RISK FACTORS

An [REDACTED] in our H Shares involves risks. You should carefully consider all of the information in this Document, including our consolidated financial statements and related notes, before making an [REDACTED] in our H Shares.

Our business, financial condition, results of operations and prospects could be materially and adversely affected by any of these risks, some of which are beyond our control. Other risks and uncertainties that we are not currently aware of or that are not disclosed or implied below, or which we do not currently believe to be material, may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The [REDACTED] of our H Shares may decline due to any of these risks, and you may lose all or part of your [REDACTED]. This Document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our businesses are dependent on various downstream industries, primarily including the smart home, smart automobile, smart device and smart manufacturing solutions industries. A downturn experienced by any of these industries or the economy in China or globally could materially and adversely affect our business.

We provide a comprehensive range of smart sensing and actuation solutions for various end market applications. Our financial performance and operating results depend on the overall performance of the downstream industries where our products are used. These industries, as part of the broader sensing and actuation ecosystem, include primarily the smart home, smart automobile, smart device and smart manufacturing sectors. Changes in regulatory frameworks, environmental standards, technological trends or government incentives in these industries or macroeconomic conditions could affect our operational capabilities and financial outcomes. If the end-product markets fail to maintain robust growth or experience prolonged downturns, our business and profitability may be adversely affected.

Given our extensive sales across both China and overseas markets, we may need to change or adapt our business focuses from time to time in response to the new rules and policies regarding the end markets for our products, but we may not be able to do so in a timely and efficient manner. Any new legislations or adverse changes in requirements relating to the end product where our products are utilised could have an impact on our business, financial condition and results of operations.

Furthermore, our operations are significantly influenced by economic, political and social conditions in China and globally. Economic downturns, whether actual or perceived, in our key markets or our customers' key markets could affect our financial condition and results. Global uncertainties, such as geopolitical tensions, inflation risks and changes in monetary policies, also pose challenges to our business environment.

The industries that we operate in are highly competitive. If we fail to compete effectively and successfully, our business, results of operations and financial condition may be materially and adversely affected.

We principally operate in the smart sensing and actuation solutions market, serving the smart home, smart automobile, smart device, and smart manufacturing industries — all of which feature intense competition. The industry that we operate is highly competitive and fragmented due to the industry's complexity and diversity. According to Frost & Sullivan, in 2025, the market share of top five leading Chinese sensor suppliers only accounted for approximately 3.2% in terms of the global revenue of sensors. Such competitive landscape demands our continuous advancements and strategic initiatives in the innovation and iteration of products and production processes, production capacity, supply chain and pricing. Especially, we rely on our ability to maintain robust cooperative relationships with customers and respond rapidly to customer requirements to maintain mutually-beneficial relationships with our existing and new customers. As we expand our product portfolio, customer base and geographical markets, we will need significant managerial, financial and human resources to exceed our competitors in these aspects. We cannot assure you that we can maintain customer relationships and the pricing competitiveness to secure sales orders or gain market share.

In addition, increased competition may lower our sales volume and increase our inventory, which may in turn result in downward price pressure and materially and adversely affect our profit margin. Therefore, the ability to stay ahead of our competitors will be fundamental to our future success. If we do not continue to innovate to develop or acquire new and compelling products and solutions that effectively compete with our competitors, our business, financial condition and results of operations may be materially and adversely affected.

If we fail to keep up with the evolution of industry technologies, adapt our technology to emerging industry standards, or develop new products, or if our investments in new technologies or new products prove unsuccessful or ineffective, our business may be materially and adversely affected.

The smart sensing and actuation solutions market, including their key applications in smart home, smart automobile, smart device, smart manufacturing and other AI-empowered industries, are still evolving, and uncertainties in these emerging markets could hinder the adoption of sensing and actuation products and/or our solutions, either generally or for particular applications. Our future success will depend upon our ability to develop and introduce new capabilities and innovations into our existing product offerings, such as AKII sensors, MEMS sensors, and lead-free piezoelectric materials and other sensing technologies, as well as to expand our product portfolio to address the changing needs of these markets. During the Track Record Period, we made substantial R&D investments, which we believe are crucial factors for our future growth and prospects. In 2023, 2024 and 2025, our R&D expenses amounted to RMB43.9 million, RMB51.4 million and RMB54.7 million, respectively, representing approximately 9.4%, 8.3% and 8.0% of our total revenue during the same periods.

The revolution of technologies and the emergence of new industry standards pose significant challenges. If we fail to keep up with these changes or adapt our technology accordingly, our competitive position could be compromised. This may necessitate additional investments in technology upgrades and process improvements to align with industry standards. However, there can be no assurance that our R&D projects will yield the expected outcome or be completed within the anticipated time frame and budget. If we fail to commercialise our R&D efforts, we may incur significant sunk costs. Even if the newly developed products can be launched as we expected, there can be no assurance that they will be accepted by our customers and achieve the anticipated sales target or profit. Furthermore, there can be no assurance that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. In such cases, we may lose market share and our business may be materially and adversely affected.

We derive a substantial portion of our revenue from our top customers and any significant decrease in their order levels may adversely affect our business.

A significant portion of our revenue is derived from a limited number of customers. In 2023, 2024 and 2025, revenue generated from our top five customers accounted for 38.0%, 35.7% and 37.3% of our total revenue, respectively, and revenue generated from our largest customer accounted for 13.9%, 13.2% and 18.1% of our total revenue for each of the year during the Track Record Period, respectively. As such, we may be affected by risks arising from customer concentration. There can be no assurance that we will be able to maintain our relationships with our major customers in the future. Demand from our major customers may fall short of our estimation due to changes in our customers' business models, strategies or financial condition, or changes in the smart sensing and actuation solutions markets, including downstream industries such as the smart home, smart automobile, smart device and smart manufacturing sectors, as well as overall macroeconomic conditions. If any of our major customers loses its market share, resulting in reduced purchases of our products, or if there are any adverse changes in our relationships or key commercial arrangements with our major customers, we may not be able to identify new customers in a timely manner and conduct our sales on commercially reasonable terms, or seek alternative ways to make up for the decrease in sales, which in turn could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We purchase our major raw materials and outsourced services from a selected number of key suppliers.

