions directly or indirectly affecting China-based companies, notably through the Export Administration Regulations, administered by the Bureau of Industry and Security of the U.S. Department of Commerce. These regulations impose extraterritorial restrictions and may affect non-U.S. entities if their activities involve a U.S. nexus. The U.S. has also, through executive orders, passing of legislation or other governmental means, implemented economic sanctions targeting specific countries, sectors, entities or individuals.

International trade restrictions are subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political and/or other factors that are beyond our control. We cannot assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or business. Such trade regulations could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our products and services.

RISK FACTORS

Our business and ability to raise capital may be adversely affected by U.S. outbound investment restrictions and evolving regulatory requirements.

On October 28, 2024, the U.S. Department of the Treasury (“**Treasury**”) issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern, which became effective on January 2, 2025, to implement the Outbound Investment Security Program (“**OISP**”) established by Executive Order 14105. The OISP restricts direct and indirect investment by U.S. persons (as defined under the OISP) into “covered foreign persons,” i.e., companies with specified connections to China that develop specific technologies of concern, including semiconductors, quantum computing and AI. The OISP is subject to changes in light of the Comprehensive Outbound Investment National Security Act of 2025 (the “**COINS Act**”), which codifies and expands the OISP and provides it with independent statutory authority for a minimum period of seven years. While the Treasury is expected to amend the OISP to align with the requirements of the COINS Act by spring 2027, the existing OISP framework will remain in effect. Our Directors are of the view that the Company is not a “covered foreign person,” because we do not develop or produce front-end semiconductor fabrication equipment or equipment for performing volume advanced packaging, and we do not design, fabricate, or package any kind of integrated circuit. Accordingly, U.S. persons are not subject to any notification requirements or restrictions related to their potential investments into the Company. In addition, publicly traded securities fall under an exception from the OISP and the COINS Act is expected to clarify and expand this exception.

We cannot predict how the U.S. outbound investment regulatory landscape will develop, nor can we guarantee that there will not be an expansion in the scope of existing restrictions, a broadening of their interpretation, or the enactment of similar laws or regulations that impinge upon our business activities. Uncertainty surrounding the interpretation and enforcement of these rules may dampen U.S. investor interest in our equity securities, potentially adversely affecting the trading price and liquidity of our H Shares. These evolving rules may also restrict our ability to engage in certain research activities, invest in or maintain investments in China, or raise capital from U.S. and other sources. Any future changes to the rules or to our business could further limit our fundraising activities, and ongoing developments in foreign investment regimes across jurisdictions may adversely impact our strategic initiatives, financial performance and growth prospects.

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

Our business is subject to certain PRC laws and regulations relating to environmental, safety and occupational health matters. Under these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. While we have conducted periodic inspections of our operating facilities and carried out equipment maintenance on a regular basis to ensure that our operations are in compliance with applicable laws and regulations, we cannot assure you that we will not experience any material accidents or worker injuries in the course of our production process in the future.

Our production process produces pollutants such as wastewater, liquid waste, and solid waste. The discharge of wastewater and other pollutants from our manufacturing operations into the environment may give rise to liabilities that may require us to incur costs to remedy such discharge. We cannot assure you that all situations that will give rise to material environmental liabilities will be discovered or that any environmental laws adopted in the future will not materially increase our operating costs and other expenses. Should the PRC impose stricter environmental protection standards and regulations in the future, we cannot assure you that we will be able to comply with such new regulations at reasonable costs, or at all. Any increase in production costs resulting from the implementation of additional environmental protection measures and/or failure to comply with new environmental laws or regulations may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

In addition, we are subject to various ESG rules and regulations by governing bodies, including the Stock Exchange and the SFC once we become a public company, as well as regulatory authorities in China. We must also adapt to new and evolving regulatory measures under applicable laws and changing social trends concerning ESG risks. Investors are increasingly focused on ESG issues and tend to incorporate ESG performance into their investment decisions, while customers are becoming more environmentally conscious, preferring products with green and environmentally friendly design and production. For details, see “Business—Environmental, Social and Corporate Governance.” Our efforts to comply with new and changing laws, regulations and social trends may result in increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities, which may adversely affect our business, financial condition, and results of operations.

RISKS RELATING TO FINANCIAL, ACCOUNTING AND TAX MATTERS

We have historically incurred net losses and may not be able to achieve or maintain profitability in the future.

