RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our products are widely used by customers of various industries and sectors. Supply-demand dynamics and other macro-economic factors that affect these industries and sectors where our products are used may in turn impact our business, financial condition and results of operations.

Our products are primarily offered to customers across various industries and sectors, including smart devices, AI and HPC, memory, automotive and robotics, and network communications. Therefore, factors that adversely affect these industries and sectors could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others: (i) a decline in demand for, or negative perception of, or publicity about, products; (ii) rising material and labor costs relating to the design and production of IC substrates; (iii) the reduction or elimination of preferential tax treatments and economic incentives for manufacturers; (iv) regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports; (v) a downturn in general economic conditions or major countries and regions that import products; (vi) increasing level of competition from IC substrate manufacturers in other countries and regions; and (vii) any financial difficulties, market share loss, or reputational harm to end customers that use our products. Additionally, uncertainty, volatility, or adverse changes in the economy in general, including inflationary pressures, logistics disruptions and supply chain constraints arising from such events, could lead to a significant decline in demand for the end products manufactured by our customers, delay their production or deliveries and increase their operating costs, which, in turn, could result in a decline in the demand for our products and increase pressure to reduce our prices.

We face intense competition and expect competition to increase in the future. If we fail to compete effectively, our revenue growth and results of operations will be materially and adversely affected.

We face intense competition from other IC substrate providers whose activities directly affect and shape the pace of competition. Although the entry barriers for advanced IC substrates are high, the global IC substrate market is still highly competitive. We expect competition to increase and intensify as other companies enter our markets, many of which may have greater financial and other resources with which to pursue technology development, product design, manufacturing, marketing and sales of their products.

Some of our competitors may have longer operating histories, greater name recognition, larger customer bases and greater financial, sales and marketing, production, distribution, and other resources and experience than we do. Our competitors' greater size in some cases may provide them with a competitive advantage with respect to production costs due to economies of scale and their ability to purchase raw materials at lower prices. In addition, our competitors may be able to devote greater resources to the research and development of technologies, processes and products that are more effective than ours. They may also adapt more quickly to new technologies and changes in customer demand and requirements.

Increased competition could result in price pressure, reduced profitability and loss of market share, any of which could materially and adversely affect our business, revenue and operating results. Our failure to maintain our competitive position with respect to technological advances, to adapt to changing market conditions and customer preferences, or to otherwise compete successfully with existing or new competitors may have a material and adverse effect on our revenue growth and results of operations.

If we are unable to appropriately address the technological development and advancement in the industries and sectors where our products are used, our business, financial condition and results of operations could be materially and adversely affected.

Our ability to remain competitive will largely depend upon our ability to maintain and enhance our technological capabilities. If we are unable to secure additional sources of funds to rapidly adapt to technological developments as quickly as our competitors, or if we fail to promptly adopt and implement technological advancements, our production efficiency could decline, which may potentially reduce the quality of our product, resulting in increased costs. If we fail to effectively adapt to the technological requirements, substantial capital investments may be required for the development, acquisition, and implementation of those designs, technologies, and equipment, which could adversely affect our financial performance. Furthermore, the IC substrate industry is highly competitive, and has been characterized by rapid technological change and continuous advancements in process technologies. For example, advanced packaging innovations may materially affect demand for conventional IC substrates. If we are unable to adequately address technological developments and advancements and compete effectively, or if successful competition requires us to incur significant costs in response to our competitors' actions, our business, results of operations and financial condition may be materially and adversely affected.

We operate in a highly cyclical industry which can suffer from periodic downturns.

The semiconductor industry is highly cyclical and has historically experienced significant fluctuations in supply and demand, pricing, and profitability. Industry cycles are driven by a number of factors, including changes in global macroeconomic conditions, end-market demand for electronic products, customer inventory levels, capacity expansions and reductions by industry participants, and transitions to new manufacturing technologies. Due to the capital-intensive characteristics of semiconductor manufacturing, periods of industry oversupply can occur rapidly and may result in sharp and sudden declines in ASPs. Our ASPs may fluctuate significantly from month to month or quarter to quarter, and such fluctuations may occur independently of changes in our unit sales volumes or cost structure.

Periods of strong demand, such as those driven by new technology trends, including AI applications in recent years, may result in industry upcycles characterized by tight supply and product shortages. For example, the IC substrate industry has recently experienced shortages of high-end IC substrates. These upcycles may create the perception of sustained growth and favorable market conditions. Nevertheless, such favorable conditions are typically followed by periods of oversupply. Manufacturing capacity requires significant capital investment and involves long lead times, which can create imbalances between supply and demand. Industry participants often expand capacity during periods of strong pricing and profitability; however, when such new capacity commences commercial production several years later, the resulting increase in supply may exceed market demand, potentially leading to inventory corrections, sharp declines in ASPs and reduced utilization rates. For example, we have made, and continue to make, significant investments to support the rapidly growing demand for AI, which has been a significant driver of our growth. The pace and sustainability of this demand are inherently uncertain and subject to change. There can be no assurance that the current trajectory of AI-driven growth will continue, or that such momentum will be sustained over the long term, as there could be shifts in technology trends, changes in customer preferences, regulatory developments, or a slowdown in AI adoption.

During industry downturns, reduced demand, excess inventory levels in the supply chain, and pricing pressure may materially and adversely affect our revenue, gross margins, cash flows, and overall profitability. In addition, because capacity expansions typically require substantial capital investment and long lead times, supply-demand imbalances may persist for extended periods. Any prolonged downturn or sudden adverse change in market conditions could have a material adverse effect on our business, financial condition and results of operations.

Supply chain shortages and interruptions, fluctuations in prices and our relationship with suppliers could adversely affect our results of operations.

Our success depends in part on our ability to manage the supply chain to manufacture and deliver the products in a timely manner and with quality. We source the raw materials for our products from third-party suppliers. However, the raw materials we use are subject to price volatility caused by external factors, such as commodity price fluctuations, changes in supply and demand, logistics and processing costs, our bargaining power with suppliers, inflation, governmental regulations and policies, geopolitical tensions or health epidemics. In particular, ABF and CCL have recently experienced supply shortages. We might fail to secure an adequate supply of such raw materials under favorable business conditions, if at all, which could prevent us from meeting our customer demand. Moreover, such shortage could lead to increases in raw material costs and negatively impact our future profitability. During the Track Record Period, we relied on certain suppliers because the number of suppliers for certain raw materials, such as ABF, were limited. Purchase amount from our five largest suppliers accounted for 35.0%, 34.9%, 41.7% and 46.6% of our total purchase amount in each period of the Track Record Period, respectively. See "Business — Our Suppliers — Our Major Suppliers" for more details. Our reliance on these major suppliers subjects us to the concentration and counterparty risk from these suppliers. Any material adverse change to the operation, financial performance, or financial condition of our major suppliers may result in material adverse impact on their business with us.