Procurement of our major raw materials is essential to our operations purchase our major raw materials from a selected number of key suppliers. We also purchase outsourced labour services from our largest supplier for certain limited ancillary production processes. In 2023, 2024 and 2025, purchase from our five largest suppliers, including purchases of both raw materials and outsourced services, were RMB72.9 million, RMB132.5 million and RMB128.1 million, representing 35.0%, 42.2% and 41.2% of our total purchases in the respective periods. In addition, in each year of the Track Record Period, purchases from our largest supplier, including purchases of outsourced services, were RMB40.8 million, RMB80.1 million and RMB85.6 million, representing 19.6%, 25.5% and 27.5% of our total purchases in the respective periods. See "Business — Raw Materials and Suppliers" for further details.

Any deterioration in or termination of our relationships with these key suppliers or interruptions in their operations could adversely affect our production capabilities, supply chain stability and product quality. The stability of our key suppliers' operations and strategies is subject to a number of factors beyond our control. Identifying qualified alternative suppliers is a time-consuming and costly process, with no guarantee of success. Any delays or inefficiencies in securing alternatives could lead to production interruptions, increased costs or failure to fulfil customer orders, adversely affecting our reputation and market competitiveness.

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

Our production operations depend on obtaining adequate supplies of quality raw materials on a timely basis. The raw materials used in our production of sensing and actuation products mainly include electrode materials (e.g., silver and gold), electronic components (e.g., IC), rubber and plastic materials, electronic wires and base metal materials. Some of the upstream materials used in electrode, notably precious metals such as silver and gold, are subject to significant and unpredictable price volatility beyond our control. According to Frost & Sullivan, the prices of metals and electrode materials have experienced an increase over the past few years. We cannot predict whether, and to what extent, these metal prices will continue to rise or fall in the future. We also cannot guarantee that our R&D of using cooper as a substitute will be successful. Fluctuations in the prices of these raw materials, particularly precious metals such as silver and gold, may affect our production costs and overall profitability. During the Track Record Period, costs on raw materials accounted for a significant amount of our cost of sales, amounting to RMB121.6 million, RMB172.7 million and RMB197.0 million and accounting for 42.0%, 42.9% and 44.3% of our total cost of sales, respectively.

Similarly, the prices of the parts and components used in our production may also be subject to volatility due to external factors, and we may not be able to pass on incremental costs to our downstream customers, or ensure continued supply from our suppliers at reasonable prices. Any shortage or increase in the price of raw materials, parts and components may adversely affect our business, financial condition and results of operations.

We may not be able to increase our production capacity and implement other expansions as planned.

In 2023, 2024 and 2025, our production capacity of sensors and actuators was 194.9 million units, 216.9 million units, and 231.5 million units, and our production capacity utilisation rate was 67.3%, 70.3%, and 59.4%. Going forward, we intend to maintain our competitive advantages by expanding our production capacity and exploring new business opportunities in the fields of smart sensing and actuation solutions, particularly in AI-empowered application scenarios, including smart home, smart automobile, smart device and smart manufacturing sectors, as well as emerging AI application areas such robotics, low-altitude economy, and underwater applications. Such expansion plans and any other future growth initiatives would require significant capital investments in new production facilities, R&D, and the engagement of additional qualified personnel. In addition, the success of our existing and future expansion plans depends on a few factors beyond our control, such as progress of the construction conducted by third-party construction companies, local laws and regulations, government support and customer demand. The integration of future expansion projects into our existing operations may be subject to unforeseeable delays, which may, among other things, increase our integration costs, strain our production capacity at other locations, decrease our production efficiency and cause delays in delivery of customer orders. As such, there can be no assurance that we will be successful in implementing our strategies. Even if our strategies are implemented successfully, there can be no assurance that our strategies will lead to successful achievement of our business objectives.

Moreover, we may seek to expand our business through cooperation, strategic investments, mergers and acquisitions and partnership in the future. The success of these endeavours depends on the availability of, and competition for, suitable targets and opportunities, as well as financial resources, including available cash and financing capacity. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any investment, partnership or cooperation, the desired level of control in management decisions of the partnership or our anticipated investment return from such business expansion.

If we fail to maintain an effective quality management system, particularly during the production expansion, our business, reputation, financial condition and results of operations may be materially and adversely affected.

Our product quality is critical to our success. Our quality management system may not always identify latent product defects, which could lead to failures during production, resulting in operational malfunction for our customers. The effectiveness of our quality management system depends on a number of factors, including the design of the system, the machineries used, the quality of our staff and related training programmes and our ability to ensure that our employees adhere to our quality management policies and guidelines. In the event that the use of end-products that adopt our products results in an unsafe condition or injury as a result of, among other factors, our component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or information, it 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 subjected 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 or return, 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.

Our profitability and financial performance are affected by foreign exchange rate fluctuations.

A significant portion of our trade and bills receivables, as well as a substantial portion of our revenue and cash on hands, are denominated in currencies other than the functional currency of our Group, being RMB, which exposes our Group to foreign exchange risks. Any significant fluctuations in the exchange rates between foreign currencies and RMB may materially and adversely affect our results of operations. Renminbi has experienced volatility against the U.S. dollar, driven by a combination of macroeconomic factors, geopolitical tensions and divergent monetary policies between China and the United States. Any future appreciation of the Renminbi against the U.S. dollar would lead to potential exchange loss for our trade and bills receivables and cash on hands denominated in the U.S. dollar when converted to our functional currency.

