
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 market price 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 business is subject to macroeconomic fluctuations in the industries in which we operate.

As a fundamental industry supporting the development of the national economy, the industry in which we operate is closely linked to the macroeconomic cycle, which has a significant impact on overall industry prosperity. The products we sold are widely used in many emerging industries including AI computing infrastructure, new energy infrastructure, automotive and other applications. These emerging industries are characterized by high efficiency, energy saving, and environmental protection, are strongly supported by national industrial policies, and represent the future direction of economic transformation, which are related to overall macroeconomic development conditions. As a result, our revenue, costs, margins and cash flows may fluctuate from period to period in response to changes in macroeconomic conditions. If industry or macroeconomic conditions deteriorate or policy support weakens, our business, financial condition, results of operations and prospects could be directly affected.

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

Our revenue increased from RMB1,158.5 million in 2023 to RMB1,662.9 million in 2024, and further increased to RMB1,802.2 million in 2025. Our revenue increased from RMB383.3 million in the three months ended March 31, 2025 to RMB489.6 million in the three months ended March 31, 2026. However, our historical growth, profitability and financial performance reflect the operating environment, market conditions, competitive landscape and cost structure prevailing during those periods, and may not be indicative of our future results. Our future performance will depend on different factors, many of which are beyond our control, including overall macroeconomic conditions, industry cycles in the sectors we serve, changes in customer demand and regulatory or technological developments. There can be no assurance that we will be able to sustain our historical growth rates or profitability. Any slowdown in revenue growth, compression of margins or increase in costs could cause our results of operations to fluctuate significantly from period to period. Accordingly, [REDACTED] should not rely on our historical results as an indication of our future financial performance, and any failure to achieve expected growth could directly affect our business, financial condition and results of operations.

Demand for our products depends on demand in the end markets we serve, and any slowdown or decline in such demand could materially and adversely affect our business.

Our products are used in a range of end markets, such as AI computing infrastructure, new energy infrastructure and automotive applications. Demand for our products is therefore affected by demand conditions in these end markets. Demand in these end markets may fluctuate due to factors such as technology upgrades, industry support, product replacement cycles and changes in competitive dynamics. Further, demands for our products may also be affected by the changes in customer procurement and inventory plans. If demand in any of our key end markets slows, declines or recovers more slowly than expected, our customers may reduce, delay or cancel purchases of our

RISK FACTORS

products. We may also face slower revenue growth, lower capacity utilization, greater pricing pressure and reduced margins. As a result, any material slowdown or decline in demand in the end markets we serve could materially and adversely affect our business, financial condition, results of operations and prospects.

Competition and pricing pressure are important factors for our margins and financial performance.

We operate in a competitive market where we face competition from existing industry participants as well as new entrants. Competitors may include domestic and international manufacturers offering similar or substitute products. They may compete with us on the basis of price, product performance, quality, reliability, delivery time, technological capabilities, brand recognition and service.

In order to maintain or increase our market share, we are required to offer more competitive pricing, provide additional technical support, or invest more resources in product development and customer service. Technological advancements or changes in customer preferences could also render certain of our products less competitive if we do not respond in a timely and effective manner. If we are unable to compete effectively, we may experience loss of customers, reduced order volumes or pressure to lower prices, which could erode our gross margins and profitability. Any sustained increase in competitive intensity or pricing pressure could directly affect our business, financial condition, results of operations and prospects.

Any disruption to the operation of our production bases or inability to enhance our production capabilities could directly affect our financial condition and results of operations.

Our growth and profitability are affected by, among other things, our ability to enhance production capacity in line with business needs to meet the growing customer demand. To this extent, we may need to make upgrade and expansion plans, expand and construct new facilities, and maintain and purchase production equipment in a cost-efficient manner. These upgrades and expansions may involve constructing facilities or purchasing equipment, which are affected by our available working capital and are subject to delays or difficulties in the course of installing and implementation. There is no assurance, however, that our upgrade or expansion plan, if implemented, will be operationally or financially successful and substantiated by sufficient market demand.

Our production bases also face potential disruption from various risks beyond our control. These include, for example, physical damage from fires, floods, earthquakes, and typhoons, as well as operational challenges such as power outages, mechanical breakdowns, telecommunications failures, and loss of required licenses and permits, many of which are beyond our control. In addition, our production operations involve certain inherently risky and hazardous activities. Therefore, we are subject to risks associated with these activities, including equipment failures, industrial accidents, fires and explosions. These risks can result in personal injuries and fatalities, damage to or destruction of properties or production facilities, and pollution and other environmental damage. Any of these consequences, if significant, could result in business interruption and directly affect our financial condition and results of operations.