Geopolitical tensions and volatile global economic conditions may put downward pressure on demand for our products and services, as well as our business, financial condition, and results of operations.

The global economy has experienced significant volatility in recent years, including due to wars, global financial crisis and economic slowdown, rising interest rates, inflationary pressures, supply chain disruptions, trade tensions between the United States and other countries, the Russia-Ukraine and Israel-Hamas conflicts, and volatility in the global stock markets, which have led to less favorable financial and economic conditions. In March 2026, hostilities involving the United States, Israel and Iran escalated, including U.S. and Israeli military strikes on Iran and retaliatory attacks in the region, which further increased geopolitical uncertainty. Such hostilities may also have particular adverse effects on the global semiconductor industry and electronics supply chain. In particular, because the Strait of Hormuz is a critical route for global oil and liquefied natural gas shipments and Qatar is a major global supplier of helium, which is critical in semiconductor manufacturing, continued disruption to regional energy infrastructure or shipping routes could increase energy, freight and input costs, constrain the availability of key materials and delay shipments across the semiconductor value chain. Any increase in energy prices, inflationary pressures or supply chain disruptions could adversely affect market demand and impose pressure on our product pricing.

The consequences of geopolitical tensions and volatility of economic conditions could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, the availability and cost of raw materials, supplies, freight and labor, currency exchange rates and financial markets, as well as the supply, cost and timely delivery of utilities, industrial gases and other inputs used by the semiconductor industry, all of which could impact our business, financial condition and results of operations.

We have been and intend to continue investing significantly in R&D activities, and the development cycles of our products can be long, which may adversely affect our profitability and operating cash flow and may not generate the results we expect to achieve.

We invest in R&D activities to develop and introduce new and enhanced products. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our R&D expenses amounted to RMB123.4 million, RMB153.8 million, RMB155.8 million, RMB36.8 million and RMB39.2 million, respectively. The industries in which we operate are subject to rapid technological innovations. To expand our product portfolio and to remain competitive, we need to continue making significant investments in R&D activities. Any delay or shortfall in such investment may limit our ability to participate in more demanding customer projects, thereby adversely affecting our business development, profitability and market position. In addition, R&D activities are inherently resource-intensive and time-consuming. Furthermore, market demand, macroeconomic conditions and the pace of technological advancement, all of which are beyond our control, may affect the commercial performance of newly developed products. Therefore, even if our R&D efforts are technically successful, they may not generate the anticipated economic returns within the expected timeframe or at all, which could materially and adversely affect our business, results of operations, financial condition and competitive position.

We may be subject to the risks associated with international trade restrictions, including sanctions and export controls, and our reputation, business, results of operations and financial condition could be adversely affected.

Our operations are subject to deterioration in political and economic relations among countries, sanctions and export controls imposed by governmental authorities, and other geopolitical challenges. Margins on the sales of products that include components obtained from certain suppliers from other countries and regions could be materially and adversely affected by international trade regulations, including custom duties, tariffs and antidumping penalties. In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the "**BIS**"), which includes a list of foreign persons on which certain trade restrictions are imposed (the "**Entity List**"). During the Track Record Period, we have transacted with several customers designated on the Entity List ("**EL Customers**"). As advised by our International Sanctions Legal Advisor, our transactions did not represent a violation of the applicable International Sanctions regulations. However, these restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may materially and adversely affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, product offerings and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our reputation and business. If our customers or suppliers are subject to economic or trade sanctions, or are restricted from sourcing from or selling to us certain technologies, software or components, our business, financial condition and results of operations may be adversely affected and we may not be able to obtain, extend or maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers. Furthermore, if we export our products to other countries and regions which are or become subject to sanctions or export controls, our business, financial condition and results of operations may be materially and adversely affected.

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

On October 28, 2024, the U.S. Department of the Treasury ("**Treasury**") issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the "**Outbound Investment Rule**"). On January 2, 2025, a U.S. outbound investment security program (the "**OISP**"), implemented by the Treasury under the Outbound Investment Rule, became effective. The OISP imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with Chinese Mainland, Hong Kong and Macau that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "Covered Foreign Persons." U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "Covered Transactions," and include certain acquisitions of an equity interest or contingent equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The OISP contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. For details, please refer to "Business — Trade Restrictions, Tariff Policies, and International Sanctions — U.S. Outbound Investment Security Program."

We are engaged in the R&D, manufacturing and sales of IC substrates for AI and HPC applications. Although we customize our IC substrates to meet the specific needs of downstream customers in AI and other sectors, we are not engaged in the development of any AI systems, and none of our products themselves are integrated circuits or other "semiconductors and microelectronics" that would implicate the relevant "covered activity" definitions related to those technologies. Accordingly, after consulting with our legal advisor as to U.S. law, we have concluded that we are not likely to be viewed as a "Covered Foreign Persons" and U.S. persons purchasing H Shares in the [REDACTED] will not be engaging in a prohibited or notifiable transaction under the OISP.

In addition, adverse changes to foreign laws and regulations, including the Outbound Investment Rule, could also heighten our exposure to legal and business risks, restrict our access to capital, disrupt our operations and affect our results of operations. For example, on February 21, 2025, the U.S. President issued a memo entitled the "America First Investment Policy" (the "**America First Memo**"), indicating that Executive Order 14105 is under review and the U.S. government will consider possible application of the Outbound Investment Rule to a wider range of technology sectors and application of restrictions to a wider range of investments, including publicly traded securities. On December 18, 2025, the U.S. Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"), which will supersede the Outbound Investment Rule, became law. The COINS Act is subject to a rulemaking process, which is required to be completed by March 2027, and there is substantial uncertainty regarding how the new law will be implemented. Possible changes to the Outbound Investment Rule, the COINS Act, or similar laws and regulations could limit or, in the worst-case scenario, eliminate our ability to raise capital or contingent equity capital (such as convertible bonds) from U.S. investors in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. In addition, changes to the publicly traded securities exception or other aspects of the Outbound Investment Rule could prohibit the [REDACTED] or [REDACTED] of our H Shares by U.S.

persons, impose new notification or other regulatory requirements, or make our [REDACTED] less attractive to such [REDACTED]. In such cases, the [REDACTED] of our [REDACTED] could significantly decline, and our [REDACTED] may be materially and adversely affected. [REDACTED], including those that are U.S. persons or are subsidiaries of U.S. persons, should consult their own legal counsel regarding the applicability of the Outbound Investment Rule, the COINS Act or similar laws and regulations to this [REDACTED] and any potential obligations and exceptions thereunder.