As of the Latest Practicable Date, we do not have a foreign exchange hedging policy to monitor our foreign exchange exposure. In 2023, 2024 and 2025, we recorded foreign exchange gains of RMB3.5 million, foreign exchange gains of RMB4.0 million and foreign exchange losses of RMB4.1 million. We cannot predict the impact of future exchange rate fluctuations on our results of operations, and we cannot assure you that we will not incur any net exchange loss in the future. For further details on foreign currency risk exposures and related sensitivity test, see Note 41 of Appendix I to this Document.

Our sales and operations in overseas markets outside of China expose us to operational, financial and regulatory risks.

Sales to overseas customers accounted for 50.5%, 46.4% and 40.0% of our revenues during in 2023, 2024 and 2025, respectively. We aim to grow our overseas sales, continue working closely with international brand manufacturers outside China, and expand our international operations and sales channels. However, these efforts may not be successful. International operations are subject to a number of other risks, including: exchange rate fluctuations; political and economic instability; global or regional health crises; laws and business practices favouring local competition; increased difficulty in managing inventory; delayed revenue recognition; stringent regulation of the autonomous or other systems or products using our products; difficulties and costs of staffing and managing foreign operations; import and export laws and the impact of tariffs; changes in local tax and customs duty laws; and impacts arising from religious or cultural practices.

The occurrence of any of these risks could negatively affect our international operations and consequently our business, operating results and financial condition.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency, cyber-attacks or security breaches.

We rely on information technology networks and systems to support our daily operations. Our information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. If we do not effectively resolve the issues in a timely manner, our business, results of operations and financial condition may be materially and adversely affected, and we could experience delays in reporting our financial results. We utilise cloud-based data centre and cloud service providers for daily operation and maintenance services of certain businesses. Any errors, defects, disruptions, or other performance problems with data centres could adversely affect our business operations and reputation.

International trade policies, geopolitics and trade protection measures, including export control, economic or trade sanctions, outbound investment rules and tariffs, are evolving and are subject to significant level of discretion that the relevant authorities have in interpreting and enforcing the applicable laws and regulations, which may materially and adversely affect our business, financial condition and results of operations.

We have exported our products to a large number of countries and regions and derive significant sales from exporting to these countries and regions. As of 31 December 2025, our products had reached Asia, Europe, North America and others, spanning over 46 countries and regions.

Exports of our products must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. For example, U.S. economic sanctions prohibit the provision of products and services to certain countries or regions, governments and persons targeted by U.S. sanctions. We had limited transactions with (i) certain customers subject to U.S. export control restrictions or located in sanctioned countries or regions, and (ii) a supplier subject to blocking sanctions. The secondary sanction risks cannot be ruled out due to the large discretion of sanctions enforcement agencies. For details, please see "Business — Export Controls and Sanctions." European Union sanctions also have similar regimes to prohibit the provision of products and services to countries or regions, governments and persons on their respective target list. Such laws and regulations are likely subject to frequent changes, and their interpretation and enforcement involves substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. We could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results.

In addition, we have operations in multiple jurisdictions. We have established localised customer service centres in the U.S. and Germany, and have an overseas factory in Malaysia. Therefore, government policies affecting international trade and investment, such as capital controls, economic or trade sanctions, export controls, tariffs or foreign investment filings and approvals, may affect the demand for our products and services, impact the competitive position of our products, or affect our capability to sell products in certain countries or regions. If any new tariffs, legislation or regulations are implemented (including those imposing economic or trade sanctions, and those regarding export control or outbound investments), or if existing trade agreements are renegotiated, such changes could affect our business, financial condition and results of operations. Especially, the evolving U.S. foreign policy and trade regulations, particularly the potential introduction of further trade restrictions and tariffs on specific products and products originating from certain countries or regions, could disrupt our supply chain, increase costs and negatively impact our ability to compete in the global market. To the best of our knowledge, some of our actuators are ultimately sold to the North American market through our customers. Other than that, we do not monitor if customers located outside the U.S. resell the products to the U.S. market, which increases the uncertainty from the evolving U.S. foreign policy and trade regulations. Moreover, such changes could potentially provoke retaliatory measures from other countries, exacerbating international trade tensions and contributing to an uncertain business environment. Additionally, policy changes and related uncertainty about policy changes could increase market volatility. Because of these dynamics, we cannot predict the impact of any future changes to the U.S.'s or other countries' trading relationships or the impact of new laws or regulations adopted by the U.S. or other countries on our business.

Furthermore, in recent years, there have been heightened complexities in international relations. Such tensions could reduce levels of international trade, investment, technological exchange and other economic activities, which would have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition and results of operations.

Our business benefits from the expertise and dedication of our management team and highly skilled personnel. We may face challenges in recruiting and retaining such individuals, which could impede our technological advancement and business growth.

We benefit from the continued services of our management team and highly skilled personnel, to oversee and execute our business plans, identify and pursue new opportunities and perform effective product design and R&D. If we are unable to identify, attract and retain suitable personnel to form and expand our teams, we may encounter challenges in executing our business development and expansion plans, which could in turn adversely affect our business, financial condition, results of operations and prospects.

Any shortage of skilled professionals could also lead to delays in product development, hinder our ability to respond to market demands, and affect our capacity to manage and integrate our international operations effectively. Additionally, the loss of key personnel or the inability to attract new talent could result in a loss of institutional knowledge and expertise, adversely affecting our business operations and future prospects.

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

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. We may not be able to obtain additional funds on terms acceptable to us, or at all, and our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions in the markets in which we operate. Furthermore, if we raise additional funds by incurring debt, we may be subject to various covenants under the relevant debt instruments. If we fail to service our debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be adversely affected.

We are exposed to inventory management risks.

Our inventories consist of raw materials, work-in-progress, finished goods and goods in transit. As of 31 December 2023, 2024 and 2025, our inventories were RMB80.1 million, RMB102.6 million and RMB79.6 million, respectively. Our inventory turnover days for the same periods was 89 days, 83 days and 75 days, respectively.