Our ability to appropriately address the evolution in the industries and sectors where our products are used is important for our business, financial condition and results of operations.

The end markets in which our products are used continue to evolve, and our customers may require products with enhanced performance. Our competitiveness depends in part on our ability to anticipate these technological trends and translate them into timely upgrades of our existing products and the development of new products that meet evolving customer requirements. Technological development is inherently uncertain, which may cause our products and technological R&D to deviate from industry development directions. If we fail to align with

RISK FACTORS

industry trends in forward-looking technological innovation, we may face risks of declining product competitiveness and customer recognition, which could in turn affect our economic performance and even the sustainable development.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other occupational and environmentally related risks.

Our business and production are subject to various risks and the production processes of our products are characterized by high temperature, high pressure and low oxygen conditions. Any equipment malfunction, operational failure, human error or failure by our employees or other on-site personnel to comply with applicable safety procedures may result in accidents, work-related injuries, property damage, production interruptions or other adverse consequences. During the Track Record Period, we conduct regular inspections of the facilities we operate and equipment maintenance and implement measures to prevent safety incidents, including establishing production safety systems and organizing safety training programs. However, there can be no assurance that these measures will be sufficient to prevent all accidents or work-related injuries, or that our employees and other on-site personnel will always strictly comply with such measures and procedures. See “Business — Employee — Production Safety Incident” for details. If we fail to provide in-depth safety training to employees and truthfully inform employees of the hazardous factors, preventive measures, and emergency response measures associated with their workplaces and job positions, or unable to effectively supervise employees in strictly complying with production safety regulations and operating procedures, we may be exposed to production disruptions, regulatory actions, compensation claims or reputational damage, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

Maintaining and enhancing our brand and reputation is important for our business and financial performance.

Any negative publicity or other public disclosures concerning us, our affiliates or subsidiaries, management team, employees, other persons associated with us, our business partners or other third parties we cooperate with, or our industry generally, even if untrue, partially true or inconsistent, could directly affect our reputation, damage our brand image or have a direct effect on our results of operations, financial performance and business prospects. If we are unable to provide efficient maintenance and support services with results satisfactory to our customers, our reputation and business may also be harmed. Damage to our reputation could be difficult, expensive and time consuming to restore and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business. Damage to our reputation could also reduce the value and effectiveness of our brand and could reduce investor confidence in us, affecting the price of our Shares.

Our success depends on maintaining and expanding our customer base while encouraging increased use of our products and services.

Our continued success depends on maintaining and expanding our customer base and increasing customer adoption of our products and services. We emphasize customer-driven R&D and long-term collaboration with strategic customers to support recurring demand. However, customer engagement may decline due to factors such as dissatisfaction with product performance, competitive pressure, macroeconomic conditions or changes in customer strategies. If we fail to adapt to industry trends, continue innovating or maintain stable customer relationships, customer retention and acquisition may be directly affected. Any sustained decline in customer engagement could lead to lower revenue and directly affect our business, financial condition and results of operations.

RISK FACTORS

Our customer and supplier concentration is high, and a loss of our major customers or suppliers may directly affect our business operations and financial results.

A portion of our revenue is derived from a limited number of major customers and our business operations depend on the continuous service of certain suppliers. See “Business — Our Customers” and “Business — Our Supply Chain — Our Suppliers — Our Major Suppliers” for more details. The relatively high contributions from these customers and suppliers indicate a certain degree of customer and supplier concentration. We cannot assure you that we will be able to maintain our relationships with our major customers and suppliers in the future. If we fail to meet our customers’ quality, delivery, cost or technological requirements, they may reduce their reliance on us or cease to source from us. If our supply is disrupted or delayed, we may fail to find replacements with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. As a result, any adverse change in the business relationship with one or more key customers or suppliers could have a direct impact on our revenue and operating performance.

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 impact our profitability and operating cash flow and may not generate the results we expect to achieve.

We may not be able to obtain sufficient resources, including qualified R&D personnel and R&D equipment to support the R&D of new or enhanced products. R&D activities are time-consuming and by the time our products and solutions are due for commercialization, new technologies could render our products obsolete, in which case we may not be able to recover related R&D expenses, which could result in a decline in our revenue, profitability and market share. Even if our R&D efforts successfully result in the development and commercialization of new products, these efforts may not contribute to our future results of operations within our expected timeframe, or at all. The success and profitability of our new products are subject to various factors such as market demand, macroeconomic conditions or the pace of technological advancement, which are beyond our control. Therefore, the contributions from our R&D efforts may not meet our expectations or even cover the expenses of such efforts, which would directly affect our business, results of operations, financial condition and competitive position.

