RISKS RELATING TO THE RESEARCH AND DEVELOPMENT OF OUR PRODUCTS

If we fail to develop new products that address end customer preferences and achieve market acceptance in a timely and cost-effective manner, our business, results of operation and future prospects could be adversely affected.

Our products are primarily based on the SiC semiconductor technologies, and our future success depends on the successful expansion of our product portfolio and customer base. Our customers are constantly seeking new products with more features and functionality at lower cost, and our success relies heavily on our ability to continue to develop and provide our customers with new and innovative products and improvements to existing products. In order to gain market share and remain at the forefront of the SiC power device industry, we must constantly introduce new and innovative products and respond to new and evolving customer demands.

The success of a new product depends on a variety of specific implementation factors, including:

- timely development of new technologies and adaptation to changes in existing technologies;
- timely and cost-effective processing and mass production to accommodate new product designs, while ensuring functionality, performance and reliability;
- effective marketing, sales and services to gain market share; and
- strong and sustainable market demand.

To the extent that we fail to timely introduce new products or to quickly penetrate new markets, our business, financial condition and results of operations could be materially and adversely affected. In addition, we may not be able to optimize our production processes and the ability to mass produce in a cost-effective manner. We may also encounter lower manufacturing yields and longer delivery schedules in commencing mass production of new products that we introduce, which could increase our costs and disrupt our supply of such products. Further, if initial sales volumes for new or enhanced products do not reach anticipated levels within the time periods we expect, we may be required to engage in additional marketing efforts to promote such products and the costs of developing and commercializing such products may be higher than we predict. To the extent that we fail to timely develop new products or to quickly achieve market acceptance in a cost-effective manner, our results of operations could be materially and adversely affected.

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

The SiC power device industry is highly competitive. Our research and development costs amounted to RMB75.8 million, RMB91.1 million and RMB109.7 million in 2023, 2024 and 2025, respectively. We may invest significant resources in R&D activities and incur significant research and development expenses in the future to achieve technological breakthroughs, as well as maintain the competitiveness of our products. In addition, to enhance our market position, we expect to incur significant capital expenditures for R&D of new products, purchase of property, plant and equipment and purchase of intangible assets. Our capital expenditures were RMB146.0 million, RMB36.6 million and RMB112.5 million in 2023, 2024 and 2025, respectively.

Meanwhile, product design, development, innovation and iteration are often complex, time consuming and costly processes involving significant investment in R&D with no assurance of return on investment. Inherent risk exists for such significant R&D expenditures and capital expenditures as our investment may not succeed or generate the benefits that we expect. R&D activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources, including qualified R&D personnel. Even if we succeed in our R&D efforts and generate the results we expect, our short-term cash flow and liquidity may be adversely affected, and we may still encounter practical difficulties in commercializing our development results. New technologies could render our technologies, our technological infrastructure or products that we are developing, or expect to develop in the future, obsolete or unattractive, thereby limiting our ability to recover related technology and product development costs, which could result in a decline in our revenues, profitability and market share. In addition, regulatory authorities may subject us to new rules or restrictions in response to our innovations that could increase our expenses or prevent us from successfully commercializing new products, solutions or technologies.

Our R&D efforts may not contribute effectively to our future results of operations, if at all, and such contributions may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

The SiC power device industry is highly competitive. If we are not able to compete successfully, our business, results of operation and future prospects will be harmed.

The SiC power device industry is highly competitive. Competition in the SiC power product and related industries is based on many factors, such as price and cost, production capacity, logistics capabilities and product quality. We expect intensive price competition from other companies that may be able to supply SiC power products for lower costs than us due to various factors, including their lower production cost and transportation cost. It is also possible that our suppliers such as wafer manufacturers, wafer fabrication and packaging service providers and other semiconductor companies may scale up their operations by expanding upstream or downstream and hence become our direct competitors in certain stages. Our future success will depend on our ability to respond in an effective and timely manner to competitive pressure. If we fail to capture sufficient market share in the competition in the course of commercialization, or if the commercialization does not meet our or the market's expectations, we may not be able to recover our costs, and our business, results of operations and future prospects will be harmed. Meanwhile, significant technological advancements in SiC and alternative semiconductor materials could render our existing or future SiC semiconductors products uncompetitive, obsolete or otherwise unmarketable, and may materially and adversely affect our business and prospects in ways we cannot currently anticipate.

In addition, the SiC power module industry is marked by a high level of concentration, with the top ten companies holding a combined market share of 89.7%. The introduction of new products and technologies by our competitors, the market acceptance of products based on competitors' new or alternative technologies, or our failure to anticipate or timely develop new or enhanced products or technologies in response to changing market demand, whether due to technological shifts or otherwise, could result in loss of customers and reduced competitiveness. Moreover, some of our direct and indirect competitors may have greater resources and certain advantages, including but not limited to longer operating history, better financing capabilities, well developed technologies and intellectual properties, more efficient sales and marketing and stronger customer relations. If we are unable to stay competitive or compete successfully with our competitors, we may experience decreases in market share and sales volume, and may have to reduce our prices or make other concessions, thereby adversely affecting our profitability, business, financial condition and results of operations.

Our development strategies may not succeed, which may materially and adversely affect our business, financial condition and results of operations.

We have been and will continue introducing new products and improving existing ones to meet market demand and customer needs. However, there can be no assurance that our strategies align with market development, including technological advancements, industry trends and customer preferences. If any of our business strategies are proven to deviate from such market development, it could have a negative impact on our business, financial condition and results of operations. In addition, we may fail to obtain the necessary resources to fund our future plans or employ suitable personnel to manage our expanded business. If we are unable to develop and introduce new products and improve existing products in a cost-effective and timely manner, our business, financial condition, results of operations and competitive position would be materially and adversely affected.

The success of some of our products is dependent on our end customers' ability to develop products that achieve market acceptance, and our end customers' failure to do so could negatively affect our business, financial condition and results of operations.

The success of some of our products is heavily dependent on the timely introduction, quality, and market acceptance of our end customers' products incorporating our products, which are impacted by factors beyond our control. Our end customers' products are often very complex and subject to design complexities that may result in design flaws, as well as potential defects, errors, and bugs. In other cases, end customer products are delayed due to incompatible deliverables from other vendors. Such end customers have in the past, and may in the future, vary order levels significantly from period to period, request postponements of scheduled delivery dates, modify their orders or reduce lead times. This is particularly common during periods of low demand.