If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. 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 a diminished customer base and a decrease in revenue, any of which could harm our business, financial condition and results of operations. For details of our inventory and inventory management policies, see "Business — Warehousing, Logistics and Inventory Management — Inventory Management."

Our business is subject to seasonality.

We experience seasonality in our business. During the Track Record Period, we generally recorded lower revenue in the first quarter of each year, primarily because certain customers in the PRC and overseas markets may reduce production and operations, or defer procurement and project implementation, during the Chinese New Year and Christmas holidays. See "Business — Seasonality". As we continue to grow and expand our business and as the industry where we operate continues to evolve, the seasonality of our business is subject to a variety of uncertainties and may change in patterns in the future, and the impact of seasonality on our results of operations may also increase in the future. As a result, comparing our operating results on a period to period basis may not be meaningful, and our results of operations and the price of our Shares may fluctuate from time to time due to seasonality.

If we experience operational disruption in our production facilities, our inventory level and production schedule may be adversely affected.

Our success and reputation depend on our ability to deliver quality products to our customers on time and in required quantities, which in turn relies on the proper and reliable functioning of our production processes. Operational disruptions in our production facilities may arise from unexpected incidents or catastrophic events, including natural disasters, fires, interruptions to our information systems, technical or mechanical failures, power shortages, explosions, epidemics, loss of licences, certifications or permits, changes in governmental planning for the underlying land, and regulatory developments. In the event of such disruptions, maintaining production volumes and ensuring sufficient stock levels to meet customer demands could be challenging. Identifying and securing alternative facilities or machinery in a timely and cost- effective manner may not always be feasible. Any prolonged suspension of operations or significant disruptions in our production processes could materially and adversely affect our business operations.

Increases in labour costs and other labour-related matters may materially and adversely affect our business operations.

There can be no assurance that any labour problem involving us will not arise in the future. If our employees were to engage in any large-scale labour disputes or workforce interruptions, we could experience significant disruption of our operations and/or higher ongoing labour costs, which may have an adverse effect on our business, financial condition and results of operations.

In addition, labour costs in regions where we operate could potentially increase, which may increase our manufacturing costs. Factors contributing to rising labour costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers as our automation capabilities have not kept pace with our production needs. We may not be able to pass on these increased costs to downstream customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease and our financial condition and results of operations may be materially and adversely affected.

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

The PRC EIT Law imposes an EIT rate of 25% on business enterprises. Our Company and some of our subsidiaries are entitled to preferential tax treatment. For example, during the Track Record Period, our Company and certain of our subsidiaries in China have obtained High and New Technology Enterprises certification, and they were subject to a preferential corporate income tax rate of 15% with a validity period of three years. See "Financial Information — Key Components of Our Consolidated Statement of Profit or Loss — Income Tax Expenses." To the extent there are any changes in the laws and regulations governing preferential tax treatment, or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly.

We also operate in countries and regions overseas and are subject to various taxes. Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. In 2023, 2024 and 2025, our effective tax rate is 8.8%, 8.7% and 9.9%, respectively. See "Financial Information — Key Components of Our Consolidated Statement of Profit or Loss — Income Tax Expenses."

We may not be able to adequately protect or enforce our intellectual property rights or prevent unauthorised parties from copying or reverse engineering our products and solutions, and such efforts to defend and protect our intellectual property may be costly.

The success of our products and our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the jurisdictions where we operate. We rely on a combination of patent, trademark, trade secret and laws related to intellectual property in China and other countries or regions to establish and protect our proprietary rights, and yet all of which may provide only limited protection.

Protecting against the unauthorised use of our intellectual property and other proprietary technology is expensive and difficult, particularly internationally. Unauthorised parties may attempt to copy or reverse engineer our technologies or certain aspects of our solutions that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights. Any such litigation, whether initiated by us or a third party, could result in substantial costs and diversion of management resources, either of which could adversely affect our business, operating results and financial condition.

We may face claims of infringement on know-how and intellectual property rights by third parties which, if resolved unfavourably, could result in the loss of rights and the obligation to pay damages.

Our continued success depends on our ability to use and develop our technology and know-how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to our products and other technologies involve complex scientific, legal and factual questions and analyses and may therefore be highly uncertain.

There can be no assurance that we will not be subject to such claims in the future. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming. An adverse determination in any such litigation or proceeding to which we may become a party could subject us to liability to third parties, require us to seek licences from third parties, pay ongoing royalties or redesign our products or subject us to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Litigation could also result in our customers deferring or limiting their purchase or use of our products until resolution, as well as diversion of our management's attention. The occurrence of any of the foregoing could have an adverse effect on our business, financial condition and results of operations.

Our historical results may not be indicative of our future performance and our results of operations, and we may not be able to manage future growth effectively.

The historical financial information included in this Document is not expected to be indicative of our future financial results. Our future growth is, to a certain extent, based upon our forward-looking assessment of market prospects. We cannot guarantee that our assessment will always turn out to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses to continue to increase in the future. If we fail to achieve the necessary level of efficiency in our organisation as we grow, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be exposed to credit risks arising from our trade and bills receivables. Failure to collect our trade and bills receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

Our trade and bills receivables primarily include amounts due from our customers for products in the ordinary course of business. As of 31 December 2023, 2024 and 2025, our trade and bills receivables amounted to RMB197.8 million, RMB247.4 million and RMB267.3 million, respectively. Our trade and bills receivables are due ranged from 30 to 150 days. See "Financial Information — Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables."

Our trade and bills receivables turnover days decreased from 141 days in 2023 to 132 days in 2024 and then to 137 days in 2025. We cannot assure you that we will be able to collect all or any of our trade and bills receivables on time, or at all. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

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

During each of the years ended 31 December 2023, 2024 and 2025, we received government grants in the amount of RMB2.2 million, RMB6.1 million and RMB4.9 million, respectively. We may not be able to continue to enjoy similar government grants in the future as they are non-recurring in nature. The discontinuation of any of our government grants could adversely impact our net income. Government grants are subject to review of authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants to which we and certain of our subsidiaries are currently entitled would be successfully renewed.