Our business, financial condition and results of operations could be materially and adversely affected by tariff increases or other changes in import and export duties.

In recent years, the United States has imposed a series of tariff increases on imports from China. In 2025, the U.S. government announced a new round of tariff adjustments. As of the Latest Practicable Date, it remained uncertain how the Sino-U.S. and global trade tensions would evolve. During the Track Record Period, revenue attributable to exports to the United States accounted for less than 1% of our total revenue. Accordingly, changes in U.S. tariff regimes did not cause any direct material burden on cost of sales. However, there can be no assurance that our business will not be adversely affected by future changes in U.S. tariff policies or other geopolitical developments, including potential indirect impacts on our supply chain, customers, or broader market conditions. In particular, although we primarily sell our products to customers in domestic and international markets, we cannot assure you that such customers or other downstream participants will not be affected by elevated tariff levels or changes in trade policies in their respective end markets. Given that our products are generally used as intermediate components, the impact of tariffs is more likely to be transmitted through supply chain adjustments, changes in procurement strategies or shifts in end-market demand. As a result, fluctuations in global tariff regimes may still indirectly affect our sales volumes, pricing strategies or customer relationships. Accordingly, our business, financial condition and results of operations may be materially and adversely affected.

Our business, financial condition and results of operations may be subject to adverse effects from the risk of customer concentration.

In 2023, 2024, 2025 and the three months ended March 31, 2026, our revenue generated from our five largest customers represented 81.4%, 81.2%, 76.6% and 68.1% of our total revenue during the same periods, respectively. In 2023, 2024, 2025 and the three months ended March 31, 2026, our revenue generated from our largest customer represented 37.8%, 38.6%, 36.4% and 29.0% of our total revenue during the same periods, respectively. See "Business — Our Customers" for more details. To the extent we rely on a limited number of major customers, such counterparties may have enhanced leverage in commercial negotiations, which may require us to accept less favorable pricing or other terms. Our major customers' stable relationship with us and consistent demands are crucial to our business. Any disruption in our business relationship with major customers could have a material adverse effect on our business, financial condition and results of operations.

Our production processes are complex and costly. Disruptions and suspension of our production lines can significantly impact our production volume, and our business, financial condition and results of operations can be affected as a result.

During the Track Record Period, we produced substantially all of our products at our production facilities in the PRC. We may experience difficulties in coordinating the various aspects of our production processes, thereby causing downtime and delays. Any delay or stoppage of production caused by adverse weather, natural disasters or other unanticipated catastrophic events, including, without limitation, power interruptions, water shortage, storms, fires, earthquakes, terrorist attacks and wars, could significantly impair our ability to produce our products and operate our business. Our machineries and equipment housed in these facilities would be difficult to replace and could require substantial replacement lead time. Catastrophic events may also destroy any inventory stored in our facilities. Any stoppage in production, even if temporary, or delay in delivery to our customers could adversely affect our business, financial condition and results of operations. In addition, there are risks that an accident or death may occur in any one of our facilities. An accident may result in destruction of property or equipment, environmental damage, manufacturing or delivery delays, or may lead to suspension of our operations and imposition of liabilities.

If we are unable to maintain optimal capacity utilization rates of our manufacturing facilities or quality of our products, our profitability and results of operations would be adversely affected.

Given the high fixed costs of our operations, decreases in the capacity utilization rates of our manufacturing facilities or quality of our products can have a significant adverse effect on our business. Accordingly, our ability to maintain or enhance our gross margins will continue to depend, in part, on maintaining satisfactory capacity utilization rates and quality of product. Our ability to maintain satisfactory capacity utilization rates will depend on the demand for our products, the volume of orders we receive, our ability to maintain a sufficient workforce at our facilities, and our ability to offer products that meet our customers' requirements at competitive prices. Our ability to maintain satisfactory quality of our product will depend on a number of factors, including the stability and efficiency of our manufacturing processes, the quality and consistency of raw materials, equipment performance, process control and our ability to promptly identify and remedy production defects and other operational issues. Any failure to maintain satisfactory capacity utilization rates or quality of our products may increase our unit production costs, reduce our gross margins and profitability, and materially and adversely affect our business, financial condition and results of operations.

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

Immediately after completion of the [REDACTED] (assuming the [REDACTED] is not exercised), the Controlling Shareholders will hold approximately [REDACTED] of the issued share capital of our Company. The interests of the Controlling Shareholders may differ from the interests of our other Shareholders. If the interests of the Controlling Shareholders conflict with the interests of our other Shareholders, or if the Controlling Shareholders cause our business to pursue strategic objectives that conflict with the interests of our other Shareholders, the non-controlling shareholders may be disadvantaged by the actions that the Controlling Shareholders choose to cause us to pursue. We have various business and corporate governance measures in place, which will be implemented upon [REDACTED] including the Controlling Shareholders' execution of the Non-Competition Undertaking (including the undertakings therein with respect to the Excluded Business) to mitigate the conflict of interests. See "Relationship with Our Controlling Shareholders — Business Delineation between the Retained Zhen Ding Group and Our Group" for more details. There is no assurance that our Controlling Shareholders will not carry on a business in competition with us notwithstanding the Non-Competition Undertaking.

The Controlling Shareholders have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including but not limited to mergers, privatizations, consolidations and the sale of all, or substantially all, of our assets, election of directors, and other significant corporate actions. The Controlling Shareholders have no obligation to consider the interests of the Company or the interests of our other shareholders. As such, the Controlling Shareholders' interests may not necessarily be in line with the best interests of the Company or the interests of our other shareholders, which may have a material and adverse effect on the Company's business operations and the [REDACTED] at which our [REDACTED] are [REDACTED] on the [REDACTED].

We enter into certain transactions with our connected persons which may give rise to potential conflicts of interest.