We may incur significant design and development costs in connection with designing our products for end customers' products that may not ultimately achieve market acceptance. If our end customers discover design flaws, defects, errors, or bugs in their products, or if they experience changing market requirements, failed evaluations or field trials, or incompatible deliverables from other vendors, they may delay, change, or cancel a project, and we may have incurred significant additional development costs and may not be able to recoup our costs, which in turn would adversely affect our business, financial condition and results of operations. In addition, developing industry trends, as well as end customers' use of outsourcing and new or revised supply chain models, may affect our revenue, costs and working capital requirements.

Our success and revenue growth hinges on securing design-wins and convincing customers to adopt our products. If we do not continue to win designs or our products are not adopted by our end customers, our business and results of operations will be harmed.

We sell our SiC semiconductor products to customers who select and adopt them in their product offerings. This selection process is typically lengthy and may require us to incur significant design and development costs and dedicate scarce engineering resources in pursuit of a single design-win with no assurance that our products will be selected. If we fail to convince our current or prospective customers to adopt our products in their product offerings or to constantly achieve design-wins, our business, financial condition and results of operations will be materially and adversely affected.

Because of our extended sales cycle, our revenue in future years may be highly dependent on design-wins we are awarded in prior years. It is typical that a design-win will not result in meaningful revenue until one year or more later, if at all. If we do not continue to secure design-wins in the short term, our revenue in the following years will deteriorate.

Further, a significant portion of our revenue in any period may depend on a single product design-win with a large customer. As a result, the loss of any key design-win or any significant delay in mass production of the customer's products could adversely affect our business, financial condition and results of operations.

In addition, due to the interdependence of various components in the systems within which our products and the products of our competitors operate, customers are unlikely to change to another design or material, once adopted, until the next generation of technology. As a result, if we fail to introduce new or enhanced products that meet the needs of our customers or penetrate new markets in a timely manner, and our products do not gain acceptance, we will lose market share and our competitive position.

The loss of a key customer or design-win, a reduction in sales to any key customer, a significant delay or negative development in our customers' product development plans, or our inability to attract new significant customers or secure new key design-wins could materially and adversely affect our business, financial condition and results of operations.

There can be no assurance that our efforts in commercializing our products will succeed, and the time from product design to mass production is long and we are subject to the risks of termination or postponement of contracts or unsuccessful implementation.

Our products are based on novel SiC power device technology and our future success depends on the successful development of products based on SiC power device technology. There can be no assurance that any development problems we experience in the future related to our products will not cause significant delays or unanticipated costs, or that such development problems can be solved.

Meanwhile, we compete in a dynamic environment characterized by rapid technology and product evolution. Our failure to timely develop new technologies or to react quickly to changes in existing technologies could materially delay our development of new products, which could result in product obsolescence, decreased revenue, and/or a loss of market share to competitors. In addition, as we develop new product lines or enter into new markets, we must adapt to market conditions that are unfamiliar to us, such as competitors and distribution channels that are different from those we have known in the past. If we are unable to adapt rapidly to these new and additional conditions, we may not be able to successfully penetrate new markets.

Further, if initial sales volumes for our new or enhanced products do not reach anticipated levels within the time periods we expect, we may be required to engage in additional marketing efforts to promote such products and the costs of marketing and commercializing such products may be higher than we predict. We may also encounter lower manufacturing yields and longer delivery schedules in commencing mass production of new products that we introduce, which could increase our costs and disrupt our supply of such products. These could lead to customer dissatisfaction, which may result in the termination or postponement of contracts or unsuccessful implementation.

Undetected defects, errors or reliability issues in our products could reduce the market adoption of our products, damage our reputation or expose us to product liability and other claims.

Our customers generally have stringent specifications for quality, performance and reliability that our products must meet. Due to the complex product design and production process, our products may contain undetected defects, errors or reliability issues when first introduced or after commencement of commercial shipments, which might require product replacement or recall. Further, changes of raw material used in the production processes may cause our products to fail. If defects, errors or reliability issues occur in our products, we could experience loss in revenue, increased costs, including warranty expenses and costs associated with after-sales services, cancellations or rescheduling of orders or shipments, and product returns or discounts, any of which would harm our results of operations.

In addition, the production of our products, including the fabrication of semiconductor wafers, packaging processes and the assembly and testing of products, involve highly complex processes. For example, minute levels of contaminants in the manufacturing environment, difficulties in the wafer fabrication process or other factors can cause a substantial portion of the components on a wafer to be nonfunctional. These problems may be difficult to detect at an early stage of the production process and often are time-consuming, expensive or impossible to correct. They may also result in claims against us by our customers or others, and subject us to liabilities and damages. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our business, financial condition and results of operations.

We depend on third parties to manufacture certain products. Such arrangements may reduce our control over product quality, quantity, development, enhancement and product delivery schedule and could harm our business.

We engage certain third-party contract manufacturers to carry out wafer fabrication, gate driver manufacturing and discrete device packaging. In 2023, 2024 and 2025, we engaged 10, 13 and 17 third-party contract manufacturers to provide manufacturing outsourcing services, with related costs amounting to RMB31.6 million, RMB24.3 million and RMB40.9 million, respectively. In 2023, 2024 and 2025, our outsourcing services costs accounted for 9.0%, 7.4% and 11.8% of our cost of sales during the same periods. Our inability to engage qualified contract manufacturers may hinder our ability to fulfill customer orders. Our regular monitoring of and quality checks on the performance of contract manufacturers may not be effective or sufficient to ensure their service quality. We are exposed to legal liabilities if we are not able to monitor the performance of our contract manufacturers, or if our contract manufacturers violate any laws, rules or regulations in connection with matters such as environmental protection, and health and safety, which may affect their renewal of relevant registrations or license or may even lead to revocation of their registrations or license.

In addition, the engagement of contract manufacturers also exposes us to risks associated with any non-performance, delayed performance or substandard performance by our contract manufacturers. In such cases, we will have to appoint replacement service providers and additional costs will be incurred. We may also incur additional costs or be subject to liability due to delay in schedule or defect in the works of our contract manufacturers or if there is any accident causing personal injuries or death of our contract manufacturers' employees. These events may impact our profitability, results of operation and reputation, as well as result in litigation or damages claims.

We have limited control over the operations of our distributors. Our business may be negatively affected due to risks relating to the acts of our distributors and their potential breach of agreements.

We collaborate with third-party professional distributors for marketing, branding and sales of our products such as SiC discrete devices and power semiconductor gate drivers. The performance of our distributors, their ability and distribution network to sell our products are crucial to our rapid growth, which may have direct impacts on our revenue and profitability. There can be no assurance that we will be successful in detecting any breach by our distributors with the provisions of their distribution agreements. Breach by our distributors could negatively affect our brand reputation and disrupt our sales.