There is uncertainty about the applicability or recoverability of our deferred tax assets, which may affect our financial position in the future.

We had deferred tax assets of RMB6.3 million, RMB10.7 million and RMB10.6 million as of 31 December 2023, 2024 and 2025. We recognise deferred tax assets for all deductible temporary differences, the carry forward of any unused tax credits and any unused tax losses to the extent that our management determines that it is probable that we will generate future taxable profit against which such deferred tax assets can be utilised. See Note 18 to the Accountants' Report set out in Appendix I for further details on our accounting policy with respect to deferred tax assets and on the movements of our deferred tax assets during the Track Record Period. Such determination requires significant judgement from our management. If such judgements turn out to be imprecise, we may need to adjust our tax provisions accordingly and our business, financial condition and results of operations may be adversed affected.

Changes in the fair value of financial assets at fair value through profit or loss and other comprehensive income may affect our results of operations.

Fluctuations in the fair value of our financial assets at fair value through profit or loss and other comprehensive income ("**FVTOCI**"), which consist of unlisted equity investment and bills receivables, may impact our financial results. See Note 21 to the Accountants' Report set out in Appendix I and "Financial Information — Selected Items from the Consolidated Statements of Financial Position — Trade and Bills Receivables." The methodology that we use to assess the fair value of such financial assets involves a significant degree of management judgement and is inherently uncertain. We cannot assure you that we will not incur any fair value losses on such financial assets in the future. If we incur such fair value losses, our results of operations, financial condition and prospects may be adversely affected.

We may incur impairment loss on long-lived assets in the future. Significant impairment of our long-lived assets could adversely impact our financial position and the results of our operations.

We evaluate our long-lived assets — including property, plant and equipment, right-of-use assets, and intangible assets — whenever events or changes in circumstances suggest that the carrying amount of an asset may not be recoverable. If such an indication arises, we estimate the recoverable amount of the cash-generating unit to which the asset belongs to determine the extent of any impairment loss, if applicable. If our estimates and judgements are inaccurate, the fair value determined could be inaccurate, the impairment may not be adequate, and we may need to record impairments in the future. Any significant impairment losses charged against our long-lived assets could materially adversely affect our results of operations.

We historically invested and may in the future invest in wealth management products, which carry investment risks.

During the Track Record Period, we invested in wealth management products issued by the banks to mobilise our capital and generate investment returns for the benefits of our Shareholders. As of 31 December 2023, 2024 and 2025, our wealth management products issued by the banks, which were measured at fair value through profit or loss, amounted to RMB90.0 million, RMB220.0 million and RMB718.0 million, respectively. Going forward, we may from time to time invest in wealth management products if these products are in our interest upon evaluations and analyses. The investment in wealth management products may be subject to various risks that are out of our control, including risks relating to macro-economic environment and general market conditions, as well as the risk control and the credit of the issuing banks. If we fail to properly manage the risks in relation to our investment in wealth management products, we may incur losses, and as a result, our financial condition may be adversely affected.

Our title to five land and buildings we own may be defective and our right to lease and use the properties may be challenged, or we may fail to extend or renew our current leases or locate desirable alternatives for our facilities on commercially acceptable terms, which could adversely affect our business.

As of the Latest Practicable Date, we had not obtained the property ownership certificates for five buildings and we have one property where the actual use is inconsistent with the designated use stated in the property ownership certificate. See "Business — Properties." We may not be able to ultimately obtain the relevant title certificates or continue to use our property for its existing use, and our ownership and use of such properties may be affected.

When our current leases expire, we may fail to extend or renew our leases for reasons such as unavailability of the premises for a new lease term or substantially higher rent demanded by the owners. We cannot assure you that suitable alternative locations will be readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be adversely affected.

Any failure to make adequate contributions to employee benefit plans as required by PRC regulations may subject us to regulatory risks.

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a mainland China enterprise is required to set up housing provident fund accounts and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a mainland China enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full.

During the Track Record Period, we made social insurance and housing provident fund contributions for the vast majority of our employees in accordance with applicable laws and regulations. However, we did not make social insurance contributions for our employees in full. Separately, we did not make housing provident fund contributions for a small number of our employees as they voluntarily opted out for such housing provident fund scheme. The amount of the shortfall in respect of social insurance and housing provident fund contributions accounted for less than 0.7% of our total revenue in each year of the Track Record Period. Having considered the immaterial amount involved, we did not make any provision in respect of such shortfalls during the Track Record Period. For details, including the potential regulatory risks, please refer to "Business — Employees" in this Document.

As advised by our PRC Legal Advisor, (i) under the Regulation on the Administration of Housing Provident Funds, (a) if we fail to complete housing provident fund registration or to establish housing provident fund accounts for our employees before the prescribed deadlines, we may be subject to a fine ranging from RMB10,000 to RMB50,000 for each non-compliant subsidiary or branch, and (b) if we fail to pay housing provident fund contributions within the prescribed deadlines, compulsory enforcement by the court can be applied; and (ii) according to the PRC Social Insurance Law, (a) for outstanding social insurance fund contributions that we did not promptly pay in full, the relevant PRC authorities may demand that we pay the outstanding social insurance contributions within a stipulated deadline and we may be liable for a late payment fee equal to 0.05% of the outstanding contribution amount for each day of delay, and (b) if we fail to make such payments within the stipulated deadline, we may be liable to a fine of one to three times the outstanding contribution amount. We have obtained confirmation letters issued by relevant authorities for the PRC members of our Group confirming that there is no record of any penalties imposed by the relevant authorities for violation of the relevant laws and regulations during the Track Record Period. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in mainland China, we may be exposed to penalties or be required to compensate employees.