During the Track Record Period, we entered into a number of transactions with our connected persons in the ordinary and usual course of business. See "Connected Transactions" for more details. In light of our business needs, we have entered into, and expect to continue to enter into, certain transactions that constitute continuing connected transactions of our Company. If, due to changing market conditions, we are unable to continue such transactions with our connected persons on terms acceptable to us in a timely manner, our business operations and financial performance may be adversely affected. In addition, transactions with connected persons may give rise to potential conflicts of interest, and there can be no assurance that any such conflicts will be resolved in our favor.

We have incurred gross losses and net losses during the Track Record Period and we cannot assure you that we will not incur gross losses and net losses in the future.

During the Track Record Period, we recorded gross losses of RMB504.5 million and RMB105.5 million in 2023 and 2024, respectively and net losses of RMB753.1 million, RMB405.1 million and RMB328.7 million in 2023, 2024 and 2025. These losses were primarily attributable to the ramp-up stage of our relevant production lines, during which we incurred substantial fixed costs, including depreciation and manufacturing overheads.

Our ability to reduce gross losses and achieve or maintain positive gross margins will depend on, among other things, market demand, greater economies of scale, effective cost control and continued reductions in unit production costs. At the same time, our ability to reduce net losses and achieve or maintain overall profitability will depend not only on improvements in our gross margin and operating leverage, but also on the extent of finance costs and other non-operating items affecting our results. As we continue to expand capacity, broaden our product offerings, invest in research and development, and strengthen our technological capabilities and market presence, our costs and expenses may remain high, and our revenue growth may not be sufficient to offset such increasing costs and expenses. There can be no assurance that we will not incur gross losses and net losses in the future.

We recorded net current liabilities during the Track Record Period. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may be forced to delay or abandon our expansion plans, and our business, financial conditions and results of operations may be adversely affected.

We recorded net current liabilities of RMB1,465.6 million, RMB2,174.7 million, RMB2,023.7 million, RMB1,858.2 million and RMB1,007.3 million as of December 31, 2023, 2024 and 2025, and March 31, 2026 and May 31, 2026, respectively. See "Financial Information — Selected Balance Sheet Items — Net Current Liabilities" for more details. Our future liquidity and other payables and the repayment of our outstanding debts when they become due will primarily depend on future operating and financial performance, including our ability to maintain adequate cash inflows from operating activities and our ability to obtain adequate financing.

Our future performance will be impacted by prevailing economic conditions and a range of other business and competitive factors which are beyond our control. We may record net current liabilities again in the future, and if we do not generate sufficient cash flow from our operations to meet our present and future financial needs as anticipated, we may need to rely on additional borrowings for funding.

We may not be able to obtain or maintain adequate intellectual property rights protection for our products, or the scope of such intellectual property rights protection may not be sufficient across different jurisdictions.

Our success depends on our ability to protect our proprietary technology as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights and trade secrets. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in the PRC and other jurisdictions. The intellectual property application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner, if at all.

Even if we have identified, filed and prosecuted our intellectual property applications, our applications may not be granted or our intellectual property may be invalidated for multiple reasons, including known or unknown prior deficiencies in the intellectual property application or the lack of novelty of the underlying technology. As such, we cannot assure you that we will be able to discern the scope of the intellectual property protection or obtain adequate intellectual property protection with respect to our products, and our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in some jurisdictions.

The China National Intellectual Property Administration ("**CNIPA**") and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process and over the lifetime of the patent. Non-compliance events can result in abandonment or lapse of the relevant patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction. If our patent rights are compromised, we may lose market share to our competitors. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition, competitive position and prospects. Meanwhile, we protect trade secrets partly by entering into non-disclosure and confidentiality agreements, or include such undertakings in the agreements with parties that have access to them. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial financial and human resource costs.

We may become involved in lawsuits or legal proceedings to protect or enforce our intellectual property in court or before any related intellectual property agency in any jurisdiction.

We may need to initiate lawsuits or legal proceedings to protect or enforce our intellectual property rights, including patents and trade secrets. Competitors may infringe our patents or misappropriate our proprietary information. To counter infringement or unauthorized use, we may need to engage in litigation before courts or intellectual property agencies, which can be costly and time-consuming. Any claims we assert may also provoke counterclaims alleging that we infringe others' intellectual property rights. Our competitors may dedicate substantially greater resources than we do to such disputes, and adverse results could put our patents, including those pending, at risk of being invalidated, held unenforceable or interpreted narrowly. Proceedings before the CNIPA or other administrative bodies in the PRC or other jurisdictions could similarly result in revocation or amendment of our patents, thereby limiting their scope of protection. If any of our patents were found invalid or unenforceable, we would lose at least part, and potentially all, of the patent protection for the relevant products or product candidates, which could materially and adversely affect our business, results of operations and financial condition.

Our competitors with large patent portfolios may allege that our products infringe upon their intellectual property rights. Whether a product infringes a patent involves complex legal and factual analyses and the outcome is often uncertain. Moreover, competitors may have filed for patent protection not yet public, or claimed trademark rights that are not revealed through public record searches. Although we intend to identify and avoid intellectual property infringement, such efforts may not always be successful. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings in relation to intellectual property rights violations that we believe would have a material adverse effect on our business, financial condition and results of operations. However, any such claims, regardless of merit, could be costly, divert management attention and result in substantial financial costs. If successful, such claims could require us to suspend sales of relevant products, redesign or rebrand products, pay substantial damages or enter into unfavorable royalty or licensing agreements.

Our products are intricate in nature and undetected defects, errors or bugs of our products could adversely affect our business, financial condition and results of operations.

Our products are intricate in nature and may contain errors, defects or bugs that are difficult to detect and correct, particularly when first introduced or when new versions, generations or enhancements are released. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by our end customers. Under these circumstances, we may incur additional remedial costs to recall, repair or replace and additional development costs to redesign our products. Any failure to effectively implement or enforce quality control measures may result in defective products reaching our customers, which could increase the risk of product recalls, warranty claims or customer dissatisfaction. Furthermore, because we may be subject to warranty and indemnification provisions based on certain of our agreements with our customers, we may be subject to claims or threats of claims by our customers for their financial loss related to defects in our products. Any such claims would be time-consuming and costly for us to defend and divert our management attention, thereby adversely affecting our business, financial condition and results of operations.

Any failure to offer high-quality support services for our customers or end customers may harm our relationships with them and, consequently, our business.