During the Track Record Period, we incurred loss for the year of RMB81.8 million, RMB63.6 million and RMB12.7 million in 2023, 2024 and 2025, respectively, primarily as a result of changes in carrying amount of ordinary shares with redemption rights. Finance costs arising from changes in the carrying amount of ordinary shares with redemption rights amounted to RMB16.4 million, RMB20.2 million and RMB22.9 million in 2023, 2024, and 2025, respectively. Our adjusted profit/(loss) for the year (non-IFRS measure), which is defined as loss for the year adjusted by adding back changes in the carrying amount of ordinary shares with redemption rights, equity-settled share-based payment expenses and [REDACTED] expenses, amounted to a loss of RMB48.1 million and RMB40.2 million in 2023 and 2024, respectively, and a profit of RMB13.8 million in 2025.

Changes in the carrying amount of ordinary shares with redemption rights were a non-cash item. As of December 31, 2023, 2024 and 2025, we had ordinary shares with redemption rights of RMB284.4 million, RMB304.6 million and RMB427.4 million, respectively. We expect that our ordinary shares with redemption rights will be reclassified from liabilities to equity, because all preferential rights of the ordinary shares with redemption rights will terminate upon [REDACTED] and the relevant redemption liabilities will be re-classified to equity.

Our overall profitability fluctuated during the Track Record Period. Although our adjusted loss for the year (non-IFRS measure) decreased from RMB48.1 million in 2023 to RMB40.2 million in 2024 and turned into an adjusted profit for the year (non-IFRS measure) of RMB13.8 million in 2025, we cannot assure you that we will achieve profitability after the [REDACTED]. Our cost of sales or operating expenses may increase in the future as we intend to expand our business operations. In addition, subsequent to the [REDACTED], we may incur additional compliance, accounting, and other expenses that we did not necessarily need to incur as a private company. If our revenue does not grow at a greater rate than our costs or expenses, we may not be able to achieve and maintain profitability. In addition, we may incur considerable losses in the future for various reasons, many of which may be beyond our control. If we fail to achieve, sustain or increase profitability, our business and results of operations could be adversely affected. See “Financial Information—Working Capital Sufficiency.”

RISK FACTORS

We had net current liabilities and net liabilities during the Track Record Period.

Our net current liabilities and net liabilities throughout the Track Record Period predominantly reflected the accounting effects of the ordinary shares with redemption rights on our consolidated statements of financial position. As of December 31, 2023, 2024 and 2025, our net current liabilities were RMB246.5 million, RMB307.3 million and RMB370.4 million, and our net liabilities were RMB119.8 million, RMB178.4 million and RMB168.0 million, respectively. As of December 31, 2023, 2024 and 2025, the balance of our ordinary shares with redemption rights were RMB284.4 million, RMB304.6 million and RMB427.4 million, respectively. Aside from ordinary shares with redemption rights, our net current liabilities position during the Track Record Period was also the result of an increase in our trade and other payables as a result of our increased business scale and our interest-bearing borrowings to fund our expansion. See “Financial Information—Liquidity and Capital Resources—Net Current Asset.”

The preferential rights of ordinary shares with redemption rights will terminate upon [REDACTED] and such instruments will be re-classified to equity. Therefore, we do not expect to recognize any further changes in the carrying amount of liabilities recognized for ordinary shares with redemption rights subsequent to the [REDACTED]. However, there can be no assurance that we will not have liquidity problems in the future. A net current liabilities position or net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek additional financing from external sources such as equity financing, which could result in dilution of your equity interests, or debt financing, which may not be available on terms favorable or commercially reasonable to us, or at all. Any difficulty or failure to meet our liquidity needs as and when needed may have a material adverse effect on our business, financial condition, results of operations, and prospects.

We had negative cash flow from operating activities and may be subject to liquidity risks, which could constrain our operational flexibility and working capital sufficiency and materially and adversely affect our business, financial condition, and results of operations.

We had net cash used in operating activities of RMB76.3 million and RMB25.3 million in 2023 and 2024, and net cash generated from operating activities of RMB1.0 million in 2025, and may experience operating cash outflows in the future. Our operating cash outflow was primarily due to our frontloaded expenses to support our rapid business growth. Although we seek to manage our working capital, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. As a result, we cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as [REDACTED] and [REDACTED] securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. Thus, our business, financial condition, and results of operations may be materially and adversely affected.