Furthermore, we may be exposed to the risks of fraud or other misconduct committed by our distributors. Fraud or other misconduct by our distributors may involve engaging in unauthorized misrepresentation to our customers, misappropriating third-party intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our customers for fraud or misconduct committed by such distributor. Any claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit, any of which could result in complaints from our customers, regulatory and legal liabilities, as well as serious harm to our reputation.

A substantial amount of our revenue is attributable to a limited number of customers in each year, and such amount may fluctuate in any given period.

Our major customers include automotive manufacturers and their Tier-1 suppliers, as well as high-tech companies specializing in new energy technology. Revenue generated from our largest customers in each year during the Track Record Period accounted for 29.7%, 45.5% and 20.6%, of our total sales in the respective years. Revenue generated from our five largest customers in each year during the Track Record Period accounted for 46.4%, 63.1% and 40.4%, of our total sales in the respective years. We operate in an industry where market players tend to have a high concentration of customers. We cannot assure that our major customers will not change their business scope or business model nor suspend their operation, while maintaining their operation in compliance with applicable laws and holding appropriate operating licenses and approvals, or that they will not encounter any operating or financial difficulties. Any material adverse changes in the business, operation and financial conditions of such customers may have a material adverse effect on us. There is no assurance that we are able to maintain a good relationship with our major customers, or that our major customers will continue to have high demands for our products in the future. Under the aforementioned circumstances, if we are unable to identify suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be adversely affected.

We have a limited track record in commercialization of our products in the fast evolving SiC power device industry, which involves significant risks and uncertainties.

We have a limited track record in developing, commercializing and marketing our products. Our ability to successfully commercialize our products may involve more uncertainties, take longer, and cost more than it would if we were a company with a longer track record. We may not be able to attract, motivate and retain qualified and professional employees in the function of commercializing our products who have, among other things, adequate technical knowledge to communicate effectively with potential customers, sufficient experience in sales and marketing of products, and extensive industry connections and experience. We may not be able to scale up rapidly enough to generate significant revenue, raise additional capital or operate profitably. We will continue to encounter risks and difficulties frequently experienced by companies at an early stage of commercialization, including marketing our products, scaling up our operation and headcount, and may incur unforeseen expenses, difficulties, or delays in connection with our growth.

If we are unable to retain existing customers, acquire new customers, and increase revenue from our customer base, our financial condition and results of operations would be materially and adversely affected.

Our ability to retain existing customers, attract new ones, and maintain our customers' continued and broadening use of our products is critical to our revenue growth. Our customer engagement may decrease for a variety of reasons, including their level of satisfaction with our products, our pricing and the pricing and quality of competing products, overall economic conditions, or changes to our customers' operations. If we are unable to encourage customers to contract and use our products, anticipate changing industry trends, enhance our offerings, innovate and develop new products that meet our customers' evolving needs, and expand our operations into new markets, we may not be able to attract and acquire new customers. Our success will depend on our ability to continue to expand our sales capabilities to widen our customer base. If we are unable to attract, motivate and retain a sufficient number of qualified sales and marketing personnel to support our business, the commercialization of our products and our ability to attract new customers may be adversely affected.

The loss of a significant number of customers, or a decline in their growth rate, could have a material adverse effect on our business, financial condition, results of operations and prospects. The growth of our business depends in part on existing customers continuing or expanding their use of our products. However, we cannot assure you that our customers will continue to use our products. If we are unable to retain customers and maintain their continued or broadening use of our products, or if there is a decline in our customers' business performance, our growth may slow or decline, and our business may be materially and adversely affected.

RISKS RELATING TO OUR FINANCIAL POSITION

We incurred gross loss for the sales of our SiC semiconductor products during the Track Record Period.

Our results of operations have been, and may continue to be, influenced by the expansion of our product offerings and production lines. In the early stage of business development, we recorded revenue from sales of a limited number of products produced during process and equipment commissioning. We also incurred substantial expenses before achieving economies of scale. In 2023, 2024 and 2025, we recorded gross loss of RMB131.6 million, RMB29.0 million and RMB33.9 million, respectively. We may continue to incur gross loss in the short term, as we are in the stage of expanding our business and operations.

We remain committed to actively extending the application areas of our SiC semiconductor products, while continuing to expand our product offerings. Such expansion may not be consistently successful and may incur losses if the revenue from the sales of our SiC semiconductor products fails to offset our costs, which may materially and adversely affect our financial condition, results of operations and prospects.

We have incurred significant operating losses and net losses during the Track Record Period and may not be able to achieve or subsequently maintain profitability in the near future.

Since our inception, we have incurred net losses. In 2023, 2024 and 2025, we had loss for the year of RMB342.2 million, RMB237.1 million and RMB335.2 million, respectively. Our gross loss was RMB131.6 million. RMB29.0 million and RMB33.9 million for the years ended December 31, 2023, 2024 and 2025, respectively. We may continue to incur net losses in the short term, as we are in the stage of expanding our business and operations and are continuously investing in R&D. We may not be able to achieve or subsequently maintain profitability in the near future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, compete effectively and successfully, develop new products and successfully maintain and secure additional customers. Accordingly, you should not rely on the revenues of any prior periods as an indication of our future performance. We also expect our costs and expenses to increase in future periods as we continue to expand our business and operation and invest in R&D and geographic expansion. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

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 remain in the early stage of development. We have experienced rapid revenue growth and generated revenue of RMB220.6 million, RMB299.0 million and RMB311.2 million in 2023, 2024 and 2025, respectively, representing a CAGR of 18.8% from 2023 to 2025. In particular, our revenue from SiC power modules increased from RMB77.0 million in 2023 to RMB122.4 million in 2025, representing a CAGR of 26.1%. However, there can be no assurance that we will be able to maintain our historical growth rates in future periods. We may encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, and any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable industry. Our business, results of operations and financial condition depend in part on our ability to effectively manage our growth or implement our growth strategies. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If we are unable to achieve and sustain profitability, our business may be harmed. If we fail to achieve the necessary level of efficiency as we grow, our growth rate may decline, investors' perceptions of our business and prospects may be adversely affected and the market price of our Shares could decline.

Any significant delay in payment or default on our receivables could materially and adversely affect our liquidity and financial performance. Selling our products on credit terms may increase our working capital requirements and expose us to the credit risk of our customers.

Our trade and other 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 and bills receivables amounted to RMB121.7 million, RMB163.6 million and RMB175.1 million, respectively. The credit period granted to our customers was generally 30 to 90 days upon receipt of invoice or after the monthly clearing date.