As we expand our business, we need to be able to continue to provide efficient customer support at scale. We may not be able to respond to our customers' requests for return, exchange, technical support or maintenance assistance in a timely manner. If we experience increased customer demand for support and maintenance, our operational expense may increase and adversely impact our financial condition and results of operations. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. If we are unable to provide efficient maintenance and support services with results satisfactory to our customers, our reputation and business may be harmed. Customer dissatisfaction may result in loss of existing customers or failure to acquire new users, which may materially and adversely affect our business and results of operations.

Our products are subject to various industry standards the requirements of which are continually evolving, and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. The development of existing industry standards and emergence of new industry standards could render our products obsolete. To identify and comply with these industry standards, we may need to redesign our products, which may be time-consuming and costly, and the outcomes of which may be uncertain. If we cannot successfully redesign our products, our products may not be able to comply with new industry standards or compete with the products offered by our competitors. In this circumstance, we could miss opportunities to achieve crucial design wins and lose market share to our competitors, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We are required to obtain permits, licenses, approvals, filings and certifications for certain businesses operated by us from the relevant government authorities under relevant laws and regulations.

The industries we operate in are highly regulated. We are required to obtain and maintain the requisite licenses and approvals required in China and in other jurisdictions where we operate. See "Regulatory Overview" and "Business — Licenses, Approvals and Permits" for more details. Compliance with the relevant regulations may require substantial expense and non-compliance may expose us to sanctions and penalties. Moreover, we cannot assure you that we can successfully obtain such permits, licenses, approvals, filings or certifications, or update or renew some of them as required for our business in a timely manner. The interpretation and implementation of existing and future laws, regulations and policies governing our business activities may change, and we may be found in violation of such laws, regulations and policies if we fail to adapt to these changes. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdictions where we operate, we may be subject to various penalties, such as confiscation of the revenue that were generated through unlicensed activities, or the suspension or revocation of our licenses and approvals. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition.

We are subject to environmental, fire prevention, health and safety laws and regulations and production standards and it may be onerous and costly to comply with such regulations and standards.

Our operations are subject to extensive government regulation, including environmental, fire prevention, health and safety laws and regulations. These laws and regulations set various standards regulating certain aspects of health and environmental quality, fire safety and prevention, including waste treatment, emissions and disposals. The process to manufacture IC substrates requires adherence to national and foreign environmental laws and regulations regarding the storage, use, handling and disposal of chemicals, solid wastes, and other hazardous materials, as well as compliance with wastewater and air quality standards. In addition, our manufacturing processes involve the use and storage of chemicals and other materials that may present fire risks, and therefore require us to comply with applicable fire prevention and safety requirements, including those relating to fire control systems and equipment, facility inspections and employee training. We may be subject to potential financial liability for costs associated with the investigation and remediation of our own sites, or sites at which we have arranged for the disposal of hazardous wastes, if such sites become contaminated. Even if we fully comply with applicable environmental laws and are not directly at fault for the contamination, we may still be liable.

Violations of applicable environmental, fire prevention, health and safety laws and regulations, including any failure to comply with applicable fire safety requirements or to maintain required environmental or fire safety-related permits, approvals or certifications, could subject us to fines, penalties, production suspensions and other sanctions, including the revocation of our effluent discharge permits. In addition, any fire, fire-related accident or failure of our fire prevention systems could result in injury to personnel, damage to property and production interruptions. This could require us to cease or limit production at one or more of our facilities and could have a material adverse effect on our business, financial condition, and results of operations.

Increasing focus on environmental, social and governance ("ESG") matters by regulators and other stakeholders may increase our compliance risk and costs.

With the rising awareness of ESG issues, including with respect to disposal of wastes, greenhouse gas emissions and environmental protection, more stringent laws and regulations may be adopted. Accordingly, we may need to devote more effort and resources to ensure our compliance with such laws or regulations. We have adopted a series of measures aiming to ensure our compliance with the ESG-related laws and regulations applicable to us. See "Business — Environmental, Social and Governance" for more details. We cannot assure you that these risk management measures can effectively mitigate the relevant risks and help us to navigate the regulatory environment. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs, and if we fail to comply with such ESG-related laws and regulations, our business, results of operations and financial performance may be adversely affected.

Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding or products. Any negative publicity, whether warranted or not, could adversely affect our business.

We believe that our brand is integral to the success of our business. Since we operate in a highly competitive market, brand maintenance directly affects our ability to maintain our market position. The successful maintenance of our brand depends on our ability to provide competitive products and to strengthen business relationships with our customers. The successful promotion of our brand depends on the effectiveness of our marketing efforts and the amount of word-of-mouth referrals by our customers. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities will be successful or effective as expected. In addition, any negative publicity about our Company, Directors, employees, branding or products, whether warranted or not, may adversely affect our reputation and business. If our brand and reputation are damaged, we may face challenges in maintaining our current business relationships with our customers and in entering into new markets, which may adversely affect our business, financial condition, results of operations and prospects.

We may from time to time be involved in claims, legal proceedings and commercial or contractual disputes in the ordinary course of our business.

We may be involved in commercial or contractual disputes, legal and administrative proceedings, and claims arising out of the ordinary course of our business. For example, we may initiate legal proceedings against infringing or breaching parties in order to enforce our rights as provided under applicable laws or contractual arrangements. We cannot assure you that we will not be involved in various disputes in the future, which may expose us to additional risks and losses. In addition, existing or future disputes, proceedings and claims may be costly to defend or resolve. We may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies. Any claims, disputes, inquiries, investigations and proceedings may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, financial condition and results of operations.

We rely on our business partners, other industry participants, employees, suppliers, customers, trading partners, sales partners or other third parties that we collaborate with. Any failure to detect or prevent fraudulent or illegal activities or other misconduct by such parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, suppliers, customers, trading partners, sales partners or other third parties that we collaborate with, that could subject us to liabilities, fines and other penalties imposed by government authorities. Although we have established internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our employees, suppliers, customers or other third parties, violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could also subject us to negative publicity that could severely damage our brand and reputation. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties could materially and adversely affect our business.

In addition, during the Track Record Period, we also engaged with agents to extend our market reach. Non-compliance by our agents or actions taken by them adverse to our interests could negatively affect our brand reputation and disrupt our sales. Fraud or other misconduct by our agents may involve engaging in unauthorized misrepresentation to our end customers or to us, and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our end customers for fraud or misconduct committed by such agents or otherwise suffer from their misconduct. Any claims could subject us to litigation regardless of whether the claims have merit.