RISK FACTORS

Any discontinuation of preferential tax treatments, government grants or imposition of any additional taxes and surcharges could adversely affect our financial condition and results of operations.

We benefited from preferential tax treatment and government grants during the Track Record Period. Certain group entities were accredited as High and New Technology Enterprises and were entitled to a preferential tax rate of 15% from 2022. We were also entitled to gain from input VAT deduction in Chinese mainland and various government grants during the Track Record Period. See “Financial Information—Results of Operations—Other Net Income.” In addition, during the Track Record Period, we had gain from input VAT deduction in Chinese mainland and government grants of RMB2.2 million, RMB9.2 million and RMB6.2 million in 2023, 2024 and 2025, respectively. These grants mainly represent the government subsidies that we received to compensate our R&D expenditures. However, we cannot assure you that we will continue to receive and benefit from such preferential treatment or government grants in the future. If we are unable to continue to benefit from preferential tax treatment or government grants, or if such incentives are reduced, canceled or not renewed, our financial condition, results of operations, and cash flows could be affected.

We may get exposed to credit risks arising from our trade receivables, and any failure to collect them in a timely manner could adversely affect our financial condition and results of operations.

Our trade receivables primarily include amounts due from our customers for products in the ordinary course of business. As of December 31, 2023, 2024 and 2025, our trade receivables were RMB38.4 million, RMB90.8 million and RMB139.7 million, respectively. The credit period granted to our customers was generally 30 to 90 days during the Track Record Period. See “Financial Information—Discussion of Selected Items from Consolidated Statements of Financial Position—Inventories and Contract Costs.”

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstances. Our trade receivables turnover days were 75 days in 2023, 76 days in 2024 and 80 days in 2025. We may not be able to receive such customers’ payment of uncollected debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

Failure to fulfil our obligations in respect of contract liabilities could materially and adversely affect our results of operation, liquidity and financial position.

Our contract liabilities are recognized when payment from a customer is received or is due (whichever is earlier) before we transfer the related goods or services. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB30.8 million, RMB79.7 million and RMB79.1 million, respectively. If we are not able to fulfil our obligations with respect to our contract liabilities, the amount of such contract liabilities will not be recognized as revenue.

We may need to raise additional capital in the future to execute our business plan, but may not be able to obtain financing on favorable terms, or at all.

We may need additional capital in the future to fund our continued operations, and we may be unable to raise additional funds, whether through equity or debt financing, when needed on favorable terms or at all. If we raise additional capital through public or private equity offerings, the ownership interest of our existing Shareholders, including investors in this [REDACTED], will be diluted, and the terms of these securities may include liquidation preferences that adversely affect our Shareholders’ rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends. Any failure to raise capital as and when needed could have a negative impact on our financial condition and on our ability to pursue our business plans and strategies.

RISK FACTORS

Fluctuations in exchange rates could result in foreign currency exchange losses, materially affecting our revenue, cost of sales, and your investment.

A substantial portion of our revenue and cost of sales is denominated in Renminbi. However, as we also operate a part of our business in certain countries and regions outside of Chinese mainland, and have certain debts and cash denominated in foreign currencies, we are exposed to risks associated with foreign currency exchange fluctuations.

Changes in the foreign exchange rates could affect the results of our overseas operations. Our revenue generated outside Chinese mainland amounted to RMB4.8 million, RMB15.9 million and RMB44.5 million in 2023, 2024 and 2025, respectively, accounting for 3.6%, 5.2% and 8.5% of our total revenue for the same years, respectively. Certain of our income from overseas sales and payments for raw materials and other components is denominated in foreign currencies.

It is difficult for us to predict how external factors may impact the exchange rate of Renminbi to the U.S. dollar or other foreign currencies in the future. Further appreciation of Renminbi against foreign currencies may affect our overseas operations. On the other hand, if we decide to convert our RMB into Hong Kong dollars for dividends payment on our H Shares or for other business purposes, any depreciation of Renminbi against the Hong Kong dollar would have a negative effect on the value of, and any dividends payable on, our H Shares.

We may record impairments of non-financial assets.