Our success relies on the continued services and contributions from key management and other highly qualified personnel with specialized skills, including senior R&D personnel and skilled engineers.

We have cultivated a team of core R&D technical personnel, and certain of our products and technologies remain under development. Competition for management and technical talent is intense. If we fail to retain our key management or core technical personnel, attract or train suitable replacements in a timely manner, or if any of our core technologies are disclosed, misappropriated or otherwise compromised, our research and development, technology upgrade, production and commercialization efforts may be adversely affected, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Our ongoing establishment of overseas base exposes us to a slowdown in overall profit growth that could exert a negative impact on our business performance.

Our Thailand Production Base under equipment testing is intended to enhance our global presence, serve local customers more effectively and optimize our supply chain. However, these initiatives expose us to additional risks and uncertainties associated with operating in new markets and jurisdictions. For example, the construction, ramp-up and operation of overseas base may encounter delays, cost overruns, regulatory or licensing hurdles, supply chain disruptions, labor shortages or difficulties in recruiting and retaining qualified local personnel. Moreover, geopolitical tensions, trade restrictions, changes in tariffs, exchange rate volatility or other external factors could affect the economics of operating overseas base or our ability to move products and components across borders. Any material adverse development affecting our overseas base could increase our costs, reduce our operational flexibility and negatively affect our overall business performance, financial condition and results of operations.

RISK FACTORS

Raw materials, key supplies and supply chain stability are important for our business, financial condition and results of operations.

We collaborate with third-party suppliers to provide raw materials, other services and supplies used in our production processes. Although we maintain qualified supplier records, our operations remain dependent on the stability, reliability and performance of these suppliers. The timely availability and consistent quality of materials supplied by third parties are critical to our ability to manufacture products according to schedule, maintain product standards and meet customer delivery requirements. Any interruption, delay or shortfall in the supply of required materials from key suppliers could disrupt our production plans and directly affect our ability to fulfill customer orders.

Further, prices of raw materials, such as iron, silicon, and nickel, affect our production costs and overall profitability. The prices of our key raw materials are subject to fluctuations driven by factors such as market demand and supply, energy costs, logistics constraints, geopolitical tensions, natural disasters and speculative activities in commodity markets. We cannot assure you that we will always be able to obtain quality raw materials in sufficient quantities at reasonable prices. Should there be any prolonged or significant increase in the prices of key raw materials, our production costs could be affected, which in turn, may affect our business, financial condition and results of operations.

We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures.

Our operations are subject to potential fluctuations in the political and economic relations among countries and counter-sanctions measures and export administration measures administered by the government authorities in the countries and regions in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. Given the dynamic nature of geopolitical developments, international trade disputes, export administration, sanctions and counter-sanctions measures, and investment access may exacerbate unfavorable macroeconomic conditions, including inflationary pressures, foreign exchange volatility, financial market instability, and economic downturns. While we actively monitor these risks, any prolonged global economic deterioration or escalation in trade tensions could materially and adversely affect our business, capital market access, financial condition, and prospects.

Our international business may be affected by sanctions and export control laws and regulations. During the Track Record Period, we had limited revenue derived from sales to Russia, which amounted to RMB2.1 million in 2023 and RMB2.8 million in 2024, representing 0.2% and 0.2% of our total revenue for the respective years. We ceased Russia-related transactions after September 2024 and did not record any Russia-related sales after October 2024. Based on internal screening, the products sold were standard alloy soft magnetic powder cores with ordinary civilian applications. After consultation with our legal advisor as to U.S. export control and sanctions, the Russia-related customers were not identified as Sanctioned Targets, and the products sold not identified as items subject to the U.S. Export Administration Regulations, and that the historical Russia-related transactions do not constitute Sanctioned Activity.

We may be unable to obtain and maintain effective and sufficient protection of our intellectual property rights. And we may be subject to intellectual property infringement claims or other disputes, which could expose us to costly litigation and substantial liability and directly affect our reputation.

Protection of our intellectual property is critical to maintaining our competitive position. See “Business — Intellectual Property” for more details. There is no assurance that intellectual property rights will be granted in a timely manner or that protection will be consistent across jurisdictions. Third parties may independently develop similar technologies or infringe our intellectual property.

RISK FACTORS

Enforcing our rights may require costly and time-consuming litigation, with the results remaining uncertain. Any failure to protect our intellectual property could impair our competitive position and affect our business and results of operations.

