RISK FACTORS

An **[REDACTED]** *in our H Shares involves significant risk. You should carefully consider the following information about risks, together with the other information contained in this document, including our consolidated financial statements and related notes, before you decide to* **[REDACTED]** *our H Shares. If any of the circumstances or events described below actually arises or occurs, our business, results of operations, financial condition and prospects would likely suffer. In any such case, the market* **[REDACTED]** *of our H Shares could decline 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 these forward-looking statements as a result of many factors, including the risks described below. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The demand in the downstream market of our industry is evolving and subject to factors beyond our control. If we are unable to adapt to changes and compete effectively to the competitive landscape, our business may be adversely affected.

We primarily focus on providing industrial permanent magnet ("**PM**") electric-drive solutions that are designed to offer enhanced energy efficiency and cost-effective performance for industrial applications. In recent years, increasing awareness of energy efficiency, environmental considerations and tightening governmental legislation and regulations have contributed to growing demand for products featuring lower energy consumption. However, according to Frost & Sullivan, the industrial PM electric-drive solution market is still at a relatively early stage of development and faces competition from traditional transmission systems and other direct-drive technologies. As a result, our ability to drive business growth depends significantly on the continued development of the industrial PM electric-drive solution industry as well as the pace and direction of demand expansion in downstream markets. The industrial PM electric-drive solution industry is subject to substantial volatility arising from factors beyond our control, such as changes in global macroeconomic conditions, the continuity and effectiveness of government-supported policies promoting energy-efficient industrial transitions, shifts in market preferences, and the pace of energy transition across our key addressable downstream sectors. There can be no assurance that supportive policies and regulatory frameworks applicable to our industry will continue, or that downstream manufacturers will adopt or accelerate the replacement of traditional transmission systems with PM electric-drive solutions. Any stagnation in downstream demand, or any material changes in downstream market structure or preferences, could adversely affect our ability to increase revenue and expand our business.

During the Track Record Period, we provided PM electric-drive solutions to customers across a range of downstream industries, with our principal customers concentrated in the mining, manufacturing and renewable energy industries. See "Business – Our Products and Solutions – Key Products by Application Scenarios." Any regulatory changes affecting these industries, or any slowdown in their development, could adversely affect demand for our products and, in turn, our business performance. Our operations are closely linked to the development trajectories of these downstream industries and their willingness and ability to adopt more energy-efficient and cost-effective electric-drive solutions. Particularly, mining industry represents the largest application scenario of our products since our PM electric-drive solutions are especially suited for mining applications that require high load capacity, long-distance conveying and continuous operation under harsh working conditions, where operational stability, torque performance and energy efficiency are critical. The mining industry is inherently sensitive to global economic cycles, geopolitical conditions and energy-related policies, which may lead to fluctuations in demand for our products and solutions. In addition, in recent years, increasingly stringent safety regulations and standards worldwide have driven demand for explosion-proof electric-drive solutions. In China, mandatory standards applicable to the mining industry require electric-drive products and solutions used in hazardous environments such as underground mines and workshops to meet specified explosion-proof performance requirements. The continued adoption of our products and our ability to further expand our customer base depend on our capability to respond flexibly to evolving downstream requirements and to ensure that our products continue to comply with updated regulatory and safety standards.

Our business development also depends on our abilities to respond efficiently and effectively against the heightened competition within our industry. While we ranked first in China and globally in the industrial PM electric-drive system market in terms of revenue in 2025, existing and potential competitors may develop relationships with our customers in ways that could potentially harm our ability to sell and market our products. In addition, competitors with significant market presence and financial resources may enter the markets in which we operate, thereby intensifying competition by adopting more aggressive pricing policies than we can or by developing technologies and services that better address downstream customer needs. Our industry is characterized by rapid growth, continuous technological advancement and intense competition. Competition in the industry is driven by multiple factors, such as product and service offerings, cost efficiency, product quality, brand reputation, regulatory compliance, sales and service network coverage, supply chain stability, and the ability to rapidly respond to evolving and diverse customer demand. Heightened competition may result in downward pressure on prices, reduced profit margins or loss of market share, any of which could adversely affect our business, financial condition and results of operations.

Our industry is characterized by rapid technology and product iteration. Our ability to maintain technological leadership depends on successful research and development, which is inherently uncertain and costly.

Our industry is characterized by rapid technological iteration and continuous product innovation, which constantly reshape market demand and customer expectations. To maintain our competitiveness and industry leadership, we need to actively lead these developments with substantial and sustained investments in R&D. As new technologies and industry standards emerge, we must invest further in technology upgrades, process improvements, and advanced R&D initiatives. During the Track Record Period and up to the Latest Practicable Date, we made consistent R&D investment to strengthen our capabilities in upgrading our existing technologies and diversifying our product portfolios. In December 31, 2023, 2024, and 2025, our research and development expenses amounted to RMB30.2 million, RMB32.3 million, and RMB39.2 million, representing 4.0%, 3.7%, and 4.2% of our total revenue of the same year, respectively. See "Business – Research and Development." Additionally, our ability to attract new customers and retain existing ones relies heavily on continuously advancing technology as well as our products and services.

R&D activities are inherently uncertain and subject to various risks, including failure to achieve intended technical results, delays in development timelines and inability to keep pace with the technological advances in the industry. We may encounter technical challenges, delays, or unforeseen costs during product design, prototype development, testing, or certification by downstream customers.

If our continuous R&D investments cannot yield expected technological breakthroughs or commercial success, we may lose our competitive edge, which could result in the loss of existing customers and hinder our ability to attract new customers. Even if we successfully launch new products, our new products may not achieve market acceptance or may be rendered obsolete by competing technologies introduced by our competitors. Furthermore, our upgraded or newly developed products may not generate profits within a short period or at all, which could negatively affect our financial condition.

We may not be able to identify or pursue suitable expansion opportunities, implement our business strategies effectively, or achieve optimal results in future expansions, which could materially and adversely affect our business, financial condition, and results of operations.

We intend to further expand our business primarily through organic growth, including the development and commercialization of new products and expansion into new application areas, and to a lesser extent through potential acquisitions, partnerships or investments. However, there can be no assurance that our expansion initiatives will be successful, or that we will be able to achieve the anticipated commercial or strategic benefits. The successful execution of our expansion strategy is subject to various factors beyond our control, including market demand, customer acceptance, competitive dynamics, regulatory developments and overall industry conditions affecting the industrial PM electric-drive solution industry.

We are actively expanding our business into emerging high-growth sectors and further diversifying our product portfolio. See "Business – Our Products and Solutions – Growth-stage Products." Our organic expansion into new products, technologies and business lines involves inherent uncertainties and execution risks. Such expansion may require significant upfront investments in R&D, specialized production equipment and talent recruitment, while revenues from these initiatives may take longer than expected to materialize or may not materialize at all. The development and commercialization of new products depend on a range of factors, including technological feasibility, customer qualification cycles, industry adoption trends and pricing competition.