Furthermore, on 31 July 2025, the PRC Supreme People's Court promulgated the Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》), (the "**New Judicial Interpretation**"), which took effect on 1 September 2025. According to Article 19(1) of the New Judicial Interpretation, if an employer and an employee agree or the employee undertakes that social insurance contributions need not to be paid, the People's Court shall deem such agreement or undertaking invalid. Where an employer fails to pay social insurance contributions in accordance with the law, and the employee seeks to terminate the labor contract and claims economic compensation from the employer pursuant to Article 38(3) of the PRC Labor Contract Law, the People's Court shall support such claims, in which case, the employer remains liable for paying economic compensation (calculated based on the number of years of employment multiplied by the monthly salary) to the employee, notwithstanding any prior agreement to waive social insurance contributions. As advised by our PRC Legal Advisor, the New Judicial Interpretation is not expected to have a material adverse effect on our financial position and business based on that (i) the New Judicial Interpretation is not expected to increase the afore-mentioned estimated maximum potential penalty for the Group's shortfall of social insurance contributions during the Track Record Period, as the shortfall resulting from the employees' elections or mutual agreements have already been accounted for such calculation, (ii) we are not aware of any material or large-scale complaints, objections or labor disputes raised by our employees in relation to our social insurance or housing provident fund contributions, and (iii) in case that we are required by the competent authorities to make correction or payment within a prescribed time limit, or pay the shortfall of the social insurance, we undertake to actively take relevant rectification measures and make the payments as required. However, if the relevant PRC authorities hold a different view with us and determine that we are not in compliance with the New Judicial Interpretation, the financial and business performance of the Group may be adversely affected.

We may experience product return from time to time, which may adversely affect our business, results of operations and financial position.

Generally, we allow product returns if there exist product defects for which we are responsible, and the relevant products in question are still within the warranty duration prescribed in sales contracts or production specifications. In 2023, 2024 and 2025, the amount of returns for our sensing and actuation product was approximately RMB1.6 million, RMB2.6 million and RMB5.4 million, 0.34%, 0.43% and 0.79% of the total revenue of our sensing and actuation products for the same years, respectively. There is no assurance that we will not encounter material product returns or cancellation of orders due to product defects. If that happens, our business, results of operations and financial position may be adversely affected.

We rely on outsourced labour services and processing arrangements for certain ancillary production processes, which expose us to operational and quality control risks.

We engage third parties to perform certain ancillary processes, including packaging and testing services provided by one of our five largest suppliers and other limited processing services such as coating and electroplating surface treatment. During the Track Record Period, our purchases of outsourced testing and packaging services amounted to RMB42.7 million, RMB81.4 million and RMB86.2 million, representing 20.5%, 25.9% and 27.7% of our total purchases for each respective year; our purchases of outsourced coating and electroplating surface-treatment were RMB11.2 million, RMB2.6 million and RMB1.3 million, accounting for 5.4%, 0.8% and 0.4% of our total periodical procurement, respectively. These arrangements expose us to various risks, including our dependence on the continued performance, stability and quality assurance systems of these third-party processors, limited control over their labour practices, their compliance with environmental, health and safety regulations, and their ability to scale in line with our production demands. Any failure by these third parties to meet our quality standards, comply with applicable laws, or perform in a timely manner may lead to production delays, increased costs, product defects, customer dissatisfaction, reputational harm, and, consequently, a material adverse effect on our business, financial condition and results of operations.

We depend on third party logistics service providers for the transportation of our products, and our business may be materially and adversely affected if these service providers fail to perform.

We engage third party logistics service providers for domestic and international transportation to serve overseas customers efficiently. We do not directly control the operations, prioritisation, workforce, compliance practices or risk management of these logistics providers. Any failure or disruption in these logistics arrangements, including delays, labour disputes, strikes, capacity constraints, port closures, customs clearance issues, tariff or trade policy changes, epidemics or pandemics, natural disasters or other force majeure events, may materially and adversely impact our supply capabilities to customers. In addition, the cost of logistics services can be volatile and subject to fluctuations due to fuel prices, regulatory changes, geopolitical tensions or downturns in global trade. Extended logistics disruptions or higher-than-expected logistics costs may materially and adversely affect our business, financial condition and results of operations. We may be unable to secure adequate alternative logistics service providers on commercially reasonable terms when needed.

We may be subject to risks associated with our products and may lack sufficient insurance coverage for such claims. We may not be able to obtain adequate insurance for losses and liabilities arising from various operational risks and hazards to which we are exposed.

We face the inherent risk of exposure to claims when the malfunction of our products results in property damage or personal injury. Our products may experience defects, which could subject us to lawsuits, product recalls or redesign efforts, all of which would be time-consuming and costly. Moreover, a product liability claim could generate substantial negative publicity about our products and business. In addition, our business is subject to a variety of operational risks, including but not limited to, damage to or destruction of production facilities, personal injury or casualties, environmental damage, monetary loss and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities.

We may not have adequate or any insurance to cover these risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition and results of operations may be materially and adversely affected.

Maintaining our brand image is critical to our success, and any failure to do so could severely damage our reputation and brands, which would have a material adverse effect on our business, financial condition and results of operations.

Our brands have worldwide recognition, and our success depends on our ability to maintain and enhance our brand image and reputation. The value and reputation of our brands depend on factors such as the quality, design, performance, functionality and durability of our products, product innovation and customer experience. Our brands, reputation and product sales could be harmed if, for example, our products fail to meet the expectations of our customers or contain defects or fail. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products. In addition, negative publicity concerning our Company, including our Shareholders, affiliates, Directors, officers, employees, business partners and other third parties, as well as the broader industry, can have detrimental effects. Such publicity, regardless of its accuracy, can tarnish our reputation, result in loss of customer trust, decreased sales and challenges in maintaining or establishing business relationships with our customers.

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

We may be involved in legal proceedings and commercial or contractual disputes in the ordinary course of our business. We have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our business operations. The disruption of our business due to judgement, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations, financial condition and prospects.