We may record impairments of non-financial assets, which may adversely affect our financial condition and results of operations. As of December 31, 2023, 2024 and 2025, our inventories and contract costs, property, plant and equipment, right-of-use assets, intangible assets and goodwill amounted to RMB349.5 million, RMB473.3 million and RMB602.5 million, respectively. Goodwill, intangible assets with indefinite useful life and intangible assets with those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset’s carrying amount may not be recoverable. We measure impairment by comparing the carrying value of the asset to the recoverable amount of such asset, which is the greater of the fair value less costs of disposal and the value in use. If the recoverable amount is less than the carrying amount of such asset, we recognize an impairment loss based on the recoverable amount of such asset. The application of impairment test to our non-financial assets also requires management judgment regarding such assets. Given the rapid technological evolution in the semiconductor equipment industry, if our technologies become obsolete or fail to achieve expected commercial results, we may be required to record significant impairment charges on our intangible assets or fixed assets.

RISKS RELATING TO THE LEGAL AND REGULATORY REQUIREMENTS

We are subject to the risks of doing business globally.

We operate manufacturing bases in China and Malaysia and sell our products to customers in multiple countries overseas. Revenue generated outside Chinese mainland (based on the location where we deliver products or provide services) accounted for 3.6%, 5.2% and 8.5% of our total revenue in 2023, 2024 and 2025, respectively. As a result, our business is exposed to risks inherent in operating across multiple jurisdictions. These risks could adversely affect our business and financial performance due to a range of factors. Such factors include shifts in the political, cultural, or economic environment of the countries or regions in which we operate, as well as unanticipated changes in, or failure to comply with, applicable local laws and regulations. Our operations may also be affected by inconsistencies between national and local regulatory requirements within a given jurisdiction, challenges in enforcing contractual provisions under local legal frameworks, and inadequate intellectual property protections in certain markets. In addition, we are subject to obligations under anti-corruption and anti-bribery legislation, as well as trade-protection measures and export control requirements. Our financial results may further be impacted by local tax regimes, royalties, and other fiscal obligations payable to local governments, potentially adverse tax consequences, and material fluctuations in local currency exchange rates.

RISK FACTORS

Overseas operations are subject to a number of risks, including but not limited to:

- foreign exchange control and exchange rate fluctuation;
- political and economic instability, and international terrorism;
- global or regional health crises, such as health epidemics and outbreaks;
- potential for violations of anti-corruption laws and regulations, such as those related to bribery and fraud;
- laws and business practices favoring local competition;
- increased risk in managing inventory;
- increased risk in collecting trade receivables;
- less effective protection of intellectual property;
- difficulties and costs of staffing and managing foreign operations; and
- changes in local tax, import and export laws and tariffs and customs duty laws in the enforcement, application or interpretation of such laws.

The occurrence of any of these risks could materially and adversely impact our overseas expansion and consequently our business, financial condition, and results of operations. We expect to continue to be subject to these risks as we conduct our business internationally.

Developments in social and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

We operate in the PRC and Malaysia and therefore our business, financial condition, results of operations and prospects may be affected by various local economic, social and legal policies. We cannot guarantee that our business operations will be able to benefit from such measures. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

We are subject to various laws, regulations and regulatory standards and any inability to comply with such requirements and standards may subject us to liabilities.

We are subject to various laws and regulations in the PRC and Malaysia and are required to obtain and renew various permits, licenses, certificates, consents and other approvals from administrative authorities.

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. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, among other things. Such events could impact our results of operations and financial condition.

RISK FACTORS

Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection domestically and abroad. Any losses or unauthorized access to or unauthorized releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences.

Our business involves the utilization and storage of confidential information, including but not limited to personal information of our employees. We are subject to laws relating to the collection, use, retention, protection and transfer of personal information domestically and abroad. In many cases, these laws apply not only to third-party transactions, but also may restrict transfers of personal information between us and our overseas subsidiaries. Several jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. These laws continue to develop and may vary from jurisdiction to jurisdiction. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in significant penalties or legal liability. Any failure by us to comply with other domestic and foreign privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others, which may lead to reputational impacts and significant legal liabilities.

We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other noncompliant incidents.

We are subject to the social insurance and housing provident fund regulations in China.

Under PRC laws and regulations, we are required to make contributions for the social insurance and housing provident funds for the benefit of our employees. During the Track Record Period and up to the Latest Practicable Date, we did not make full contributions to the relevant social insurance and housing provident funds for certain employees in some of our PRC subsidiaries, primarily because most of the affected employees were migrant workers who preferred lower contributions to retain higher disposable income. We might be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities if we fail to pay the social insurance or housing provident funds for the relevant employees in full amount and/or in a timely manner. We might also be subject to potential labor disputes arising from such arrangements with the relevant employees. If we are subject to investigations for noncompliance with labor laws and are required to make additional contributions to social insurance and housing provident funds, as well as pay late fees and fines, our labor costs could increase. Any such increase could adversely affect our business, results of operations, financial condition, and prospects.