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

We maintain insurance coverage over our daily operations. Our insurance policies primarily include credit insurance, employee-related insurance, property all risk insurance, product liability insurance, production safety liability insurance, and transit insurance. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate all types of loss, damage and liability we may suffer in the future. For example, insurance covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our policies can be renewed on similar or acceptable terms, or at all. If we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, financial condition, results of operations and prospects.

Failure to renew our leases, to obtain proper ownership certificates from the lessor, or to comply with PRC property-related laws and regulations regarding certain of our properties and leased properties could adversely affect our business, financial condition and results of operations.

We lease nine properties in the Chinese Mainland: one for our production facilities, four for employee dormitories, three for an office, and one for a parking space. As of the Latest Practicable Date, we were not provided with the sufficient ownership certificate from the lessor for the three employee dormitories out of our nine leased properties under the lease agreement in Chinese Mainland. Any dispute or claim in relation to these properties could result in us having to relocate and/or obtain alternative accommodation for our employees. If our right to use the property is challenged, we would need to seek alternative properties on short notice and incur relocation costs, and there is no guarantee that we would be able to find suitable alternative properties on reasonable commercial terms, or at all. Any relocation may have an adverse effect on our business, financial condition, results of operations and prospects. In addition, as of the Latest Practicable Date, we had not completed the lease registration for the four employee dormitories and three office with the relevant land and real estate administration authorities. We may be required by relevant government authorities to file future lease agreements for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for such non-registration exceeding such time limit. See "Business — Properties — Lease Properties" for more details.

Rising labor costs and labor shortages and other labor-related disruptions may materially adversely affect our business, financial condition, and results of operations.

Our success depends on our ability to hire, train, retain and motivate our employees. As of the Latest Practicable Date, we have not experienced any material work stoppages or strikes in the past. However, we cannot guarantee that any of such events will not arise in the future. If our employees engage in a strike or other work stoppage, we may experience significant operational disruption and/or accept higher labor costs, resulting in an adverse effect on our business, financial condition and results of operations. Our operating entities in the Chinese Mainland have established labor unions in accordance with applicable laws and regulations, with members of such labor unions comprising employee representatives. In the event of any disagreement in labor-management communication or any employee strike, our production and operations may be disrupted, and our labor costs may also increase. There is no guarantee that we will always be able to maintain a stable and quality labor force at favorable costs. Any deterioration in our labor relations could result in the disruption of production and operations, and may subject us to legal proceedings, as well as monetary and reputational damages.

In addition, labor costs in regions where we operate have been increasing in recent years and may potentially continue increasing. As such, we may have to increase our total compensation to attract and retain the experienced professionals required to achieve our business objectives. However, these increased costs might not be able to be passed onto customers by increasing our products' selling prices in light of market competition. In such circumstances, our profit margin may decrease, which could have an adverse effect on our business, financial condition and results of operations.

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

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

During the Track Record Period, we did not make adequate contribution to social insurance and housing provident fund for certain employees as required by relevant PRC laws and regulations. Our PRC Legal Advisor is of the view that the likelihood that we would be subject to material administrative penalties due to our failure to make full social insurance and housing provident fund contributions is remote provided that there are no significant changes in current policies, regulations, local government supervision, and law enforcement requirements related to social insurance and housing provident fund and based on the following reasons: (i) during the Track Record Period and up to the Latest Practicable Date, we had not received any notification from relevant government authorities requiring us to rectify failure to make full contributions or the penalties with respect to social insurance or housing provident funds; (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties with respect to social insurance or housing provident funds; (iii) our PRC Legal Advisor conducted an on-site interview with an official from the competent local government authority, who confirmed that, in the absence of any new requirements from higher-level authorities, the relevant authority will not initiate centralized collection of historical outstanding social insurance contributions or late payment charges from enterprises in respect of the Track Record Period, or impose administrative penalties or fines; (iv) our PRC Legal Advisor conducted telephone interview with the competent local government authority for housing provident fund, which confirmed that, in the absence of any new requirements, the relevant authority will not initiate centralized collection of historical outstanding housing provident fund contributions or late payment charges from enterprises in respect of the Track Record Period, or impose administrative penalties or fines; (v) we have rectified and made adequate contributions to social insurance for employees; and (vi) we will timely rectify and make adequate contributions to the housing provident fund for employees. Although we have not been subject to any administrative penalties, there is no assurance that our historical and current practices with respect to the contribution of social insurance plans and housing provident fund will at all times satisfy the government authorities in the PRC. In the event of any such non-compliance, we may be required to pay any shortfall in the contribution of social insurance plans and housing provident fund within a prescribed time period and to pay penalties if we fail to do so. See "Regulatory Overview — Laws and Regulations Relating to Labor and Employment, Social Insurance and Housing Provident Fund" for more details. In addition to the above, if we fail to comply with any other relevant labor laws and regulations in the PRC, such as relevant regulations on labor dispatch, we may be exposed to penalties or be required to compensate employees.

We are subject to risks of currency fluctuations.

Our consolidated financial results are affected by currency exchange rate fluctuations. The exchange rate between Renminbi and foreign currencies has fluctuated in the past, and this may impact our business, financial condition and results of operations in the future. In 2023, 2024, 2025 and three months ended March 31, 2026, we recorded net foreign exchange gains in other gains/(losses)-net and finance cost-net amounting to RMB2.7 million, RMB10.0 million, RMB17.3 million, RMB11.7 million, respectively, and in the three months ended March 31, 2025 we recorded net foreign exchange losses in other gains/(losses)-net and finance cost-net amounting to RMB5.1 million. Changes in foreign exchange rates may be due to many factors such as changes in the global economy and geopolitical conditions which are beyond our control. There is no assurance that we will make similar or any such gain in the future, which will in turn affect our future financial performance.

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

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

Any changes or discontinuation of preferential tax treatments or government grants may affect our business, results of operations and financial condition.

PRC companies are subject to the PRC corporate income tax at a standard rate of 25% on their taxable income, but the Company and Leading Qinhuangdao were accredited as "High and New Technology Enterprises," and are entitled to a preferential income tax rate of 15%. In addition, we are entitled to deductions under the preferential value-added tax ("**VAT**") additional deduction policy granted by the PRC tax authority. This policy allows us to claim additional input VAT credits in connection with our purchases of goods, services, and other taxable inputs used in the ordinary course of business, which may be credited against our output VAT liabilities under applicable PRC tax regulations. We cannot assure you that PRC tax policies will not change or that the current policies from which we benefit will not be canceled, in which case our business, financial condition and profitability could be adversely affected.