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 and bills receivables turnover days increased from 149.8 days in 2023 to 174.1 days in 2024. Our trade and bills receivables turnover days increased from 174.1 days in 2024 to 198.6 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.

We had net current liabilities and recorded net operating cash outflows historically, which may continue into the foreseeable future and expose us to liquidity risk.

We had net current liabilities of RMB87.7 million and RMB293.9 million as of December 31, 2023 and 2024, and net current liabilities of RMB278.9 million as of December 31, 2025. A net current liabilities position can expose us to the risk of shortfalls in liquidity, in which case our ability to raise funds, obtain bank loans and declare and pay dividends will be materially and adversely affected. If we are unable to improve our net current liabilities position, we may face increasing difficulties in meeting our short-term obligations as they fall due, which could result in defaulting on payments to creditors and suppliers, and may also restrict our ability to pursue business opportunities or respond to unforeseen events. In addition, persistent net current liabilities may negatively impact our creditworthiness and increase our financing costs, further exacerbating our liquidity risk. If we are unable to reverse this trend or secure sufficient external financing on favorable terms, or at all, our business, financial condition and results of operations could be materially and adversely impacted.

We recorded net cash used in operating activities of RMB119.7 million and RMB24.1 million in 2023 and 2024, respectively and net cash used in operating activities of RMB111.5 million in 2025. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Sustained negative operating cash flows may also limit our ability to fund our ongoing operations, invest in business development initiatives, or respond to changes in our industry or regulatory environment. In addition, insufficient cash generated from operating activities may require us to seek additional external financing to satisfy our liquidity requirements, which may not be available on terms favorable or commercially reasonable to us, or at all. Continued reliance on external financing could increase our financial costs and expose us to further liquidity and refinancing risks. Persistent operating cash outflows may also negatively affect the confidence of our investors, creditors and other stakeholders, which could further restrict our access to capital and adversely impact our business operations. If we are unable to improve our operating cash flow position, our ability to maintain normal operations and achieve our business objectives may be materially and adversely affected.

Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing 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 adversely affected.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we benefited from government grants, many of which are non-recurring in nature or are subject to periodic review. As of December 31, 2023, 2024 and 2025, the government grants we recognized as other income amounted to RMB2.4 million, RMB24.0 million and RMB11.5 million, respectively. In addition, we enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. For example, we were recognized as a high and new technology enterprise and were entitled to a preferential income tax rate of 15% instead of 25% during the Track Record Period. See Note 10 to the Accountants' Report in Appendix I to this document.

The authorities may decide to reduce or cancel such grants or preferential tax treatment, or require us to repay part or all of the grants we previously received at any time, which could adversely affect our business, financial condition, results of operations and prospects. As these grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

Our results of operations are affected by seasonal fluctuations.

Our results of operations are affected by seasonal fluctuations in demand for our products. In particular, we typically experience higher sales in the second half of the year since many automotive manufacturers push NEV sales toward the end of the year, and the automotive industry usually experiences a decline in its own sales volume during and following the Chinese New Year, which may impact our sales in the first quarter. If we are unable to increase our production capacity to meet demand, we may lose potential sales and our customers may seek other sources to meet their needs. If we are unable to manage our production capacity during a seasonal or market-related downturn in demand, we may be unable to control costs. Our inability to react to changes in seasonal or cyclical demand on a timely basis may have a material adverse effect on our business, financial condition and results of operations.

The fair value measurements of certain financial assets require the use of estimates that are based on unobservable inputs, which inherently involves a certain degree of uncertainty, and our financial position and results of operations may be adversely affected by fair value changes in our financial assets measured at fair value through profit or loss.

Some of our financial assets are measured at fair value, which include unlisted equity investment and wealth management products. For financial reporting purposes, fair value measurements of these financial assets are categorized into level 1, 2 or 3, based on, among other things, the degree to which the inputs to the fair value measurements are "observable". The fair value of financial assets classified in levels 1 and 2 is determined based on observable prices and inputs, while the determination of the fair value of level 3 financial assets is based on valuation techniques and various assumptions of inputs that are unobservable, which inherently involve a certain degree of uncertainty. See "Material Accounting Policies" in Note 2.3 to the Accountants' Report in Appendix I to this document.

Changes in these unobservable inputs will affect the estimated fair value of our level 3 financial assets, which leads to uncertainty in accounting estimates. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of these assets. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Many of these factors, as well as others, could cause our estimates to vary from actual results and cause the fair value of our financial assets to fluctuate substantially. We are also subject to credit risks of our counterparties for our financial assets measured at fair value. A substantial decrease in the fair value of our financial assets may have an adverse effect on our financial position and may cause us to recognize a significant fair value change in financial assets at fair value through profit or loss which may in turn adversely affect our results of operations.

We have granted, and may continue to grant, certain awards under our share incentive plans, which may result in increased share-based payment expenses, affect our financial condition and results of operations, and potentially dilute the shareholding of our existing shareholders.

We adopted share incentive plans including share-based payment for the benefit of our Directors and employees to incentivize and reward the eligible persons who have contributed to our success. In 2023, 2024 and 2025, we incurred share-based payments of RMB28.7 million, RMB32.0 million, and RMB72.5 million, respectively. We believe the granting of share-based payment is of significant importance to our ability to attract and retain key personnel and employees. Nevertheless, share-based payment expenses could potentially dilute the shareholding of existing shareholders. We may continue to grant share-based payment awards to employees in the future. As a result, our expenses associated with share-based payment 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**].

We may need to raise additional capital in the future in order to execute our business plan, which may not be available on acceptable 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 do raise additional capital through public or private equity [**REDACTED**], the ownership interest of our existing shareholders, including [**REDACTED**] in this [**REDACTED**], will be diluted, and the terms of these securities may include liquidation or other 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.

Based on our cash and cash equivalents, pledged deposits and unutilised banking facilities as of December 31, 2025, and assuming our average cash burn rate going forward will be RMB9.2 million, we estimate that we will be able to maintain our financial viability for approximately 46.4 months starting May 2026 without taking into account the net [**REDACTED**] from the [**REDACTED**]. If we are unable to obtain the net [**REDACTED**] from the [**REDACTED**] or secure alternative sources of funding in a timely manner and on terms favorable to us, we may not be able to meet our working capital requirements or fund our planned capital expenditures, which could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR GENERAL OPERATIONS

Our business depends substantially on our management and highly skilled personnel including research and development personnel, and our operations may be severely disrupted if we lose their services.

Our future performance depends on the service and contribution of our management to oversee and execute our business plans and identify and pursue new opportunities and product innovations. Any loss of service of our management can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also require a significant amount of time, training and resources, and may impact our existing corporate culture.