If we fail to obtain and maintain the requisite licences, permits, registrations and filings applicable to our business, our business and results of operations may be materially and adversely affected.

Under PRC laws and regulations, we are required to obtain or complete a number of licences, approvals, registrations, filings and other permissions for our operations, including, without limitation, the certificate of registration for customs declaration entity, the pollutant discharge permit, registration for fixed pollution source and permit for discharge of urban sewage into public drainage system. We may become subject to additional licence, approval and other requirements as we develop and expand our business scope and engage in different business activities. We may fail to meet such requirements timely or at all, in which case we may be subject to administrative penalties and our ability to expand our business and sustain our growth may be materially affected. In addition, certain licences, permits or registrations we hold are subject to periodic renewal. If we fail to maintain or renew one or more of our licences and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted.

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

We adopted share incentive schemes since our incorporation. See "Appendix V — Share Incentive Plan." In 2023, 2024 and 2025, we recorded share-based payment expenses of RMB2.9 million, RMB5.0 million and RMB2.7 million, respectively. To further incentivise our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based compensations that could have a material and adverse impact on our results of operations.

We are subject to risks relating to third-party payments.

During the Track Record Period, certain of our customers settled payments with us through third-party payers (such payers, the "Third-Party Payers", and such arrangements, the "Third-Party Payment Arrangement"). In 2023, 2024 and 2025, the aggregate amount of third-party payments (the "Third-Party Payments") we received from Third-Party Payers was RMB224,000, RMB58,800 and RMB167,638, which respectively accounted for 0.05%, 0.01% and 0.02% of our Group's total revenue for the corresponding year. Since October 2025, we have started to cease allowing our customers to settle payments through Third-Party Payers. For further information, see "Business — Third-Party Payment Arrangement." We are subject to various risks relating to such Third-Party Payment Arrangements, including possible claims from Third-Party Payers for the return of funds as we have not entered into contractual relations with certain payers, and possible claims from liquidators of Third-Party Payers. In the event of any claims from Third-Party Payers or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of Third-Party Payments, we may have to expend financial and managerial resources to defend against such claims and legal proceedings, and our results of operations and financial condition may as a result be adversely affected.

We are exposed to risks on consignment arrangements for the sales of our products.

During the Track Record Period, we had a few consignment arrangements with our customer consignees. In particular, we started consignment arrangements with them in November 2024, and in 2024 and 2025, revenue generated through consignment arrangements accounted for approximately 0.1% and 3.8% of our total revenue, respectively. We have no ownership or management control of our customer consignees and cannot assure you that they will at all times strictly adhere to our consignment arrangements. Any wrongdoing of their employees, such as corruption or deliberate tampering with our products may harm our business or give rise to product liability claims or customer complaints against us. In addition, our customer consignees also sell other products that may compete directly with our products, which may hinder or impact their ability or incentive to maximise sales of our products. If our customer consignees fail to sell our products in a timely or effective manner, or at all, or if our consignment arrangements are suspended or terminated, our business, financial condition or results of operations may be adversely affected.

Our business may be materially and adversely affected by force majeure events, natural disasters or other issues beyond our control.

Natural and man-made disasters and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. An occurrence or recurrence of any of such events could result in disruptions to our operations, which could materially and adversely affect our business, financial condition, results of operations and prospects. For example, natural disasters, including earthquakes, floods, landslides and droughts, could result in deaths, significant economic losses and significant and extensive damage to factories, power lines and other properties, as well as blackouts, transportation and communications disruptions and other losses in the affected areas. Any future natural disasters, public health and public security hazards may, among other things, materially and adversely affect or disrupt our operations.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Changes in global 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.

We are susceptible to constantly changing international economic, regulatory, social and political conditions, and local conditions in foreign countries and regions. Tensions and political concerns between China and other countries or regions may adversely affect our business, financial condition, results of operations, cash flows and prospects. China's political relationships with foreign countries and regions may affect the prospects of our relationship with third parties, such as business partners, suppliers and future customers. Rising trade and political tensions could reduce levels of trades, investments, technological exchanges and other economic activities between China and other countries and regions. The imposition of tariffs and other trade restrictions by the U.S. and other jurisdictions could disrupt cross-border operations and global supply chains. We cannot predict how tariff policies in the U.S. and other countries may further evolve or anticipate the full impact of subsequent developments in such policies on our business.

The vast majority of our operations are located in China. As such, our business, financial condition, results of operations and prospects are subject to the general economic, industry and market conditions in China. The Chinese economy has experienced significant growth over the past decades, and the Chinese government has implemented various measures to encourage economic growth. These measures may benefit the overall Chinese economy, but may not have the same effect on us. Any economic downturn, whether actual or perceived 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.

We are a mainland China enterprise and are subject to mainland China tax on our global income and any gains on the sales of H Shares and dividends on the H Shares may be subject to mainland China income taxes.

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

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within mainland China paid to foreign individual investors who are not mainland China residents are generally subject to a mainland China withholding tax at a rate of 20% and gains from mainland China sources realised by such investors on the transfer of shares are generally subject to a 20% mainland China income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in mainland China. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated 28 June 2011, issued by the SAT, dividends paid to non-mainland China resident individual holders of H Shares are generally subject to individual income tax of mainland China at the withholding tax rate of 10%, in which the non-mainland China resident individual holder of H Shares resides as well as the tax arrangement between mainland China and Hong Kong. Non-mainland China resident individual holders who reside in jurisdictions that have not entered into tax treaties with mainland China are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular

Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of mainland China and the SAT on 30 March 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on 31 December 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70). As of 31 December 2025, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-mainland China resident individuals on the sale of shares of mainland China resident enterprises listed on overseas stock exchanges.

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

You may experience difficulties in effecting service of legal process and enforcing foreign court judgements against us and our management.