In addition, as we expand our products into emerging markets, our products may be required to comply with more stringent or evolving regulatory, safety, reliability and technical standards, some of which are still in the early stages of development and subject to further regulatory changes. For example, we have established a new energy manufacturing department in 2025. We have produced PM motors specialized to use for new-energy vessels and new-energy construction machinery and PM shaft-mounted generators to support the electrification of new-energy vessels and new-energy construction machinery, as well as wind power generation. See "Business – Our Products and Solutions – Key Products by Application Scenarios – Renewable Energy Industry." Such products are required to meet stringent safety, reliability and performance standards issued by relevant authorities. These standards are still being refined, and any delays in the finalization of such regulations or updates in compliance requirements could disrupt our business development timelines or increase certification costs. In addition, failure to meet such requirements could result in reputational harm, contractual liabilities or loss of business opportunities. There is no guarantee that our efforts to commercialize our growth-stage products would be successful, and failure to achieve meaningful market penetration could have a material adverse impact on our business.

From time to time, we may also pursue strategic acquisitions, investments or alliances to complement our organic growth. However, as of the Latest Practicable Date, we had not identified any specific acquisition or investment target. Any future acquisitions or investments may expose us to integration risks, unforeseen liabilities or difficulties in realizing expected synergies, although such activities are not the primary focus of our expansion strategy. Our expansion plans are based on assumptions regarding future market conditions, customer procurement behavior, regulatory developments and our operational capabilities. These assumptions involve inherent uncertainties. If our expansion initiatives fail to achieve the expected outcomes, or if we are unable to effectively manage the associated risks, our business growth, competitiveness, financial condition and results of operations could be materially and adversely affected.

We are exposed to the credit risks of our customers.

Our ability to secure timely payments for products and services delivered has a significant impact on our operating results, cash flows, and overall financial stability. Our financial condition is closely tied to our customers’ timely settlement of outstanding trade and bills receivables. As of December 31, 2023, 2024, and 2025, our trade and bills receivables were RMB638.0 million, RMB607.2 million, and RMB771.4 million, respectively. Accurately evaluating customer creditworthiness is inherently challenging, and there can be no assurance that our assessments will always be accurate. In addition, macroeconomic conditions, including disruptions in domestic or global financial markets, may place financial pressure on our customers. Such pressure may result in their reduced access to credit, deteriorating liquidity, or customer insolvency or bankruptcy, which could lead to delayed payments, requests for extended or renegotiated payment terms, or defaults on payment obligations owed to us.

If we are unable to collect receivables in accordance with contractual terms, our results of operations and cash flows may be adversely affected. These circumstances may negatively impact the aging profile of our trade and bills receivables and extend receivables turnover days, thereby materially and adversely affecting our financial performance. In addition, the timing gap between customer payments and our settlement of supplier invoices may create cash flow mismatches. Significant or increasing trade and bills receivables, particularly when accompanied by prolonged or worsening receivables turnover days, may raise concerns regarding recoverability and increase the likelihood of credit losses. Such developments could adversely affect our financial condition and create uncertainties regarding the sustainability of our business. If we experience substantial difficulties in recovering outstanding trade and bills receivables or customer defaults, our business sustainability, financial position, operating performance, and cash flow resilience could be materially and adversely affected.

Failure to maintain stable relationships with existing customers or attract new customers could adversely affect our business, financial condition and results of operations.

Our ability to generate and increase our revenue depends largely on our ability to retain existing customers, attract new customers or increase their spending with us. This in turn would depend on a number of factors, including our ability to offer high-quality products that address the needs of our customers at competitive prices, roll out new and enhanced features and functionalities of our products, strengthen our technological capabilities and adapt to the evolving industry trends and competitive landscape.

Our future success is expected to continue to depend on our ability to maintain and expand long-term relationships with our customers. Any deterioration in these relationships or significant reduction in revenue from these customers could materially and adversely affect our business, financial condition and results of operations. In addition, our relationships with these customers may be affected by factors such as negative publicity, controversies related to our brand image or changes in their internal policies or procurement strategies. Any changes in the market strategies, financial condition or operational capabilities of our customers may disrupt our sales channels and affect our ability to maintain or grow our market share. Any major disputes, defaults or deterioration in relationships with customers may result in loss of business opportunities, increased credit risk or collection difficulties. These factors may also lead to fluctuations in our revenue and may adversely affect our business operations.

Furthermore, our ability to further expand the scope of our business operations also depends on our ability to attract new customers and expand our customer base. There can be no assurance that we will be able to successfully identify, attract or retain new customers on commercially acceptable terms, or at all. The process of developing relationships with new customers often involves lengthy qualifications, validation and approval cycles, particularly in industries with high technical, safety and reliability requirements. In addition, new customers may have different technical specifications, procurement standards, pricing expectations or contractual terms, which may increase our development costs, extend sales cycles or compress our margins.

Shortage in key supplies or disruptions to our supply chain may have an adverse effect on our business, financial condition and results of operations. Price volatility in our raw materials may affect our profitability.

We engage third party suppliers for provision of certain key raw materials and components used in our production. See "Business – Raw Materials and Suppliers." The stability, reliability and performance of these third parties are essential to our ability to deliver products in a timely manner, maintain product quality and support our growth. Any disruption to the supply of adequate materials from suppliers to meet our needs could impair our ability to manufacture products as scheduled. We cannot guarantee that our relationships with key suppliers will sustain without any disruption in the future. If our relationships with key suppliers deteriorate or terminate, or if our key suppliers face operational difficulties that hinder their ability to provide materials on time and with consistent quality, our ability to deliver products to customers promptly could be impacted. In such cases, we cannot assure you that we will be able to identify an alternative qualified supplier in a timely manner or on commercially viable terms, which could adversely affect our business, financial condition and results of operations.

Our business operations are exposed to fluctuations in the cost of raw materials, which constitute a substantial portion of our total cost of sales. In 2023, 2024, and 2025, raw materials accounted for 77.8%, 77.5%, and 89.5% of our total cost of sales, respectively. Any substantial increase in these raw materials may directly raise our cost of sales and adversely affect our gross profit and gross profit margin, especially if we are unable to pass such cost increases on to our customers in a timely or effective manner. Availability, quality and lead times of key raw materials may also deteriorate due to global or regional shortages, unexpected supply disruptions, environmental protection measures, or changes in the regulatory environment affecting mining and processing activities. These factors may disrupt our production schedules and impair our ability to meet customer demand. As we continue to expand our product portfolio to meet evolving downstream manufacturing needs, the challenges associated with raw material sourcing and cost management may increase. Any sustained increase in procurement costs, instability in supply, or adverse developments could materially and adversely affect our financial condition, operational performance, and competitive position. Specifically, rare earth PM materials are important raw materials for manufacturing of PM motors. While the rare earth industry in the PRC is subject to regulatory oversight and policy measures by the government from time to time, including policies relating to resource management, production quotas and industry consolidation.

The manufacturing of many of our products is highly exacting and complex, as a result, our ability to utilize our production capacity, maintain production stability and manage production costs are essential to our business.