Additionally, competition for highly skilled personnel is often intense, and we may incur significant costs to attract and retain highly skilled personnel in our R&D team. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We have experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications in competition with other companies, particularly in the areas of engineering and product development. In addition, job candidates and existing employees often consider the value of the equity awards they receive in connection with their employment. If the estimated value of our equity or equity awards declines, it may adversely affect our ability to retain highly skilled employees. If we fail to attract new personnel or fail to retain and motivate our current personnel, our business and prospects could be adversely affected.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products uncompetitive with products designed and developed by our competitors. As a result, we could be required to invest significant time and effort and may incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins, which in turn could have a material adverse effect on our business, financial condition and results of operations.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data generated during or in connection with our business operations, including our business and transactions with our customers, suppliers and business partners. The secure maintenance of such data is critical. Our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining and enhancing our brand is crucial to the success of our business and sustaining our market position. We operate in a highly competitive market characterized by rapid technological evolution, swift changes in customer demands and preferences, frequent introduction of new products, and the constant emergence of new industry standards and practices.

The successful promotion of our brand will depend on the effectiveness of our marketing efforts and word-of-mouth referrals we receive from satisfied customers. We may incur extra expenses in promoting our brand. The results of such initiatives may not cover the costs of the increased investment. We cannot guarantee that our marketing efforts will be successful, or that they will yield significant benefits that justify the costs. Any such failure may result in our declining market recognition and position, and materially and adversely affect our business, financial condition and results of operations.

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

We may be subject to various complaints, disputes and lawsuits arising out of the ordinary course of our business, including, from time to time, actual or threatened litigation relating to commercial transactions, product liability, workers' compensation, IP claims and regulatory actions. If any complaint is dealt with improperly, we may be subject to litigation and required to pay substantial damages. Any complaints, disputes and lawsuits filed by or against us, whether or not meritorious, could result in significant costs and diversion of resources, and could cause serious damage to our reputation.

During the Track Record Period and up to the Latest Practicable Date, our subsidiaries had been subject to ongoing legal proceedings and claims against us in relation to product quality, and we cannot assure you that we can successfully defend ourselves against these proceedings or claims or that legal proceedings and claims against us will not recur in the future. Ongoing legal proceedings, regardless of the merit of the cases, may result in court injunctions being issued against the relevant subsidiaries, leading to the freezing of their bank accounts. See "Business — Legal Proceedings and Compliance — Legal Proceedings." Our reputation could also be adversely affected by such claims, whether or not successful. In addition, potential damages claimed by customers, delayed deliveries, or our failure to comply with quality requirements could negatively affect market acceptance of our other products, which could have a material adverse effect on our business, financial condition and results of operations.

In addition, complaints, disputes and lawsuits filed against us may result from improper or poor-quality supplies made to us, while our suppliers may not compensate us for any costs we incur, as a result of such complaints, disputes and lawsuits, in a timely manner or at all. In that case, our business and financial condition may be negatively affected.

Our expansion into new geographical areas and jurisdictions involves inherent risks, which may adversely affect our business and results of operations.

We may face various challenges in relation to our overseas expansion plans, such as our ability to identify suitable markets, secure favorable terms with overseas sales partners, the popularity of our products in the markets we wish to penetrate, the relevant logistics and warehousing arrangements in overseas markets, and our ability to meet the legal and other requirements of the local market. More specifically, different markets have their unique social and economic circumstances and consumer preferences, which present challenges for us to introduce our products in these markets. Different legal and other requirements, such as product safety standards, may also lead to additional compliance costs and divert the attention of our management and our resources. Furthermore, operations in certain countries may be negatively affected by deterioration in political and economic relations among countries, sanctions and export controls, international trade regulations and trade protection measures, and may be subject to other geopolitical challenges, economic and labor conditions, increased duties, taxes and other costs and political instability. In addition, our international expansion plan is also subject to challenges in localizing our business and competing against competitors with more local resources in the overseas market. As a result, we cannot guarantee that our expansion plan into overseas markets can be successfully implemented. Failure to execute our overseas expansion plan could have a material and adverse impact on our future prospects, business, results of operations and financial condition.

Changes in environmental, social and governance compliance requirements could have an adverse impact on our business, financial condition and results of operations.

To identify, manage and mitigate environmental, social and corporate governance ("**ESG**") risks, we may incur additional costs and expenses, which could impact our financial performance. For instance, we acknowledge the potential environmental impact associated with sourcing our products. The production process of our raw materials consumes a substantial amount of energy and exerts pressure on environmental protection efforts. As a result, to address this impact, we may need to prioritize sustainable practices throughout our supply chain, which may involve implementing energy-efficient measures and collaborating with our suppliers to explore the use of eco-friendly materials. This commitment may entail incurring substantial additional costs and potentially impact our profitability. See "Business — Environmental, Social and Governance." We estimate that potential additional expenses related to the identification, management and mitigation of ESG risks could amount to no more than RMB0.5 million for the year ending December 31, 2025, including the additional expenses of consulting with ESG consultants regarding the identification, management and mitigation of ESG risks and the additional environmental protection expenses of our production lines.

We may not have sufficient insurance coverage to cover our business risks, including all losses or potential claims by our customers, which would affect our business, financial condition and results of operations.

We face various risks in connection with our business and may lack adequate insurance coverage or have no relevant insurance coverage. As of the Latest Practicable Date, we do not maintain any business interruption insurance or product liability insurance, which is not mandatory under PRC laws. 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. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our network infrastructure, production facilities or business operations, or any material litigation, our results of operations could be materially and adversely affected. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under the insurance policy on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

Our business may be materially and adversely affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics or pandemics, wars, terrorism, environmental accidents, power outages, or communication interruptions. The global power device industry is influenced by macroeconomic factors, including changes in economic conditions at various levels. Deterioration of the global economy, recession fears, or reduced customer confidence may decrease orders and adversely affect our financial condition and results of operations. Disruptions in global financial markets, such as sovereign debt or banking crises, may limit credit availability and restrict our access to financing, materially impacting our business and financial results.

Uncertainty regarding the long-term effects of monetary and fiscal policies, as well as concerns over international trade policies, treaties, regulations, and tariffs, may also affect our operations. Economic conditions in our operating locations are sensitive to global trends and domestic policies. Natural disasters, epidemics, pandemics, and social disruptions may cause temporary closure of our or our partners' facilities, severely disrupting operations and adversely affecting our business and financial performance. For example, typhoons, fires, and droughts pose significant risks to our regions of operation. Operations may also be disrupted if employees or partners are suspected of epidemic or pandemic illnesses, requiring quarantine or disinfection measures. Our revenue and profitability could be materially reduced if such events harm the global or PRC economy.