The shortfall of our social insurance and housing provident funds amounted to approximately nil, RMB0.4 million, and RMB1.6 million in 2023, 2024 and 2025, respectively. See “Business—Employees.”

We are subject to certain risks in relation to our leased or rented properties, which may result in disruptions to our operations and give rise to relocation costs.

We primarily lease or rent properties as our headquarters, office and manufacturing premises. We have not registered certain lease agreements for our leased properties with the relevant PRC government authorities as required by PRC law, which may subject us to potential fines. In addition, the land on which our two rented properties in Penang, Malaysia are situated is subject to restrictions on interest, and the landlords have not yet obtained the final approval from the the State Authority of Penang to rent the properties.

RISK FACTORS

As of the Latest Practicable Date, we had six unregistered leased properties in China, including factory premises, office premises and apartments. The apartments are provided to employees as part of their employee benefits. Pursuant to applicable PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify within the prescribed time period after receiving notices from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

In Malaysia, we have rented two properties used for business operations as manufacturing and office premises, and the land on which the properties are situated is subject to restrictions on interest, requiring the landlords to obtain the approval from the State Authority of Penang for such tenancies. As of the Latest Practicable Date, the landlords had not obtained the final approval from the State Authority of Penang. There is no assurance that such final approval will be obtained. In the event that such approval is not obtained, or if the State Authority of Penang imposes any conditions or administrative actions in connection with the absence of such approval, our continued use and occupancy of the two rented properties may be affected, and we may need to identify alternative premises for our operations, which could expose us to the risk of relocation and associated additional costs. Any of the foregoing could have an adverse effect on our business and results of operations.

See “Business—Properties—Leased/Rented Properties.”

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive a majority of payments from our operations in Chinese mainland in Renminbi and may need to convert certain Renminbi into other currencies for payment of dividends, if any, to holders of our Shares, and to fund our business activities outside of Chinese mainland, among other things. The convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of Chinese mainland are subject to related regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise fulfill our foreign currency denominated obligations.

Under current foreign exchange regulations of Chinese mainland, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches, through licensed banks for foreign exchange business, by complying with certain procedural requirements. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. However, prior registration and other procedures with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of Chinese mainland to pay capital expenses. Further, there is no assurance that new regulations will not be promulgated in the future that would have further requirements on the remittance of Renminbi into or out of Chinese mainland. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and other components outside of Chinese mainland or otherwise fund any future business activities that are conducted in foreign currencies.

RISK FACTORS

Our offshore subsidiaries may be treated as a resident enterprise for PRC tax purposes.

Under the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside of Chinese mainland with “de facto management bodies” located in Chinese mainland may be considered PRC resident enterprises for tax purposes and may be subject to the PRC EIT at the rate of 25% on their global income. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (Guo Shui Fa [2009] No. 82) (the “**Circular 82**”), specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated by enterprises or enterprise groups within Chinese mainland as major controlling shareholders under the laws of foreign countries (regions) will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation and management are located mainly within Chinese mainland; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in Chinese mainland; (iii) primary properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings are located or kept within Chinese mainland; and (iv) at least half of the directors with voting rights or senior management reside within Chinese mainland. The SAT has subsequently provided further guidance on the implementation of Circular 82.

As our Company is a PRC enterprise, our offshore subsidiaries may be questioned by the competent regulatory authorities, and if our offshore subsidiaries are deemed PRC resident enterprises, the competent regulatory authorities may request EIT at 25% on such our offshore subsidiaries’ global income, except that the dividends they receive from our Chinese mainland subsidiaries, if any, may be exempt from the EIT to the extent such dividend income constitutes “dividends” received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise.” Nonetheless, it remains subject to future interpretation as to what type of enterprise would be deemed a “PRC resident enterprise” for such purposes. The EIT on our subsidiaries’ global income could significantly increase our tax burden and affect our cash flows and profitability.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas [REDACTED] issued by PRC government authorities.