Our manufacturing operations are concentrated at our production facility in Changzhou, Jiangsu Province, which had a total gross floor area of 63,936 sq.m. as of December 31, 2025. The efficient and uninterrupted operation of our production facility is critical to our ability to manufacture products in a cost-effective manner, maintain optimal capacity utilization, achieve economies of scale and meet customer delivery schedules. The production of many of our products involves complex manufacturing processes and depends on the availability and proper maintenance of equipment, a stable electricity supply, sufficient skilled labor, compliance with environmental and workplace safety requirements and the overall reliability of our operational infrastructure. In addition, our manufacturing operations are subject to occupational health and safety risks, and there can be no assurance that our existing safety measures will prevent all workplace accidents, injuries or health-related incidents. Any production disruption, equipment failure, labor shortage, labor dispute, strike, workplace accident or non-compliance with applicable health, safety or environmental regulations could result in production delays, regulatory investigations, penalties, compensation claims, increased operating costs, reputational damage and an inability to fulfill customer orders in a timely manner. Furthermore, our production processes rely on skilled labor, specialized components, and outsourced labor and services, the costs of which are subject to fluctuations resulting from macroeconomic factors beyond our control. Any increase in such costs that cannot be fully transferred to our customers. Should any of the foregoing risks materialize, our business, financial condition and results of operations could be materially and adversely affected.

We are subject to certain risks relating to third-party settlements and payment processing-related risks.

During the Track Record Period and up to the Latest Practicable Date, a limited number of our customers (individually or collectively, the "**Relevant Customer(s)**") settled their payments with our Group through accounts of third-party payors designated by such Relevant Customers (the "**Third-Party Payor(s)**") at their request (the "**Third-Party Settlement Arrangement(s)**"). Such arrangements primarily relate to (i) related entities under common control with, or shareholders or the legal representative of, the Relevant Customers, as we may enter into transactions with a Relevant Customer that is a legal entity within a larger group and receive payments from the third-party payors within the same group, reflecting a common preference among group companies to centralize fund management and control; and (ii) to a lesser extent, downstream customers of, or other third parties that maintain business relationships with, the Relevant Customers, to facilitate payment settlement or debt recovery. We have implemented comprehensive internal control measures to record all such transactions with standardized procedures. In 2023, 2024 and 2025, 14, 15 and 24 Relevant Customers, respectively, utilized the Third-Party Settlement Arrangements. During the same years, the aggregate amounts of payments made by the designated third-party payors were RMB9.1 million, RMB19.6 million and RMB17.9 million, respectively, representing approximately 1.2%, 2.2% and 1.9% of our total revenue. See "Business – Third-Party Settlement Arrangement." During the Track Record Period, no single relevant customer contributed materially to our Group's revenue.

Third-Party Settlement Arrangements may be subject to risks, including possible exposure to money laundering risks or claims from third-party payors for the return of funds as the contractual relations with such payers may be invalid or even non-existent and possible claims from liquidators of third-party payors could arise. In the event of any claims from third-party payors or their liquidators, or legal proceedings, whether civil or criminal, instituted or brought against us in respect of Third-Party Settlement Arrangements, we may have to allocate additional financial and managerial resources to address such claims or legal proceedings, and our results of operations and financial condition may as a result be adversely affected.

We may not be successful in implementing our business plans and strategies effectively, or at all, which could materially and adversely affect our business, financial condition and results of operations.

Our business plans and strategies rely on assumptions about future developments that carry inherent risks and uncertainties and may prove inaccurate. If these assumptions are incorrect, the commercial viability of our plans and strategies could be adversely affected. As a result, there is no assurance that they will be implemented on schedule, successfully, or at all.

If we fail to execute our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage growth, capture expected market opportunities, or maintain our competitive position. Even if successfully implemented, factors beyond our control, such as regulatory changes, shortages of skilled talent, or shifts in customer demand, may prevent us from achieving our intended or profitable results. In addition, execution may increase operating costs, including higher personnel expenses, greater depreciation of manufacturing equipment and facilities, and increased cash outflows. Consequently, if our plans and strategies do not deliver the desired outcomes, we may have difficulty recovering our costs, which could materially and adversely affect our business, financial condition and results of operations.

Our historical financial performance may not be indicative of future performance and we cannot guarantee the same level of profitability.

We experienced positive growth in our revenue and other key financial metrics during the Track Record Period. Our revenue increased from RMB761.5 million in 2023 to RMB936.0 million in 2025. Our gross profit margin increased from 24.1% in 2023 to 25.0% in 2024 and further increased to 25.7% in 2025. However, there is no assurance that we will be able to maintain our historical growth rate, sustain current revenue levels, or achieve higher margins or any profitability in the future. Managing growth on a larger scale will require us to continually strengthen our corporate governance, organizational structure, and internal controls. We must also continue to recruit, train, and retain skilled personnel. These efforts will require significant managerial, financial, and human resources. Changes in the availability or cost of raw materials, labor, or utilities may further affect our cost structure and profitability. Any deterioration in our reputation or product quality could adversely affect customer loyalty and sales performance. Even with sound risk management and strategic planning, these uncertainties may lead to slower revenue growth or possible margin compression. Consequently, our historical results of operations should not be regarded as indicative of our future performance, and **[REDACTED]** should exercise caution when evaluating our prospects.

We may face risks associated with defective products and the unsatisfactory performance of our products if we fail to maintain an effective quality control system.

Our manufacturing processes must comply with applicable quality standards, and our products are subject to regulatory requirements in the jurisdictions where they are sold. See "Regulatory Overview – Laws and Regulations Relating to Product Quality." We have established a dedicated quality control team and implemented a structured quality control system designed to ensure that our products meet customer-specific specifications as well as applicable regulatory and industry quality standards. See "Business – Quality Control." The effectiveness of our quality control system depends on a number of factors, including system design, the implementation of quality standards, the adequacy of training programs, and our employees' adherence to quality control policies and procedures across the jurisdictions in which we operate or intend to expand. Our quality control measures are designed to cover key stages of the business operation process, there can be no assurance that our quality control system will always be effective. If we fail to maintain an adequate or effective quality control system, we may manufacture defective products, which could expose us to warranty claims, including product returns, replacements or recalls, as well as compensation claims and potential product liability. Any such events could increase our costs, disrupt our operations and adversely affect our business, results of operations and financial condition.

In addition, a significant portion of our products are made-to-order and highly customized to meet the specific technical requirements of our customers. Our ability to successfully deliver such customized products depends on our capability to design, manufacture and deliver products in strict accordance with the technical standards and specifications set out in the relevant customer contracts. See "Business – Sales and Marketing." If our products fail to perform as expected, do not meet contractual specifications, or fail to pass customer testing or validation procedures, we may be subject to product quality claims, contractual disputes or litigation, and may face delays or difficulties in recovering outstanding payments from customers.

We maintain a structured customer complaint handling mechanism to promptly address our customer needs. See "Business – Sales and Marketing – After-Sale Services." These efforts may not be timely to meet our customers' expectations and may disrupt our production. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources to correct the problem. Furthermore, these issues could potentially lead to lawsuits, including those filed against us by our customers or other parties, exposing us to potential liabilities and damages. There may also be subsequent negative publicity associated with litigation or negative user experience, regardless of whether the allegations are valid or whether we are ultimately found liable. In addition, certain product quality claims or contract performance disputes may also arise from defects in parts and components sourced from third-party suppliers. Such suppliers may not fully indemnify us for losses arising from these defects or may provide only limited indemnification that is insufficient to cover our potential liabilities. As a result, our customer satisfaction could be diminished, our reputation and brand could be significantly harmed, and our business, results of operations, and financial condition may be adversely affected.