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

Certain foreign jurisdictions have imposed or may impose export controls, economic sanctions or other trade-related measures in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Export controls and economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in other countries and/or could result in restrictions, penalties or fines. For instance, heightened tensions between major economies, such as the United States and China, could result in stricter export controls on chips and/or semiconductors, including the licensing requirements on certain high-performance chips and items subject to the EAR depending on the end-user and/or end-use of the items set forth in relevant rules. Furthermore, if we export our products to other countries which are subject to sanctions or export controls in the future and/or if the scope of the export controls or sanctions are expanded, our business, financial condition and results of operations may be materially and adversely affected.

On August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern, granting the U.S. government the authority to establish and enforce an outbound investment screening regime. On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "Final Rule") to implement the President's Order of August 9, 2023. The Final Rule is effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "covered activities." U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in a "covered foreign persons," which are defined as "covered transactions," and include acquisitions of equity interests and contingent equity interests, certain debt financing, greenfield and brownfield investments, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities. As advised by our legal adviser in connection with the foregoing matters, we are a "covered foreign person" that engage in business activities that fall within the "semiconductors and microelectronics" sectors defined under the scope of the "notifiable transactions" under the Final Rule. As such, if U.S. persons engage in a "covered transaction" (as defined under the Final Rule), including a transaction that involves the acquisition of our equity interests, such U.S. persons are not prohibited from but may need to make a notification pursuant to the Final Rule. Any U.S. initial purchasers involved in the [**REDACTED**] process would bear the obligation to notify the Treasury. Under the Final Rule, U.S. persons obligated to notify must submit a detailed electronic notification to the Department of the Treasury within 30 days of completing a notifiable transaction or acquiring relevant knowledge. The notification should encompass essential information, including representative contact details, descriptions of the U.S. and foreign persons involved, transaction specifics (rationale, status, value, and equity stakes), organizational charts, and details of the covered activities that trigger the notification requirement. Notifications filed prior to transaction completion must be updated within 30 days if there are material changes. With the completion of the notification, there will be no further risk exposure according to the Final Rule as of the date of this document. However, upon the completion of the [**REDACTED**], a U.S. person will be permitted to [**REDACTED**] in our H Shares under the Final Rule based on the publicly traded securities exception as long as such [**REDACTED**] does not give the U.S. person any right beyond standard minority shareholder protections. Nevertheless, the Final Rule may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the [**REDACTED**] sentiment towards us, and therefore negatively impacting our ability to raise capital. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. As of the date of this document, there have been no further updates to the Final Rule.

In addition, our business may also be significantly impacted by the imposition of tariffs by the U.S. and any resulting retaliatory tariffs in the countries in which we operate. Since February 2025, additional tariffs have been imposed under the International Emergency Economic Powers Act ("IEEPA") on all imports from China. The IEEPA tariffs comprised reciprocal tariffs and fentanyl tariffs, both of which underwent multiple rate adjustments following their enactment. As of the Latest Practicable Date, in view of the U.S. Supreme Court's ruling that tariffs imposed under the IEEPA are invalid, both the reciprocal tariffs and the fentanyl tariffs have ceased to be collected since February 2026. On February 20, 2026, the U.S. government announced that a global tariff is currently imposed on imports from countries including China, under Section 122 of the Trade Act of 1974 at a rate of 10% (the "Section 122 Tariffs"). The Section 122 Tariffs are effective for a period from February 24, 2026 to July 24, 2026. There is significant uncertainty in relation to the development of these trade and political tensions. Policy changes and related uncertainty about policy changes could increase market volatility.

Historically, tariffs have led to increased trade and political tensions, between not only the U.S. and China, but also between the U.S. and other countries in the international community. There is significant uncertainty as to whether countries will be able to successfully reach any trade deals with the U.S. Rising political tensions as a result of trade policies could reduce trade volume, investment, and other economic activities between major international economies. During the Track Record Period, our products are offered to customers primarily in China. There is, however, no assurance that our sales or our customers' sales of their products will not be subject to the restrictions introduced by the U.S. from time to time.

These geopolitical tensions and their developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, which in turn can significantly impact our business and results of operations.

We may be subject to product liability or warranty claims that could result in significant direct or indirect costs, which could adversely affect our business and results of operations.

Our products are incorporated into a variety of end products. The use of end products that adopt our products could result in an unsafe condition or injury as a result of, among other factors, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or information. These factors could result in product liability or warranty claims; we could be named as a defendant in such claims, and any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subject to claims as a result of such accidents and bring claims against us to hold us accountable.

In addition, in the event that our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition. The occurrence of any material defects in our products could make us liable for damages and warranty claims. We could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Warranty, recall, product liability claims, or negative publicity may result in litigation, including class actions, the occurrence of which could be costly, lengthy and distracting and adversely affect our business and results of operations.

RISKS RELATING TO THE MANUFACTURING OF OUR PRODUCTS

Any disruption to the operation of our production bases could restrict our ordinary business operations and materially and adversely affect our financial condition and results of operations.

During the Track Record Period, we had three production bases, namely, Guangming production base, Wuxi production base and Pingshan testing base. The operation of our production bases may be disrupted by physical damage from fires, floods, earthquakes, typhoons, power outages, mechanical breakdowns, telecommunications failures, loss of licenses, certifications and permits, changes in governmental planning for the underlying land, and the regulatory development, many of which are beyond our control. As our production process, especially wafer epitaxial growth processing and safety-critical operations, requires substantial amounts of electricity, any power outage, disruption or shortage in power supply could therefore have a materially adverse impact on our production and employee safety.

As part of our production operations, we are engaged in certain inherently risky and hazardous activities, including, among other things, use of special equipment and management of special gases. Therefore, we are subject to risks associated with these activities, including gas leakages, equipment failures, industrial accidents, fires and explosions. These risks can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damages. Any of these consequences, if significant, could disrupt the operation of our production bases and result in business interruption and legal liability, and materially and adversely affect our financial condition and results of operations.

Failure to successfully execute production capacity expansion plans and our equipment maintenance and upgrades or to effectively utilize our production bases may have a material adverse effect on our business, financial condition and results of operations.

Our growth prospects and future profitability depend on, among other things, our ability to upgrade and expand the production capability, either generally or with respect to demand from customers for particular products.

We cannot guarantee that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand for or profit margin of our products. If we are unable to implement the upgrade or expansion plan cost-effectively and efficiently, our business and profitability may be adversely affected.