We are a company incorporated under the laws of the PRC and the vast majority of our business, assets and operations are located in China. In addition, substantially all of our Directors and executive officers reside in China, and substantially all of the assets of such Directors and executive officers are located in China. As a result, it may be difficult or impossible for you to effect service of process upon us or these individuals, or to bring an action against us or against these individuals in the event that you believe your rights have been infringed under the applicable securities laws or otherwise. On 14 January 2019, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**2019 Arrangement**"), which took effect on 29 January 2024. The 2019 Arrangement seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgements in a wider range of civil and commercial matters between mainland China and Hong Kong, based on criteria other than a written bilateral choice of court agreement. Under the 2019 Arrangement, any party concerned may apply to the relevant PRC or Hong Kong court for recognition and enforcement of the effective judgements in civil and commercial cases, subject to the conditions set forth in the 2019 Arrangement. However, we cannot assure you that all final judgements will be recognised and effectively enforced by the relevant mainland China and Hong Kong court.

Certain foreign exchange transactions may be subject to regulatory requirements relating to foreign currency conversion.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. For example, under the current Chinese 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 comply with certain procedural requirements. 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 RMB 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.

We may be subject to additional regulatory requirements relating to new laws and regulations in connection with overseas securities offering and listing issued by PRC government authorities.

On 17 February 2023, the CSRC issued the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) and five supporting guidelines, which became effective on 31 March 2023 (the "**Overseas Listing Regulations**"). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC ("**PRC domestic companies**") and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. See "Regulatory Overview — Laws and Regulations Relating to Securities and Overseas Listings" for further details. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to PRC and Hong Kong [REDACTED] and regulatory requirements.

As we are listed on the Beijing Stock Exchange and will be [REDACTED] on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in complying with the requirements of both jurisdictions.

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

Our A Shares are listed on the Beijing Stock Exchange. Following the [REDACTED], our A Shares will continue to be listed on the Beijing Stock Exchange and our H Shares will be [REDACTED] on the Stock Exchange. Under current PRC laws and regulations, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Furthermore, due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in our H Shares.

An active trading market for our H Shares may not develop or be sustained.

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity will develop and be sustained following the completion of [REDACTED]. The initial [REDACTED] for our H Shares to the public will be the result of negotiations, and the [REDACTED] may differ significantly from the market price of the H Shares following the [REDACTED].

We have applied to the Stock Exchange for the [REDACTED] of, and permission to [REDACTED], the H Shares (including any H Shares which may be issued pursuant to the exercise of the [REDACTED]). However, the [REDACTED] on the Stock Exchange does not guarantee that an active and liquid trading market for the H Shares will develop, or if it does develop, that it will be sustained following the [REDACTED], or that the market price of the H Shares will not decline following 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 could be materially and adversely affected.

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

Our Single Largest Group of Shareholders has 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, privatisations, 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), our Single Largest Group of Shareholders will be together entitled to control the exercise of approximately [REDACTED] of the voting rights. The interests of our Single Largest Group of Shareholders might differ from the interests of our other Shareholders. In the event that our Single Largest Group of Shareholders causes 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 Single Largest Group of Shareholders 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.

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

We have declared dividends in the past. In particular, in 2023, 2024 and 2025, we declared and distributed dividends of RMB13.8 million, RMB28.2 million, and RMB42.3 million, respectively. For details, see Note 12 to the Accountants' Report set out in Appendix 1 to this Document. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of China, the payment of dividends may be subject to certain limitations. Moreover, the calculation of our profit under the China Accounting Standards for Business Enterprises ("**PRC GAAP**") may differ in certain respects from the calculation under the International Financial Reporting Standards ("**IFRS Accounting Standards**"). As a result, even if we report a profit for the year under IFRS Accounting Standards, we may not have distributable profits as determined by PRC GAAP. Additionally, the declaration, payment and amount of any future dividends are subject to the discretion of our Directors after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at a Shareholders' meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of China. See "Financial Information — Dividend Policy" for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Should the [REDACTED] be higher than the net tangible book value per Share, subject to [REDACTED], you may experience an immediate dilution in the book value of the [REDACTED] you purchased in the [REDACTED] and may experience further dilution if we [REDACTED] additional Shares in the future.

The [REDACTED] of the [REDACTED] may be higher than the net tangible book value per Share immediately prior to the [REDACTED]. As a result, you and other purchasers of the [REDACTED] in the [REDACTED] may experience an immediate dilution in [REDACTED] net tangible asset value. In order to expand our business, we may consider [REDACTED] and [REDACTED] additional Shares in the future. Purchasers of the [REDACTED] may experience dilution in the net tangible asset value per share of their Shares if we [REDACTED] additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may [REDACTED] Shares pursuant to share incentive schemes, which would further dilute Shareholders' interests in our Company. See "— We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based compensations."

Certain facts, forecasts and statistics contained in this Document are derived from various official government sources and they may not be reliable.

Certain facts, forecasts and statistics contained in this Document are derived from various official government sources. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in the reproduction or extraction of such information for the purpose of disclosure in this Document. 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. However, the information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], [the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED]] or any of their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics from official government sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics from official government sources in this Document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts and statistics from official government sources.

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

As our A Shares are listed on the Beijing Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in the PRC. As a result, from time to time we publicly release information relating to ourselves on the Beijing Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares is based on the regulatory requirements of the securities authorities and market practices in the PRC which are different from those applicable to our H Shares. Such information does not and will not form a part of this Document. As a result, prospective [REDACTED] in our H Shares are reminded that, in making their [REDACTED] decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this Document. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

There has been, prior to the publication of this Document, and there may be, subsequent to the date of this Document but prior to the completion of the [REDACTED], press and media coverage regarding us and the [REDACTED]. We have not authorised the disclosure of any information concerning the [REDACTED] in the press or media. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the [REDACTED] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this Document, we disclaim responsibility for them. You should rely solely upon the information contained in this Document, the [REDACTED] and any formal announcements made by us in Hong Kong in making your [REDACTED] decision regarding our H Shares. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this Document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].