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

As part of our globalization strategy, we plan to collaborate with overseas customers and expand our business into overseas markets. During the Track Record Period, we have progressively expand our overseas presence, with our products commercialized and applied across multiple international markets covering regions such as Southeast Asia, Europe, South America and Africa. However, our existing overseas presence and future international expansion expose us to a variety of inherent risks. In addition, local regulatory requirements, compliance obligations and business practices in overseas jurisdictions may differ significantly from those applicable in our existing markets, which could result in additional compliance costs, operational constraints or delays in market entry. Our overseas presence may subject us to heightened legal and regulatory risks, including uncertainties relating to export controls and economic sanctions, anti-dumping and countervailing measures, anti-corruption and anti-money laundering laws, cybersecurity and data protection requirements, environmental and labor regulations, foreign investment procedure requirements and restrictions, competition and antitrust laws, as well as tariffs applicable to our products. We may also be required to allocate additional resources to ensure that our products and solutions comply with varying local product standards, regulatory requirements and industry standards across different jurisdictions. Even if we are able to establish operations in such overseas markets, there can be no assurance that these operations will generate sufficient revenue or profitability to justify the related investments. Failure to effectively manage these risks could adversely affect our business, financial condition and results of operations. As we continue to expand into new geographic regions and broaden our overseas customer base, we expect to face increasing operational complexity. Growing shipment volumes, longer supply chains and more diverse customer requirements may increase the difficulty and cost of maintaining consistent service quality across different markets. If we are unable to effectively manage these operational challenges, it may slow down our globalization progress and our business, financial condition and results of operations could be adversely affected.

An inability to protect our intellectual property rights or actual or alleged infringement of a third party's intellectual property rights could adversely affect our business.

Our ability to protect and enforce our intellectual property rights is critical to maintaining our competitive position. See "Business – Intellectual Property." We seek to protect our intellectual property and proprietary know-how through patents, trademarks, and other forms of intellectual property protection. However, we cannot assure that such rights will be obtained in a timely manner, on favorable terms, or at all. We also rely on contractual protections, including confidentiality, non-disclosure, and trade secret provisions with our employees, contractors, and business partners. These measures may be insufficient to protect our interests, and any failure to effectively protect our intellectual property rights could adversely affect our business, financial condition, and results of operations. If we identify, or become aware of, any infringement of our intellectual property rights by third parties, we may be required to enforce our rights through litigation or other legal proceedings. Such actions can be costly, time-consuming, and may divert management's attention and resources from our business operations.

Our products may infringe or be alleged to infringe the intellectual property rights of third parties. We cannot assure that our products, services, technologies, or business activities do not or will not infringe, misappropriate, or otherwise violate patents, copyrights, trademarks, trade secrets, or other intellectual property rights of third parties. In addition, during the course of our operations, our employees, contractors, or service providers may intentionally or inadvertently use, install, access, or distribute software without appropriate authorization or outside the scope of applicable licenses. We also cannot rule out the possibility that certain systems, tools, operating software, or embedded software used in our production processes, product testing, or solutions may not be fully licensed or maintained in compliance with applicable licensing requirements. Any such infringement, unauthorized use, or licensing non-compliance could expose us to claims, litigation, damages, regulatory penalties, or contractual liabilities. Such claims or proceedings could result in substantial costs, reputational harm, operational disruption, or other adverse effects on our business, financial condition, and results of operations.

We may not be able to obtain financing at favorable terms, or at all, to support our operations and expansion.

Historically, we have funded our operations through bank loans and other borrowing, supplemented by cash generated from our business activities. While these sources have supported our needs to date, we anticipate that future requirements relating to ongoing operations, capital expenditures, strategic investments, and other funding obligations may necessitate additional external financing. There is no assurance that we will be able to obtain new bank loans and other borrowings or renew our existing credit facilities on similar favorable terms, or at all. Access to financing is subject to numerous factors beyond our control, including prevailing market conditions, fluctuations in interest rates, lender risk appetite, regulatory developments, and our own financial performance. During periods of economic uncertainty or tightening credit markets, available funding options may become more limited or more expensive, which may increase our cost of capital and further reduce the likelihood of achieving profitability.

If we are unable to secure adequate external funding on acceptable terms, we may face constraints in financing our operations, meeting our working capital needs, or pursuing our business development and growth strategies. Such constraints may hinder our ability to develop new products, expand production capacity, upgrade technologies, enter new markets, or respond effectively to competitive pressures. In severe circumstances, liquidity shortfalls may impair our ability to meet financial obligations as they fall due, which could materially and adversely affect our business sustainability, financial condition, and results of operations.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees, and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

Negative publicity and allegations involving us, our Shareholders, Directors, officers, employees and business partners, or the market as a whole, may materially and adversely harm our brand image and reputation, and cause deterioration in the level of market recognition of, and trust in, the solutions provided by us, thereby resulting in reduced sales volumes and revenue, potential loss of business partners as well as the loss of highly qualified personnel with specialized skills. In addition, such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control. Negative publicity may also result in the diversion of management's attention, and governmental investigations or other forms of scrutiny, which may have a material and adverse effect on our business sustainability, financial condition, results of operations and future prospects.

Any litigation, legal and contractual disputes, claims or administrative proceedings against us could be costly and time-consuming to defend or settle, and could result in negative publicity.

Our business is subject to the risk of disputes, claims or legal proceedings brought by customers, suppliers, employees, government agencies and others in the forms of private actions, administrative proceedings, regulatory actions or other litigation. The outcome of such proceedings can be difficult to assess or quantify. Claimants in such proceedings may seek recovery of large or indeterminate amounts, and the magnitude of potential losses relating to such disputes may remain unknown for a substantial period of time. The cost of defending future disputes or proceedings may be significant and could negatively affect our results of operations if changes to our business operations are required. There could also be negative publicity associated with such disputes or proceedings, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, any significant disputes or proceedings could adversely affect our business sustainability, results of operations, financial condition or reputation.

Any change or discontinuation of preferential tax treatment we currently enjoy would increase our tax charge.

In 2023, 2024 and 2025, we qualified as a high and new technology enterprise in the PRC and therefore enjoyed a preferential corporate income tax rate of 15%. This accreditation remained valid as of the Latest Practicable Date. As a result, our income tax expenses for the Track Record Period reflected the application of this preferential rate.

We cannot assure you that the PRC policies relating to preferential tax treatments for high and new technology enterprises will remain unchanged or that such preferential tax treatments will continue to be available to us. Our continued qualification is subject to periodic reassessment by the relevant PRC authorities, which consider factors such as the level and nature of our research and development activities, the proportion of technical personnel, the ownership and use of our intellectual property rights, and other compliance criteria. Any changes in applicable rules or their interpretations may affect our ability to meet the required standards.