Further, we received government grants during the Track Record Period. It is at the discretion of the relevant PRC government authorities to decide when, under what conditions or whether the preferential tax treatment and/or government grants should be granted to us. We cannot assure you that we will continue to be eligible to receive the preferential tax treatment and/or government grants or the relevant PRC government authorities will not impose new conditions for receiving such preferential tax treatment and/or government grants in the future. If we are unable to obtain or maintain the preferential tax treatment and/or government grants or any other favorable regulatory treatments in the future, our business, results of operations and financial condition may be affected.

Our business and operations require significant capital resources and we may not be able to obtain additional capital when desired, on favorable terms or at all.

Our operations are generally capital-intensive. To the extent that our funding requirements exceed our existing financial resources, we will be required to seek external debt or equity financing or to defer planned expenditures. The amount of additional capital we need depends on factors including, but not limited to: (i) our R&D expenses; (ii) our relationships with customers and suppliers; (iii) our ability to control costs and increase sales of our products; (iv) sales and marketing expenses; (v) enhancements to our infrastructure and systems; (vi) potential acquisitions of businesses and product lines; and (vii) general economic conditions, inflation, rising interest rates and international conflicts, and their impact on downstream industries.

As we further grow our businesses, we expect our capital requirements to increase significantly in the future. We cannot assure you that cash generated from our operations will be sufficient to fund our future development and expansion. If we are unable to obtain financing in a timely manner or at a reasonable cost, if at all, our expansion plans may be delayed, our projects may be hindered, and our financial performance and growth prospects may be materially and adversely affected. The availability of external funding is subject to various factors, including governmental policies, market conditions, credit availability, interest rates and the performance of our operations.

We incurred debts during the Track Record Period and may incur more debts in the future.

As of December 31, 2023, 2024, 2025 and March 31, 2026, we recorded borrowings of RMB3,882.3 million, RMB5,531.3 million, RMB5,558.4 million and RMB5,800.0 million, respectively. This in turn may require us to seek adequate financing from sources such as external debt, which may not be available on terms favorable to us or at all. Any difficulty in or failure to repay our debts or any additional debt can materially and adversely affect our business, financial condition and prospects.

If we incur more debts in the future, an increased balance of indebtedness may require us to devote our financial resources to servicing debt rather than funding our operating activities, which constrains our capital flexibility and may in turn adversely affect our business growth. In addition, if we incur a large balance of indebtedness, we may not be able to service our interest and principal repayments in a timely manner or at all, which could trigger cross-defaults with other debts and limit our ability to obtain further debt financing. As a result, failure to manage our debt may adversely affect our business, financial condition and prospects.

We are subject to credit risk related to delay in payment and defaults of customers, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our customers. As of December 31, 2023, 2024, 2025 and March 31, 2026, our trade receivables amounted to RMB348.1 million, RMB579.1 million, RMB798.7 million and RMB883.8 million, respectively. During the same periods, our trade receivables turnover days were 80 days, 83 days, 89 days and 82 days, respectively. We may not be able to collect such trade receivables due to a variety of factors that are beyond our control, including long payment cycle, adverse operating condition or financial condition of our customers, and our customers' inability to pay caused by their end customers' delay in payment.

Delays in receiving payments from, or non-payment by responsible parties would adversely affect our cash flow position and our ability to meet our working capital requirements. Our allowance for impairment of trade receivables amounted to RMB1.0 million, RMB1.7 million, RMB2.4 million and RMB2.7 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively. Although our management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions for receivable provisions may need to be adjusted if new information becomes known. In the event that the actual recoverability is lower than expected, or that our past allowance for impairment of trade receivables becomes insufficient in light of any new information, we may need to provide for an additional allowance for impairment of trade receivables, which may in turn materially and adversely affect our business, financial position and results of operations.

We may be subject to inventory obsolescence risk.

Our inventories were RMB221.8 million, RMB323.7 million, RMB515.3 million and RMB654.6 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively. For the same periods, our inventories turnover days were 49 days, 51 days, 61 days and 73 days, respectively. As our business expands, our inventory obsolescence risk may also increase with the increase in our inventories and our inventories turnover days. We cannot guarantee that we will be able to maintain proper inventory levels. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory. In addition to the risk of inventory obsolescence, we may also suffer losses if our inventories are damaged, lost or deteriorated due to inadequate storage conditions or mishandling. Any failure to properly manage and safeguard our inventories could adversely affect our business, financial condition and results of operations.

Failure to fulfill our contractual obligations could adversely affect our liquidity and financial condition.

Our contract liabilities primarily arise from advance payments made by our customers to us before we provide the underlying goods or services to fulfill our performance obligations. Our contract liabilities were RMB7.6 million, RMB25.2 million, and RMB23.9 million and RMB29.6 million as of December 31, 2023, 2024, 2025 and March 31, 2026, respectively. See "Financial Information — Selected Balance Sheet Items — Net Current Assets/Liabilities — Contract Liabilities" for more details. There is no assurance that we will be able to fulfill our obligations in respect of contract liabilities as the fulfillment of our performance obligations is subject to various factors that are beyond our control. If we are not able to fulfill our obligations with respect to our contract liabilities, the amount of contract liabilities will not be recognized as revenue and we may have to refund the advance payment made by our customers. As a result, our liquidity and financial condition may be adversely affected.

Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the countries and regions where we operate.

During the Track Record Period, in the ordinary course of business, we engaged in certain cross-border intra-group transactions among our entities in the Chinese Mainland and Chinese Taiwan. In 2023, 2024, 2025 and three months ended March 31, 2026, the amounts of intra-group transactions were RMB634.3 million, RMB1,317.6 million, RMB1,450.3 million, and RMB472.1 million, respectively.

Under the applicable laws and regulations in the jurisdictions in which we operate, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. Our global operations are structured through subsidiaries across different jurisdictions. See "Business — Intra-group Transactions" for more details. We could face material and adverse tax consequences if the relevant tax authorities determine that our cross-border intra-group transactions are not conducted on an arm's length basis and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. In the event of a transfer pricing adjustment, our tax liabilities could increase. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions.

RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTIONS WE OPERATE

We may be required to obtain approvals, make filings or satisfy other requirements of the CSRC or other PRC governmental authorities in connection with our future capital raising activities, and we may become subject to additional compliance requirements under new PRC laws and regulations governing [REDACTED].