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. Furthermore, we have entered, and may in the future enter, into agreements for our expansion plans. Any delay or cancellation of our expansion plan or any failure to fulfill related commitments could also subject us to penalties or disputes with various counterparties. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The ASP of certain of our SiC products has experienced a downward trend during the Track Record Period and may continue to face downward pressure, which could materially and adversely affect our profit margins.

The ASP of our products is influenced by a variety of factors, including, but not limited to, market demand, product mix, technological advancements, competitor pricing, customer bargaining power and raw material costs, some of which are beyond our control. During the Track Record Period, both the market price of SiC products and the ASP of our major products generally exhibited fluctuations. See "Business — Key Operational Data." We cannot precisely predict the future trend of the ASP of our products. Any sustained or further decline in the ASP of our products, if not offset by a corresponding decrease in our costs, could result in a significant reduction in our gross profit margins and net profit and could materially and adversely affect our results of operations and financial condition.

We are susceptible to supply shortages, long lead times and increased costs of raw materials and key components, any of which could disrupt our supply chain, increase our production costs, delay deliveries of our products to customers and adversely affect our profitability.

We depend on third-party suppliers to provide a variety of materials necessary for the manufacturing of our SiC semiconductor products, including SiC wafers, specialized packaging materials, photoresists, cleaning fluids, target materials and specialty gases. Our material costs allocated to cost of sales amounted to RMB 288.4 million, RMB280.5 million and RMB229.0 million, respectively, in 2023, 2024 and 2025, representing 81.9%, 85.5%, and 66.5% of our total cost of sales for the respective periods. Our production volume and production costs depend on our ability to source key raw materials at competitive prices. However, the raw materials 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.

During the Track Record Period, we experienced significant fluctuations in the prices of critical raw materials for our production, particularly silicon carbide substrates and epitaxial wafers, which contributed to downward pressure on our ASP. Such volatility could adversely impact our business, financial performance, and customer relationships. There can be no assurance that raw material prices will remain stable or that supply shortages will not occur, as these factors are subject to uncertainties in the global power device industry, shifts in economic and trade policies, regulatory changes, geopolitical disruptions, or supply chain constraints. Furthermore, potential supplier quality issues or a sharp near-term rise in SiC wafer costs — without the ability to promptly pass these increases downstream — could compress our profit margins and reduce gross profitability. These risks may hinder our ability to secure cost-competitive and stable raw material supplies, fulfill customer contracts, or sustain operational efficiency, any of which could materially and adversely affect our business, financial condition, and results of operations.

If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Mass production of our products is crucial to our future prospects. As we have been ramping up our production capacity, we may face difficulties managing our production facilities and meeting our delivery deadlines when there is a surge in customer demand. If any of our production facilities experiences interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Failure to fulfill customers' requirements and quality control problems that occur in the manufacturing process could prevent us from meeting the stipulated delivery deadline. We may also experience delays in shipments caused by our third-party logistic service providers. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and damage our reputation and brand, affecting our business, financial condition and results of operations.

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

Our major suppliers include suppliers of SiC wafers, SiC epitaxial wafers, as well as production equipment and machinery. Purchases from our largest suppliers in each year during the Track Record Period accounted for 20.2%, 26.5% and 21.0% of our total purchase amount for the respective periods. Purchases from our five largest suppliers in each year during the Track Record Period accounted for 52.4%, 43.9% and 38.2% of our total purchase amount in the respective years.

Our reliance on these major suppliers subjects us to the concentration and counterparty risks. We cannot assure you that we will be able to maintain our relationships with our major suppliers in the future. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation, financial performance or financial condition of our major suppliers may result in material adverse impact on their business with us. For example, if the supply of key raw materials from our major suppliers is disrupted or delayed, there can be no assurance that we will be able to find new suppliers with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Should any of these occur, our business, financial condition, results of operations and profitability may be adversely affected.

If we fail to maintain adequate inventory, or if we mismanage our inventory, we could lose sales or incur high inventory-related expenses, which could negatively affect our financial condition and results of operations.

Our inventories primarily consisted of raw materials, work in progress, finished goods, goods in transit and production supplies. As of December 31, 2023, 2024 and 2025, we had inventories of RMB80.9 million, RMB78.9 million and RMB83.0 million, respectively. Our inventory turnover days were 100.2 days, 88.9 days and 85.6 days in In 2023, 2024 and 2025, respectively. Our business model requires us to manage our inventories efficiently.

We rely on demand forecasts to guide raw material purchases and production planning, but demand can fluctuate significantly and is not always predictable. Factors such as market conditions, new product launches, pricing, and discounts — many beyond our control — affect demand. When developing new products, we may face challenges in establishing stable supplier relationships and accurately forecasting demand. Some raw materials require long lead times, prepayment, and may not be returnable. As we expand our product range, managing inventory and logistics becomes more complex.

We cannot guarantee that inventory levels will promptly meet customer demand or that all inventory will be sold within a reasonable time. Ineffective inventory management may lead to higher storage costs, increased risk of obsolescence, reduced inventory value, and significant write-offs. Assessing net realizable value and required write-downs involves significant judgment and is based on current market conditions, contract prices, and historical sales experience, all of which carry considerable uncertainty. In 2023, 2024 and 2025, we made inventory write-down of RMB9.0 million, reversal of inventories of RMB18.1 million and inventory write-down of RMB9.7 million, respectively. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in diminished customer base and loss of revenue, any of which could harm our business, financial condition and results of operations.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

Our business depends on our ability to protect our intellectual property rights, and we may be exposed to intellectual property infringement and other claims by third parties in the relevant jurisdictions, which, if successful, could cause us to pay significant damages and incur other costs.

We rely primarily on a combination of our patents, trade secrets, trademarks, the confidentiality agreements signed by our employees and confidentiality agreements signed with third parties to protect our intellectual property rights. If we are unable to successfully apply for and obtain new intellectual property rights in a timely and cost-effective manner in the future, as such applications may be expensive and time consuming, our business, financial condition and results of operations could be materially and adversely impacted. Unauthorized parties may be able to obtain and use information that we regard as proprietary. Under such circumstances, to protect our intellectual property rights and maintain our competitive advantages, we may initiate legal proceedings against parties who we believe are infringing our intellectual property rights. Legal proceedings are often costly and may divert management attention and resources away from our business. In certain situations, we may have to initiate such legal proceedings in foreign jurisdictions, in which case we are subject to additional risks as to the result of the proceedings, the amount of damages that we can recover, and the enforcement process. As of the Latest Practicable Date, we were not involved in any legal proceeding against parties who we believe are infringing upon our intellectual properties.