If our high and new technology enterprise status is not renewed or is revoked, or if preferential tax treatments are changed, canceled or discontinued, we would become subject to the standard PRC corporate income tax rate of 25% on our taxable income. Any increase in our tax burden could materially and adversely affect our financial condition and results of operations. Uncertainty regarding the continuation of preferential tax incentives may also require us to adjust the allocation of resources to research and development or to alter the structure of certain functions or operations. Such actions could negatively affect our profitability, competitive position, and our results of operations.

If we fail to effectively manage our inventory, our financial results may be materially and adversely affected.

Our inventories primarily consist of raw materials, work in progress, goods in transit and finished goods. As of December 31, 2023, 2024 and 2025, our inventories were RMB429.4 million, RMB449.5 million and RMB510.9 million, respectively. The industrial PM electric-drive solution market is highly competitive and subject to rapid technological advancement, evolving product standards, customer preferences and frequent pricing fluctuations. As a result, our ability to manage inventory levels efficiently is critical to our operations. We rely on internal demand forecasts and customer production schedules to plan our procurement of long lead time raw materials, manage production output and maintain appropriate inventory levels. If we are unsuccessful in accurately determining appropriate inventory levels, our business, financial condition, results of operations, and prospects may be materially and adversely affected.

Certain raw materials required for our production have long lead times, are subject to supply constraints, or require advance payments, and some may be non-returnable. As we expand our product portfolio and increase the complexity of our offerings, the challenges associated with inventory planning, production scheduling, and logistics management will increase. We cannot assure you that all inventory will be sold on a timely basis. Excess inventory may result in higher storage costs, increased risk of obsolescence or impairment, and potential declines in net realizable value. We may also be required to make significant inventory write-downs or write-offs, which may materially and adversely affect our results of operations and financial condition.

We may be subject to anti-money laundering, anti-bribery, anti-corruption, sanctions and other financial crime laws and regulations in the jurisdictions where we operate or our products and solutions are applied.

We are required to comply with applicable anti-money laundering, anti-bribery, anti-corruption, sanctions and other financial crime laws and regulations in the jurisdictions where we operate or our products and solutions are applied. These laws and regulations are complex, subject to evolving regulatory interpretation and enforcement, and may impose significant compliance obligations on us. Any alleged involvement in money laundering, bribery, corruption, sanctions violations or other unlawful activities by us or persons associated with us, including our customers and suppliers, even if any such allegation is subsequently proven to be unfounded, could adversely affect our reputation. If we fail, or are perceived to fail, to comply with applicable financial crime laws and regulations, we could be subject to substantial penalties, litigation, regulatory scrutiny, remediation costs and other adverse consequences, any of which could materially and adversely affect our business, financial condition and results of operations.

We may not continue to receive government grants at historical levels or at all, which could adversely affect our financial performance.

Our Company has historically received government grants from various PRC governmental authorities. Most of these grants were one off in nature and were not subject to specific performance conditions. During the years ended December 31, 2023, 2024, and 2025, our government grants recorded in other income amounted to RMB3.3 million, RMB8.3 million, and RMB6.3 million, respectively. While these grants have contributed positively to our financial results in certain periods, they are granted at the discretion of the relevant government authorities and are not guaranteed. There is no assurance that similar subsidies will be available to us in the future in terms of amount, conditions or frequency, if at all.

If we fail to obtain and maintain the requisite licenses and approvals, our results of operation and financial condition may be materially and adversely affected.

The industry in which we operate is highly regulated. In accordance with the PRC laws and regulations, we are required to maintain certain approvals, licenses and permits in order to operate our businesses in the PRC. As advised by our PRC Legal Advisors, we had obtained the requisite licenses, permits, approvals and certificates from applicable authorities which are material to our operations, and such licenses, permits, approvals and certificates are valid and effective. Nevertheless, there can be no assurance that we will be able to obtain and/or renew all of the approvals, licenses and permits required for our existing business operations upon expiration in a timely manner, or at all. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdiction where we operate, we may be subject to penalties such as the imposition of fines and discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations, and financial condition.

We operate our business through properties leased from third parties, which exposes us to risks associated with uncertainties in lease agreements and failure to comply with required government filings and registrations could adversely affect our business.

As of the Latest Practicable Date, we leased one core property with a gross floor area exceeding 100 square meters from Independent Third Parties in the PRC. Such property has a gross floor area of 3,844.51 square meters and is used for production and research and development activities. In addition, we may from time to time lease other non-core properties, primarily for use as employee dormitories. See "Business – Property."

Under the PRC laws and regulations, the parties to a lease agreement are required to complete the registration and filing procedures for the executed lease agreement with the relevant governmental authorities. See "Regulatory Overview – Laws and Regulations Relating to Real Estate Leasing." As of the Latest Practicable Date, we had not completed the registration or filing of the above-mentioned one lease in the PRC, primarily due to difficulties in obtaining the relevant lessors' cooperation in registering such leases with the relevant administrative authorities. As advised by our PRC Legal Advisors, while the lack of registration will not affect the validity of the lease agreements, we may be required by the relevant government authorities to complete registration within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. As of the Latest Practicable Date, we had not received any order from the competent authorities requiring rectification within a specified time limit in relation to such unregistered and unfiled lease properties, and we will promptly rectify such non-compliance upon receipt of any such requirement in the future. Accordingly, as advised by our PRC Legal Advisors, the lack of registration of the lease agreements will not have any material adverse effect on our business operations.

Our business is subject to seasonality.

Our results of operations are affected by seasonal fluctuations in demand for our solutions, as affected by market trends of our customers. This seasonality is primarily attributable to the fact that: (i) a higher concentration of public holidays and vacation periods in the first half of a year in China, which may reduce production days and delay execution schedules; and (ii) customers typically establish their annual budgets, capital expenditure plans, and schedules at the beginning of a year, with the fourth quarter typically representing the key execution and completion phase of annual plans. See "Business – Seasonality." Such concentrated order placement may exert pressure on our production capacity, delivery schedule, quality control and operating efficiency. If we are unable to effectively plan in advance and adjust the production capacity and utilization rates of our production bases to accommodate such fluctuations in demand, our business operations, financial condition and results of operations may be materially and adversely affected.

Our ability to attract and retain qualified personnel could materially affect our business and the results of operations.

Our ability to sustain and grow our business depends, to a significant extent, on our capability to attract, retain and motivate individuals with appropriate qualifications, expertise and experience, including senior management, technical personnel, professional executives, engineers and sales personnel. Our senior management team possess extensive industry experience and operational expertise, and their continued involvement is an important contributor to our long-term development and overall performance. Such individuals and our other technical staff play a critical role in supporting our R&D activities and in facilitating the successful commercialization of our products and solutions. The demand for highly skilled professionals within our industry has intensified, and competition for such talent continues to increase.

Changes to our management and technical team may occur from time to time, and we cannot guarantee that our key management and technical personnel's resignation will not take place or that we will be able to identify, recruit and retain suitably qualified replacements on acceptable terms or within a reasonable period of time. Newly hired personnel may not become productive or efficient within the time frame we expect, and we may not be able to hire or retain a sufficient number of qualified individuals in the future. In addition, changes in the interpretation, implementation or enforcement of employment-related laws and regulations applicable to our workforce practices may result in increased compliance costs and reduced flexibility in managing our human resources. If we are unable to control labor costs or pass increased labor costs on to our customers, we may not be able to attract or retain qualified personnel, and our financial condition and results of operations may be adversely affected.