On February 17, 2023, the CSRC issued the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (which came into effect on March 31, 2023) and relevant supporting guidelines (the “**Overseas Listing Trial Measures**”). The Overseas Listing Trial Measures are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC (“**PRC domestic companies**”) and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Trial Measures lay out the arrangements for regulatory filings for both direct and indirect overseas offerings and clarify the determination criteria for indirect overseas offerings in overseas markets. The Overseas Listing Trial Measures stipulate that such issuer shall fulfill the filing procedures within three working days after it makes an [REDACTED] for [REDACTED] and [REDACTED] in an overseas stock market.

According to the Overseas Listing Trial Measures, we, as a PRC domestic company seeking to [REDACTED] and [REDACTED] securities in overseas markets, are required to fulfill the filing procedure with the CSRC within three working days after submitting the [REDACTED] documents to the overseas supervisory authorities and report relevant information. For details, see “Regulatory Overview—Regulations on Securities and Overseas Listings” in this document.

The Overseas Listing Trial Measures may subject us to additional compliance requirements in the future, and we cannot assure you that we will be able to get clearance of our filing procedures under the Overseas Listing Trial Measures on a timely basis, or at all. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our ability to continue to sell our securities to [REDACTED], cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

RISK FACTORS

We are a PRC tax resident and we are subject to PRC tax on our global income, and dividends payable to foreign [REDACTED] and gains on the sale of our H Shares may be subject to withholding tax under PRC tax laws and dividends payable to [REDACTED] and gains on the sale of our H Shares by [REDACTED] are subject to PRC tax.

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

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) (Cai Shui Zi [1994] No. 020) issued by the MOF and SAT on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprises with foreign investment are exempted from individual income tax for the time being. In addition, under the Individual Income Tax Law of the PRC and its implementation regulations, non-PRC resident individual holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied on non-PRC resident individual holders on the transfer of shares in PRC resident enterprises [REDACTED] on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H Shares.

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

Despite the arrangements mentioned above, the applicable PRC tax laws and regulations, as well as the interpretation and application of existing applicable PRC tax laws and regulations may be evolving and subject to change. New taxes may be imposed which may materially and adversely affect the value of your [REDACTED] in our H Shares.

RISK FACTORS

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 this [REDACTED] or 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 [REDACTED] from the [REDACTED] into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

It may be difficult to effect service of process upon us, our directors or our executive officers that reside in the PRC or to enforce against them or us in the PRC with any judgments obtained from non-PRC courts.

We are a company incorporated under the laws of the PRC and substantially all of our business, assets and operations are located in China. In addition, the majority of our Directors and executive officers reside in China, and substantially all of the assets of such Directors and executive officers are located in China. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to 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》) effective on January 29, 2024, promulgated by the Supreme People’s Court, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court.

China has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in China or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between China and the country where the judgment was made.

We could be subject to changes in tax rates, the adoption of new local or international tax legislation, or exposure to additional tax liabilities.

The PRC Enterprise Income Tax (EIT) Law imposes a tax rate of 25% on PRC resident business enterprises. Certain group entities were entitled to preferential corporate income tax rate of 15% during the Track Record Period, as we were approved as high-tech enterprises. To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with Chinese mainland tax laws and regulations may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to Chinese mainland tax laws and regulations and tax penalties or fines could affect our businesses, financial condition, and results of operations.

RISK FACTORS

We also operate in countries and regions overseas and are subject to various taxes. Due to the fact that the tax environment and legal framework can vary significantly across jurisdictions and that regulations regarding various taxes, including but not limited to corporate income tax and import duties, are highly complex, our overseas operations and expansion may expose us to risks associated with overseas tax laws, regulations and policies. Additionally, as we sell our robotic solutions to various non-domestic markets, the intricacies of import duty regulations can lead to disputes when exporting products, as interpretations and applications of such rules may differ between countries. In such cases, we will be subject to fines or other penalties. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results, and cash flows could be adversely affected.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit, for which the PRC laws do not specify the applicable accounting principles. Distributable profit is our profit as determined under PRC GAAP or IFRS Accounting Standards, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. We may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. According to the Company Law of the PRC, after making up losses and appropriation of statutory reserves, we may distribute after-tax profits.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which may significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS Accounting Standards, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

RISK FACTORS

The foreign exchange regulations may limit our business and results of operations and our ability to remit dividends.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the Chinese current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected and could subject us to administrative penalties and fines.

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

The legal systems of the two geographic markets where we operate vary significantly. China has a civil law system based on written statutes and Malaysia’s is 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.