On February 17, 2023, the CSRC released the Trial Administrative Measures for Overseas Securities Offering and Listing by Domestic Companies and five supporting guidelines (《境內企業境外發行證券和上市管理試行辦法》及五項配套指引) (the "**Overseas Listing Trial Measures**"), which became effective on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, PRC domestic companies that, after [REDACTED], subsequently [REDACTED] securities in the same overseas market or conduct an [REDACTED] and [REDACTED] in other overseas markets (the "**Future [REDACTED]**") shall complete the filing procedures with, and submit relevant information to, the CSRC. Based on the foregoing, for the Future [REDACTED] after the proposed [REDACTED], we are required to comply with the relevant filing procedures with the CSRC. It is uncertain whether we can, or how long it will take us to, complete such filing procedures in connection with the Future [REDACTED]. We may be subject to additional approval, filing or other regulatory requirements by other PRC government authorities under the PRC laws in the future. Any failure to complete the relevant procedures may have an adverse effect on the Future [REDACTED].

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

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. Furthermore, our understanding of such local government policies and internal interpretations may diverge from the regulatory authorities' interpretations or judicial rulings in analogous cases. As a result, we may not be aware of our violation of certain policies or rules until sometime after the violation. Failure to adapt to changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may affect our business, financial condition and results of operations.

We generate revenue from many jurisdictions and our business is subject to the risks associated with international operations.

We operate in Chinese Mainland, Hong Kong, Chinese Taiwan and other jurisdictions and we generate revenue from the Chinese Mainland, Chinese Taiwan and other jurisdictions. We are subject to the rules and regulations of these jurisdictions and we cannot assure you that we are able to fully comply with such laws and regulations. Any violation of such laws and regulations may result in fines, other penalties, actions or proceedings that could adversely affect our business, financial condition and results of operations.

In addition, operating in offshore markets requires significant resources and management attention and will subject us to regulatory, economic and policy risks. Our business operations are subject to risks resulting from changes in tariffs, trade restrictions, trade agreements, international tax policies, difficulties in managing foreign operations and agents, different liability standards, issues related to compliance with local regulatory filing requirements, anti-corruption laws, data protection, trade compliance and intellectual property laws in the respective overseas jurisdictions. The occurrence or consequences of any of these factors may subject us to fines and restrict our ability to operate in the affected region or decrease the profitability of our operations in that region. We are also subject to general risks inherent in international operations, such as fluctuations in exchange rates, embargoes and customs clearances, complexity in the domestic and international political environment, changes in legal and regulatory requirements, import and export restrictions and tariffs, as well as political or social unrest or economic instability in regions in which we operate. Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under existing PRC foreign exchange regulations, the foreign exchange expenditure under the current items shall be paid by an institution with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution operating the foreign exchange sale or settlement business in accordance with the administrative provisions of the foreign exchange administrative department of the State Council on the payment and purchase of foreign exchange. In addition, the foreign exchange expenditure under the capital items shall be paid by an institution with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution operating the foreign exchange sale or settlement business in accordance with the administrative provisions of the foreign exchange administrative department of the State Council on the payment and purchase of foreign exchange. If the administrative provisions require the approval of a foreign exchange administrative organization, the approval must be obtained before making foreign exchange payments.

However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, results of operations and financial condition, may be affected.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region ("**HKSAR**") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) issued by the SAT effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your [REDACTED] in our H Shares may be materially affected.

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

We are a company incorporated under the PRC laws and a majority of our assets are located in Chinese Mainland. In addition, some of our Directors and senior management reside within Chinese Mainland. As a result, it may be complex or difficult for you to effect service of process directly upon us or such Directors or senior management who reside in the Chinese Mainland, including in respect of matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), which became effective on January 29, 2024 and were promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of Chinese Mainland or any designated Hong Kong court in respect of a civil or commercial case, other than certain excluded types of cases, may apply for recognition and enforcement of the judgment in the relevant people's court of Chinese Mainland or Hong Kong court.

RISKS RELATING TO THE [REDACTED]

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

Prior to the [REDACTED], there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate [REDACTED] will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is expected to be fixed by agreement between the Overall Coordinators and us, and may not be an [REDACTED] of our H Shares following the completion of the [REDACTED]. If an [REDACTED] for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and [REDACTED] of our H Shares may be materially and adversely affected. The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].

The [REDACTED] and [REDACTED] of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of securities in Hong Kong and elsewhere in the world.

The Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular listed company. The business and performance and the market price of the shares of other listed companies engaging in similar business may also affect the [REDACTED] and [REDACTED] of our [REDACTED]. In addition to market and industry factors beyond our control, the [REDACTED] and [REDACTED] of our [REDACTED] may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Hong Kong Stock Exchange have experienced price volatility in the past, and it is possible that our [REDACTED] may be subject to changes in [REDACTED] not directly related to our performance.

Future sales or perceived sales of substantial amounts of our [REDACTED] in the [REDACTED] could have a material adverse impact on the prevailing [REDACTED] of our [REDACTED] and our ability to raise additional capital in the future, or may result in [REDACTED] of your [REDACTED].

The [REDACTED] of our [REDACTED] and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our [REDACTED] or other securities relating to our [REDACTED] in the [REDACTED], especially by our Directors, executive officers and Controlling Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Certain Shares controlled by our Controlling Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] commences on the Hong Kong Stock Exchange. We cannot assure you that they will not dispose of any Shares they may own now or in the future. [REDACTED] by such Shareholders and the availability of these Shares for future [REDACTED] may have a negative impact on the [REDACTED] of our Shares. In addition, any sale of the [REDACTED] subscribed by such investors pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our [REDACTED] and any sizeable sale could have a material and adverse effect on the [REDACTED] of our [REDACTED] and could cause substantial volatility in the [REDACTED] of our [REDACTED].

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

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

Certain facts, forecasts and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecast and other statistics in this document are derived from various government and official sources. We believe that the sources of the information from official government sources are appropriate sources and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that the information from official government sources is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the Sole Sponsor-Overall Coordinator, the Overall Coordinators, the [REDACTED], [REDACTED] and [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our [REDACTED] that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our [REDACTED] should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

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

This Document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters. The words "aim," "anticipate," "believe," "could," "predict," "potential," "continue," "expect," "intend," "may," "might," "plan," "seek," "will," "would," "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. Consequently, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and [REDACTED] should not place undue reliance on them. See "Forward-looking Statements" for more details.