We may not be able to detect or prevent fraud, misconduct or arrangements related to our solutions that are unknown to or unauthorized by us and that are committed by third parties or by our employees, which may negatively affect our reputation and business.

Fraud or misconduct may include unauthorized business transactions or arrangements, bribery, improper or illegal use of our solutions, unauthorized access to our systems, misuse of data or disputes arising from arrangements by third parties involving our solutions without our knowledge or authorization. These incidents may be difficult to detect or prevent. For example, we cannot rule out the possibility that customers may misuse our products and solutions for improper or illegal purposes. These incidents may expose us to financial losses, legal or regulatory proceedings and disputes, and may seriously damage our reputation. Such incidents may also impair our ability to attract or retain customers, maintain supplier confidence, secure financing on favorable terms or conduct other business activities.

Although we have implemented risk management systems, information technology systems and internal control procedures to monitor our operations and compliance, we may be unable to identify noncompliance or suspicious transactions promptly, or at all. Fraud, misconduct or unauthorized arrangements may occur or may have occurred without being detected. The measures we have adopted may not be effective in preventing or detecting such activities. Any such failures may materially and adversely affect our business, financial condition and reputation.

Our insurance coverage may not be sufficient to cover all the losses associated with our business operations.

As of the Latest Practicable Date, we maintained insurance policies for commercial personal accident insurance and property insurance. See "Business – Insurance." We provide social security insurance as required by relevant rules and regulation in China, including general care and work-related injury insurance, for our employees. We cannot assure you that our insurance coverage is sufficient to prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Failure to make adequate contributions to various employee benefit plans may subject us to penalties.

Under PRC laws and regulations, we are required to participate in various employee benefit plans, including social insurance and housing provident funds. During the Track Record Period, we had not made full contributions of social insurance and housing provident funds based on actual employee salaries with respect to certain of our employees as required by the relevant PRC laws and regulations. As a result, we may be required to make additional contributions to social insurance fund and/or housing provident fund and pay late payments and fines under PRC laws and regulations. As advised by our PRC Legal Advisors, assuming there are no material changes in the applicable laws and regulations, or in the regulatory practices and enforcement requirements of the relevant local authorities, the likelihood that we would be subject to material administrative penalties by the competent authorities or be required to make any payments for the historical shortfalls in our social insurance and housing provident fund contributions entirely and collectively is remote.

During the Track Record Period and up to the Latest Practicable Date, we had also engaged third-party agencies for paying social insurance or housing provident funds to some of our employees on behalf of us for less than five employees on our behalf in each relevant year during the Track Record Period, which was not in strict compliance with applicable PRC laws and regulations. We adopted such arrangements mainly to enable employees working outside the cities where we are registered to make social insurance and housing fund contributions in their actual working cities through a third-party agency. As advised by our PRC Legal Advisors, if the validity of such arrangements is challenged by competent PRC authorities, we might be subject to additional contributions, late payment fees and/or penalties required by relevant PRC laws and regulations for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify such practice. Nevertheless, our PRC Legal Advisors are of the view that our such arrangement for certain employees will not have a material adverse effect on our business operations. However, as there remains uncertainties over the interpretation and implementation of labor-related laws and regulations, we cannot assure you that our arrangements with the third-party agency are and will at all times not subject us to labor disputes or government investigations.

Pursuant to Article 19(1) of 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**"), promulgated on July 31, 2025, and effective as of September 1, 2025, if an employer and an employee agree or the employee commits that social insurance contributions are not required to be paid, the People's Court shall deem such agreement or commitment invalid, and where an employer fails to pay social insurance contributions, and the employee requests to terminate the labor contract and claims economic compensation from the employer in accordance with the PRC Labor Contract Law, the People's Court shall support such claim. In light of (i) the absence of prior agreements excluding social insurance payments, or major complaints, reports, or labor disputes related to social insurance against our Group during the Track Record Period and up to the Latest Practicable Date; and (ii) as advised by our PRC Legal Advisors, the New Judicial Interpretation does not expand our penalty exposure or repeal the social insurance laws and regulations currently in force of the PRC, we believe the New Judicial Interpretation would not have a material adverse effect on our business or financial results. However, as PRC labor laws and regulatory guidance continue to evolve, we cannot assure how future developments may affect our operations. If we are deemed to have violated the relevant labor laws and regulations, we could be subject to related penalties, fines or legal fees, and our business, financial condition and results of operations could be materially and adversely affected.

Our operations may be significantly disrupted by risks associated with natural disasters, health epidemics, and other outbreaks.

Our operations are vulnerable to interruption and damage from natural disasters and other calamities, such as fires, floods, severe weather conditions, earthquakes, power failures, civil unrest and acts of terrorism. Due to their nature, we cannot predict the incidence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophes or extraordinary events were to occur in the future, our ability to operate our business could be seriously impaired, and therefore adversely affect our operations and financial conditions. In addition, our business could be affected by public health epidemics and pandemics, such as the outbreak of Ebola, SARS, avian influenza, H1N1, or COVID-19 virus or other disease. Even if we are not directly affected, such disaster or disruption could affect the operations or financial conditions of our customers, which could harm our results of operations. If any of our employees is suspected of having contracted a contagious disease, we may be required to apply quarantines or suspend our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in reduced business volume, temporary closure of our offices or otherwise disrupt our business operations and adversely affect our financial condition and results of operations.

Our risk management and internal control systems may not be adequate or effective.

We have developed and implemented comprehensive risk management and internal control policies that encompass various aspects of our business operations to supervise and address a spectrum of operational, financial, legal and market risks that may be or have been identified. While we are seeking to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective. See "Business – Risk Management and Internal Control." Since our risk management and internal control systems depend on implementation by our employees, we cannot assure you that our employees or other related third parties are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business sustainability, results of operations, financial condition and future prospects could be materially and adversely affected.

We may face risks associated with information technology ("IT") system failures, network disruptions, or cybersecurity breaches.

IT systems are critical to our ability to effectively manage our operations. If we do not allocate sufficient resources to build and sustain the proper IT infrastructure, we could be subject to transaction errors, processing inefficiencies, customer service disruptions and, in some instances, loss of customers. Moreover, if our data management systems do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, system failures, cybersecurity attack, or human error, our ability to effectively plan, forecast and execute our business plan and comply with applicable laws and regulations will be impaired. Challenges relating to the building of new IT structures can also lead us to certain errors, inefficiencies, disruptions and, in some instances, loss of customers. Our IT systems, and the systems of our third-party IT service providers may also be vulnerable to a variety of interruptions due to events beyond our control, including, but not limited to, natural disasters, terrorist attacks, electrical or telecommunications failures, software program errors, computer viruses, cyber-attacks or hackers, and other security issues or threats that may pose a risk of financial losses, business interruptions, wrongful use of information, damage to reputation, and lack of proper protection. Cybersecurity attacks are evolving and include, but are not limited to, malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information and corruption of data. Given the unpredictability of the timing, nature and scope of such disruptions, such measures may not have been effectively implemented or may not be adequate to ensure that our operations are not disrupted, and we could potentially be subject to operational interruption, damage to our image and private data exposure. We may also incur significant expenses for implementing additional security measures to protect our IT systems.