Our success is also subject to our ability to use, develop and protect our technology and trade secrets without infringing the intellectual property rights of third parties. Others may hold or obtain patents, copyrights, trademarks, or other proprietary rights used in our products. This might prevent, limit, or interfere with our production, use, development, sales, or marketing, and could therefore disturb our daily operations and distract our management. We may receive communications from intellectual property right holders regarding their proprietary rights. Companies holding patents or other intellectual property rights may bring suits alleging infringement of such rights or otherwise assert their rights and urge us to obtain licenses. Our uses of trademarks relating to our design, software, technology could be found to infringe upon existing intellectual property rights owned by others. In addition, if we are found to have infringed upon a third party's intellectual property rights, we may be required to (i) cease to sell products that are involved in the challenged intellectual property rights owned by others; (ii) pay damages; (iii) redesign our products; or (iv) establish and maintain alternative branding for our products.

The validity and scope of any potential claims or requests can be complicated and involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings or requests can be both costly and time consuming and may significantly divert the efforts and resources of our management. A determination in any such litigation or proceedings or requests to which we are a party may invalidate our patents, subject us to pay damages to third parties, require us to seek licenses from third parties, pay ongoing royalties, redesign our products, subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Any of the aforementioned will materially and adversely affect our business, financial condition and results of operations.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment, and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for noncompliance with these requirements.

The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and over the lifetime of the patent. Non-compliance events, including failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees, and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction. In any such event, our competitors might be able to enter the market, which would materially and adversely affect our business.

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

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance.

Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY IN THE PRINCIPAL PLACE OF OUR BUSINESS

Changes in economic, political or social conditions or government policies in the countries and regions where we operate could have a material and adverse effect on our business and operations.

Substantially all of our operations are located in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

The Chinese economy has experienced significant growth over the past decades, and the Chinese government has implemented various measures to encourage economic growth. Any economic downturn, whether actual or perceived, further decrease in economic growth rates or an otherwise uncertain economic outlook in our geographic markets or any other market in which we may operate could affect our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得税法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

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

Certain judgments obtained against us by our Shareholders may be difficult to enforce.

We are a company incorporated under the laws of the PRC, and substantially all of our assets and subsidiaries are located in the PRC. The majority of our Directors and senior management reside within the PRC. As a result, it may be difficult for you to directly effect service of process upon us or such Directors or senior management who reside in China, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and 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.

The holders of the Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

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.

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

The exchange rate of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, changes in international political and economic conditions, as well as supply and demand in the local market. There is no assurance that, under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. It is difficult to predict how market forces or government policies may impact the exchange rate between Renminbi and the Hong Kong dollar, U.S. dollar or other currencies in the future.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against the U.S. dollar, Hong Kong dollar or any other foreign currency may result in a decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms. Remittances of Renminbi into and out of China are subject to strict restrictions.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, an active trading market for our H Shares may not develop, and their trading price may fluctuate significantly.

There was no public market for our H Shares prior to the [**REDACTED**]. There can be no guarantee that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of the [**REDACTED**]. In addition, the [**REDACTED**] of our H Shares is expected to be fixed by agreement between the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]) and us, which may not be indicative of the market price of our H Shares following the completion of the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the market price and liquidity of our H Shares may be materially and adversely affected.

Substantial future sales or the expectation of substantial sale of our H Shares in the public market could cause the price of our H Shares to decline.

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

We may need additional capital, and the sale or issue of additional H Shares or other equity securities could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net [**REDACTED**] from the [**REDACTED**], we may require additional cash resources to finance our continued growth or other future developments. We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell additional equity securities, which could result in additional dilution to our Shareholders.

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

As the [**REDACTED**] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**], purchasers of our H Shares in the [**REDACTED**] may experience an immediate dilution. Our existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible asset value per Share of their H Shares. In addition, holders of our H Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional H Shares in the future to raise additional capital.

The liquidity, trading volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.

The price at which our H Shares will trade after the [**REDACTED**] will be determined by the marketplace, which may be affected by various factors beyond our control, including:

- our financial performance;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, ourselves and the industry in which we operate;
- an assessment on the prospects for, and timing of, our future revenue and cost structures that independent research analysts may publish, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- general market sentiment regarding the industry we operate in;
- changes in laws and regulations of China;
- our actual or perceived failure to compete effectively in the market; and
- political, economic, financial and social conditions.

In addition, the Stock Exchange has from time to time experienced significant volatility in trading prices and volumes that have affected the market prices of securities of companies quoted on the Stock Exchange. As a result, investors in our H Shares may experience volatility in the market price of their H Shares and a decrease in the value of their H Shares regardless of our operating performance or prospects.

Our Controlling Shareholders Group has substantial influence over our Group and its interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders Group have significant influence in determining the outcome of any corporate transaction or other matter submitted to the Shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the Controlling Shareholders Group will be together entitled to control the exercise of approximately [**REDACTED**]% of the voting rights and thus remain as a group of Controlling Shareholders of our Company. The interests of our Controlling Shareholders Group might differ from the interests of our other Shareholders. In the event that our Controlling Shareholders Group cause us to pursue strategic objectives that conflict with the interests of our other Shareholders, our other Shareholders could be disadvantaged, and their interests could be damaged. Any conflict of interest between our Controlling Shareholders Group and our other Shareholders may also materially and adversely affect the aspects such as the decision and implementation of our business plans, which may in turn affect our operations and prospects. In order to meet its financing needs, the shareholders of Bronze Group pledged the shares they own in Bronze Group to Shenzhen Rural Commercial Bank Co., Ltd. Guangming Branch* (深圳農村商業銀行股份有限公司光明支行) ("**Shenzhen Rural Commercial Bank**" as collateral for a credit facility of RMB160 million (the "**Bronze Group Credit Facility**". If an event of default, such as non-payment, occurs under the Bronze Group Credit Facility, Shenzhen Rural Commercial Bank may enforce its rights against the pledgor, including enforcing its rights over all or part of the shares of Bronze Group under the Bronze Group Pledge. See "Substantial Shareholders — Pledge of Shares in Bronze Group."

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 PRC GAAP or 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 China, 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.

Certain facts, forecast and statistics contained in this document are derived from publicly available official government sources and they may not be reliable.

This document, particularly the sections headed "Industry Overview" and "Business," contains information and statistics relating to the industries in which we operate. Such information and statistics were extracted from the report prepared by Frost & Sullivan, which was commissioned by us, and from various official government publications and other publicly available publications. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Only the information from official government sources has not been independently verified by us, the Joint Sponsors, [**REDACTED**], any of their respective directors and advisers, or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," and other similar expressions. 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 risks and 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 we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

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