The legal systems of China and Malaysia are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities. 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 still needs further clarification. 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 enforcement of foreign awards or arbitration awards, which may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims.

Scrutiny and regulations of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Developments in current laws or regulations or the imposition of new laws and regulations in our geographic markets may affect the growth of our industries and affect our business, financial condition and results of operations.

RISKS RELATING TO THE [REDACTED]

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

Prior to the [REDACTED], no public market for the H Shares existed. We cannot assure you that an active trading market for the H Shares will develop or be sustained after the [REDACTED]. The [REDACTED] for the Shares is expected to be fixed by the [REDACTED], and may not be indicative of the market price of the H Shares following the completion of the [REDACTED]. If an active trading market for the H Shares does not develop or is not sustained after the [REDACTED], the market price and liquidity of Shares could be materially and adversely affected.

RISK FACTORS

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

The [REDACTED] volume and price of our H Shares may be highly volatile and could fluctuate widely in response to factors beyond our control. Factors impacting the price and [REDACTED] volume of our H Shares include, but are not limited to, actual or anticipated fluctuations in our revenue, earnings and cash flow, changes in our pricing policy as a result of competition, potential strategic alliances or acquisitions, the addition or departure of key personnel, changes in ratings by financial analysts and credit rating agencies, fluctuations in the selling prices and demand for our products, public perception or negative news about our products, unexpected business disruptions resulting from natural disasters or power shortages, our inability to obtain or maintain regulatory approval for our operations, litigation, government investigation or other legal or regulatory proceeding, or political, economic, financial and social developments in China, Hong Kong and elsewhere in the world. In addition, the Stock Exchange and other securities markets have, from time to time, experienced significant price and volume fluctuations that are not related to the operating performance of any particular company. These fluctuations may also materially adversely affect the selling price of our H Shares. Moreover, shares of other companies [REDACTED] on the Stock Exchange have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance.

Any possible conversion of Unlisted Shares into H Shares could increase the supply of H Shares in the market, which will negatively impact the market price of H Shares.

According to the stipulations by the CSRC and the Articles of Association, all of our Unlisted Shares may be converted into H Shares, and such converted Shares may be [REDACTED] or [REDACTED] on an overseas stock exchange. Any [REDACTED] or [REDACTED] of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchanges. 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 [REDACTED]. Therefore, shares currently held on our Unlisted Shares register may be traded, after the conversion, 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 market price of our H Shares.

You will incur immediate and substantial dilution and may experience 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.

We cannot assure you when, whether and in what form or size we will pay dividends in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. Distributions of dividends shall be decided by our Board of Directors at their discretion and will be subject to the approval of the general meeting. A decision to declare or to pay dividends and the amount thereof depend on various factors, including but not limited to our results of operations, cash flows and financial position, operating and capital expenditure requirements, distributable profits as determined under IFRS Accounting Standards (whichever is lower), our Articles of Association and other constitutional documents, the PRC Company Law and any other applicable laws and regulations in Chinese mainland, market conditions, our strategy and projection for our business, contractual restrictions and obligations, taxation, regulatory restrictions and any other factors from time to time deemed by our Board of Directors as relevant to the declaration or suspension of dividends. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy.

RISK FACTORS

Certain facts, forecasts and statistics obtained from official government sources in this document may not be fully reliable.

Certain facts, forecasts and statistics in this document in and outside China are obtained from official government publications that have not been independently verified by us, the Sole Sponsor, the [REDACTED], any of their respective directors, employees, agents or advisors, or any other person or party involved in the [REDACTED], and no representation is given as to its accuracy. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Sole Sponsor, the [REDACTED], nor our or their respective affiliates or advisors have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters.

The words “anticipate,” “believe,” “estimate,” “predict,” “could,” “aim,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and should not rely on any information contained in press articles or other media in making [REDACTED] decisions with respect to our H Shares.

Prior to the publication of this document, there may have been press and media coverage regarding us and the [REDACTED], which may include certain information not contained in this document. We have not authorized the disclosure of any such information in the press or other media. We make no representation as to the appropriateness, accuracy, completeness or reliability of such information, and disclaim responsibility for such information. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it. Accordingly, prospective [REDACTED] are cautioned to make their [REDACTED] decisions with respect to our H Shares on the basis of the information contained in this document only and should not rely on any other information. 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.