We must comply with continuously evolving laws and regulations related to data security and the protection of personal information.

We are subject to various PRC laws, regulations and regulatory requirements that govern data security, cybersecurity, network operations and the protection of personal information. See "Regulatory Overview – Laws and Regulations Relating to Data Protection and Cyber Security." These regulations have expanded rapidly in recent years and continue to evolve. Regulatory authorities may issue new rules, impose additional compliance obligations or strengthen enforcement practices from time to time. As a result, the scope, interpretation and application of these laws may change, and compliance requirements for enterprises operating in China may increase. To comply with these regulatory requirements, we must invest resources to enhance our data governance systems, cybersecurity capabilities, internal controls and employee training. We also maintain information systems that support our business operations, after-sales services and operational management. If these systems fail to meet regulatory standards or experience vulnerabilities, unauthorized access, data leakage or other security incidents could occur. Any actual or perceived failure to protect personal information or important data may expose us to regulatory investigations, administrative penalties, civil claims or reputational damage.

In addition, regulators may require companies handling certain types of data to complete security assessments, adopt classified protection measures or undergo certification processes. See "Regulatory Overview – Laws and Regulations Relating to Data Protection and Cyber Security." If applicable requirements become stricter or if new obligations are introduced, we may be required to modify our systems, adjust internal processes or suspend certain data-related operations until compliance is achieved. Failure to comply with evolving data security and personal information protection requirements may materially and adversely affect our business operations, financial condition and prospects.

Changes in environmental, social and governance ("ESG") compliance requirements could have an adverse impact on our business, operating results and financial condition.

There is increasing scrutiny from regulators, investors, and consumers regarding ESG practices. Our operations may be subject to stricter environmental standards, waste management requirements, and heightened expectations around social responsibility and corporate governance. ESG considerations are evolving rapidly, and failure to meet these requirements or expectations could result in legal penalties, exclusion from certain markets or investment pools, loss of investor confidence, and significant reputational harm. However, these efforts may not be sufficient to address future regulatory changes or stakeholder demands. Additional investments may be required to upgrade facilities, adopt new technologies, or implement enhanced compliance systems, which could increase operating costs and capital expenditure.

Moreover, ESG performance is increasingly linked to access to financing and investor sentiment. Failure to demonstrate progress or transparency in ESG matters could limit our ability to attract capital or participate in certain procurement opportunities. Even allegations of non-compliance or perceived shortcomings, regardless of their accuracy, could damage our reputation and brand image. Given the dynamic nature of ESG standards and the growing emphasis on sustainability, there is no assurance that we will be able to meet all applicable requirements or expectations in a timely and cost-effective manner. Any failure to do so may materially and adversely affect our business, financial condition, and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRIES AND REGIONS WHERE WE OPERATE

Any slowdown in the growth of regional or global economy could affect our business, results of operations and financial condition.

The growth of the regional and global economies has slowed in recent years. It remains uncertain whether, and for how long, the regional and global economic slowdown will persist. There are considerable uncertainties over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies. There have been concerns over war, unrest and terrorist threats in certain countries and regions, which have resulted in volatility in oil and other markets. Regional economic conditions are sensitive to global economic conditions, changes in domestic economic and political policies as well as the expected overall economic growth rate. It is unclear whether these challenges and uncertainties will be effectively managed or resolved and what effects they may have on the global political and economic conditions in the long term. Any economic slowdown or negative business sentiment could have an indirect potential impact on our industry. In addition, continued turbulence in the international markets may adversely affect our ability to access capital markets to meet liquidity needs. As a result, our business operations and financial performance may be adversely affected.

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

We are incorporated under the laws of the PRC with limited liability, and substantially all our assets are in the PRC. In addition, most of our Directors and all our senior management personnel reside within the PRC, and substantially all their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors and senior management personnel. When it comes to trans-jurisdictional recognition and enforcement of judgments, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in mainland China or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be uncertain. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"). Under the 2006 Arrangement, where any designated People's Court of the PRC or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court of mainland China or Hong Kong court for recognition and enforcement of the judgment. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in dispute have not agreed to enter into such a choice of court agreement in writing. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in mainland China if the parties in dispute have not entered into a jurisdiction agreement in writing under the 2006 Arrangement. As between mainland China and Hong Kong, the new arrangement entered between the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region on January 18, 2019, which took effect on January 29, 2024, has lifted the requirements for a choice of court agreement in writing in a civil or commercial case under the previous regime on bilateral recognition and enforcement. However, the 2006 Arrangement will remain applicable to a "jurisdiction agreement in writing" as defined in the 2006 Arrangement which is entered into before the 2019 Arrangement taking effect. Nevertheless, since the 2019 Arrangement is newly effected and promulgated, the interpretation, application and enforcement must be determined in accordance with the relevant laws and regulations in effect at the time.

Payment of dividends is subject to laws and regulations in regions where we operate.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits with less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders' meeting). Our distributable net profit represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS Accounting Standards. As a result, we may not have sufficient distributable profits to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed each year are retained and available for distribution in subsequent years.

Our H Share [REDACTED] could be liable for PRC taxes on dividends obtained from us and profits from the disposition of their H Shares.

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

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), non-Chinese resident individuals are required to pay individual income tax at a rate of 20% on interest, dividends and bonuses they obtain from China. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation (the"**SAT**") (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》), domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excess tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

For non-Chinese resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises under the EIT law, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of Shares are ordinarily subject to PRC enterprise income tax at a rate of 20%. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by Chinese Resident Enterprises on Dividends Paid to Overseas Non-Chinese Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the SAT, such tax rate has been reduced to 10%. If there is any development in the applicable tax laws and regulations or the interpretation or application of such laws and regulations, the value of your holdings in our H Shares may be adversely affected.

Regulatory changes may adversely affect our business, operating results and financial condition, thereby leading to impacts on our [REDACTED].

We operate in an industry that is subject to extensive and evolving laws and regulations, including those relating to manufacturing, product quality and safety, environmental protection, taxation, labor management and data security. Regulatory authorities may from time to time introduce new regulations, adjust existing rules, strengthen supervision or modify enforcement practices. These changes may impose additional licensing or filing requirements, increase compliance obligations, or result in more stringent operational standards. If we are required to adjust our operations, upgrade facilities, enhance product testing procedures, modify product features or increase investment in compliance systems to meet new regulatory requirements, our operating costs may increase and our business activities may be disrupted. Any failure to respond to evolvement in the regulatory environment in jurisdictions where we operate could materially affect our business and impede our ability to continue our operations. Such impacts may in turn affect the value of our H Shares and the **[REDACTED]** returns of our **[REDACTED]**.

We face foreign exchange risks. Fluctuations in exchange rates could have a material and adverse effect on our results of operations and financial performance.

A significant portion of our revenue and expenses is denominated in Renminbi, while the net **[REDACTED]** from the **[REDACTED]** and certain procurement or overseas business activities may be denominated in Hong Kong dollars, U.S. dollars or other foreign currencies. Fluctuations in the Renminbi exchange rate against these foreign currencies may therefore affect the value of our revenue, costs, assets and liabilities when expressed in foreign currencies. If the Renminbi is depreciated, the value of the net **[REDACTED]** from the **[REDACTED]** and any foreign-currency-denominated assets may decline when converted into Renminbi. Exchange-rate volatility may also affect our pricing competitiveness in overseas markets and the financial performance of our international operations. Movements in Renminbi exchange rates are affected by, among others, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress toward interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system. Any significant depreciation or appreciation of the Renminbi, or increased volatility in the foreign exchange market, could materially and adversely affect our operating results, financial condition and the value of your **[REDACTED]**.

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

Our business may be subject to the regulatory requirements of convertibility and remittance of currencies. For example, the PRC government requires that the conversion of Renminbi into foreign currencies must be subject to certain regulatory procedures and, under certain circumstances, remittances out of China are also subject to certain regulatory procedures. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations and support our global business operations. Under the existing PRC foreign exchange regulations, payments for current account items, including profit distributions, interest payments, and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE, provided that certain procedural requirements are met. However, approval from or registration with competent authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses. If we cannot fulfill the relevant regulatory requirements, or if future regulations on foreign currency exchanges impose additional requirements, it may impair our ability to have sufficient foreign currency capital to fund any of our future business activities conducted in foreign currencies.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our H Shares and an active [REDACTED] market for our H Shares may not develop and the market [REDACTED] of our H Shares may decline or become volatile.

Prior to the completion of the **[REDACTED]**, there has been no public market for our H Shares. The **[REDACTED]** is the result of negotiations between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the **[REDACTED]** at which our H Shares will be **[REDACTED]** following completion of the **[REDACTED]**. The market **[REDACTED]** of our H Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**. We have applied to the Hong Kong Stock Exchange for the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares. A **[REDACTED]** on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid **[REDACTED]** market for our H Shares will develop, or if it does develop, that it will be sustained following the **[REDACTED]**.

The [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

The **[REDACTED]** of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in mainland China or engaging in similar business that have **[REDACTED]** their securities in Hong Kong may affect the volatility in the **[REDACTED]** of and **[REDACTED]** for our H Shares. In addition to market and industry factors, the **[REDACTED]** and **[REDACTED]** of our H Shares may be highly volatile for specific business reasons, such as regulatory developments affecting our industry, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our suppliers, or actions taken by competitors. Several mainland China based companies or companies engaging in similar business have **[REDACTED]** their securities, and some are in the process of preparing for **[REDACTED]** their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant **[REDACTED]** declines after their **[REDACTED]**. The trading performances of the securities of these companies at the time of or after their **[REDACTED]** may affect the overall investor sentiment towards mainland China based companies or companies engaging in similar business **[REDACTED]** in Hong Kong and consequently may impact the **[REDACTED]** performance of our H Shares.

You will incur immediate and substantial dilution and may experience further dilution if we [REDACTED] additional Shares or equity securities in the future.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** in the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** consolidated net tangible asset value, and our existing Shareholders will receive an increase in the consolidated net tangible assets per share of their H Shares. 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 **[REDACTED]** which is lower than the net tangible asset value per Share at that time. Furthermore, we may **[REDACTED]** Shares pursuant to any existing or future equity incentive plan, which would further dilute our Shareholders' interests in our Company.

Future sales or perceived sales of substantial amounts of our Shares in the public market, especially by our Directors, executive officers and substantial Shareholders, could materially and adversely affect the prevailing market [REDACTED] of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the market **[REDACTED]** of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. A certain number of the Shares controlled by our existing Shareholders are subject to lock up periods beginning on the date on which **[REDACTED]** in our Shares commences on the Stock Exchange. While we are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sales of Shares by such Shareholders and the availability of these Shares for future sales may have a negative impact on the market **[REDACTED]** of our Shares and our ability to raise equity capital in the future.

Our Controlling Shareholders may not be aligned with the interests of the other Shareholders.

Immediately upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), our Controlling Shareholders will be entitled to exercise approximately **[REDACTED]**% of the voting rights at the general meeting of our Company. See "Relationships with Our Controlling Shareholders." Our Controlling Shareholders may, through their voting power at the Shareholders' meetings, have significant influence over our business and affairs, including decisions for mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may take actions that are not in the best interests of us or our other Shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could have the effect of depriving our other Shareholders of the opportunity to receive a premium for their shares as part of a sale of our Company and may reduce the **[REDACTED]** of the H Shares. This concentrated control will limit your ability to influence corporate matters and could discourage others from pursuing any potential merger, takeover or other change of control transactions that other holders of our ordinary shares may view as beneficial.

The industry data and forecasts quoted in this document from various government publications have not been independently verified.

Certain facts, forecasts and statistics in this document, particularly in "Industry Overview," related to the PRC and global economy and the industry in which we operate, are sourced from publicly available sources such as government publications that we believe to be reliable. However, we cannot guarantee the quality or reliability of these sources. We believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. We do not believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor or any other party involved in the **[REDACTED]** and no representation is given as to its accuracy or completeness. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC and the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors and should not be unduly relied upon. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

We cannot assure you that we will declare and distribute any dividends in the future.

If we do not pay dividends in the foreseeable future after the **[REDACTED]**, you must rely on **[REDACTED]** appreciation of our Shares for any return on your **[REDACTED]**. The declaration and distribution of dividends is at the discretion of our Board, and our ability to pay dividends is subject to factors including our business performance, capital requirements, regulatory constraints and general business conditions. Even if our financial statements indicate profitability, we may not have sufficient distributable reserves or cash to make dividend payments. If we retain most or all of our available funds after the **[REDACTED]** to fund development and commercialization activities, we may not expect to pay cash dividends in the foreseeable future. The timing, amount and form of any future dividends will depend on our results of operations, financial condition, business strategies, working capital needs, and other factors. Accordingly, the return on your **[REDACTED]** may depend entirely on **[REDACTED]** appreciation, and there is no guarantee that our Shares will appreciate or maintain their value. You may lose all or part of your **[REDACTED]**.

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This document includes forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, estimations, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "going-forward," "next," "under-estimate," "expect," "hope," "confirm," "navigate," "intend," "might," "anticipate," "justify," "need," "estimate," "believe," "moving forward," "looking forward," "ought to," "plan," "potential," "predict," "project," "seek," "could," "should," "would," "aim," "around," "can," "may," "will," and the negative of these words and other similar expressions are forward-looking statements. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. **[REDACTED]** in the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that any or all those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. Considering these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representation by us that our plans or objectives will be achieved and **[REDACTED]** should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether because of new information, future events or otherwise. Please see "Forward-Looking Statements" in this document.

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

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in this document. Prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding our Group and the **[REDACTED]**. Our Directors would like to emphasize to prospective **[REDACTED]** that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our Shares. In making decisions as to whether to **[REDACTED]** in our Shares, prospective **[REDACTED]** should rely only on the financial, operational and other information included in this document. By **[REDACTED]** to purchase our 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 the **[REDACTED]**. 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.