In addition, we could in the future be subject to claims that we or our current or former employees, consultants or advisors have inadvertently or otherwise used or disclosed alleged intellectual property rights of third parties. We cannot assure you that we will prevail in these matters. Even if we were to succeed in our defense, involvement in such litigations and legal proceedings may also cause us to incur substantial expenses and divert the time and attention of our management. An adverse determination in any such litigations or proceedings could subject us to significant liability to third parties, require us to obtain licenses from third parties, pay ongoing royalties, or subject us to injunctions prohibiting the distribution and marketing of our products. Any similar claim against us, even without any merit, could also damage our reputation and brand image.

Defects or unsatisfactory performance of our products, or failure to maintain effective quality control, could result in returns, recalls, reputational damage, loss of customers and product operations.

Defects or unsatisfactory performance of our products, or failures in our quality control processes, could result in product malfunctions, reduced efficiency or shorter-than-expected service life. Defective products or components may give rise to returns, replacements, repairs, product recalls, contractual penalties or warranty claims, which could increase our costs and affect our profitability. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve customer experience and promote customer loyalty, which may in turn help us acquire and retain customers, they also subject us to additional costs and expenses that may not be offset by increased revenue. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied. Customer dissatisfaction may result in loss of existing customers or failure to acquire new users, which may directly affect our business and results of operations.

Further, if our products cause or are alleged to have caused property damage, personal injury or other losses, we may be exposed to claims or disputes that could result in additional costs and divert management attention, which in turn, may affect our business performance, financial condition and results of operations.

Our ability to obtain and maintain necessary permits, licenses, approvals and qualifications is important for our business and results of operations.

The industries in which we operate are highly regulated. We are required to obtain and maintain the requisite licenses and approvals in China and in other jurisdictions where we operate. Compliance with the relevant regulations may require substantial expense and non-compliance may expose us to sanctions and penalties. We cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner as the licenses may only be valid for a limited period of time. Further, we may be required to obtain additional approvals, licenses, permits and certifications that we do not currently have for our existing business or new scope of business that we may expand into in the future. The loss of or failure to obtain or renew any of these permits, licenses, approvals and qualifications could directly affect our business, financial condition and results of operations.

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 have maintained insurance policies to cover various aspects of our business to secure our business continuity. However, the amount of coverage, depending on the insurance policies to which we subscribe, may not be adequate to fully compensate for all types of loss, damage and liability we may suffer in the future. For example, insurances covering loss from acts of war, terrorism, or natural disasters may be unavailable or cost prohibitive. In addition, we cannot guarantee that our

RISK FACTORS

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 directly affect our business, financial condition, results of operations and prospects.

Labor-related issues may have a direct effect on our business.

We believe that we have a good working relationship with our employees and have not experienced any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there is no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption to our operations and/or incur higher on-going labor costs, which may have an adverse effect on our business and results of operations. In addition, labor costs in regions where we operate may increase, which in turn affect our production costs. We may not be able to pass on these increased costs to customers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

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

We collaborate with third-party information technology service providers to support our business operations. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be directly affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be directly affected.

We rely on our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties. Our ability to detect or prevent fraudulent or illegal activities or other misconduct by such parties is important for our business.

We are exposed to fraudulent or illegal activities or other misconduct by our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties, 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 business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties, including, but not limited to, those in 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 and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our business partners, other industry participants, contractors, suppliers, customers, distributors, employees or other third parties could directly affect our business.

We may be subject to impact of our risk management and internal control systems in the future.

We have designed and implemented risk management and internal control policies and procedures to monitor and control potential risk exposures relevant to our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot guarantee that these systems will be sufficiently effective in identifying, managing and preventing all potential risks that may arise from our business operations. If our internal control

RISK FACTORS

system fails to detect potential risks in our business, as intended, or is otherwise subject to weaknesses and deficiencies, our business, financial condition and results of operations could be directly affected.

Our risk management and internal control systems also require effective implementation by our employees. There can be no assurance that such implementation by our employees will always function as intended or that such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement our policies and procedures in a timely manner or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be directly affected.

Our manufacturing operations consume significant amounts of electricity and other forms of energy, exposing us to risks from rising global and regional energy costs as well as potential supply disruptions.

We are exposed to the risk of rising energy prices as well as potential supply disruptions, both of which could directly affect our operations and financial performance. Volatility in, or shortages of, electricity or other energy inputs may arise from factors beyond our control, including fluctuations in fuel prices, instability of local or regional power grids, geopolitical events affecting energy supply and pricing, adverse weather conditions or natural disasters, and changes in energy, environmental or climate-related policies or regulations. Any of these factors could result in higher tariffs, surcharges, mandated curtailments, or unplanned outages affecting the facilities from which we obtain electricity or other energy. In response to these risks, we may from time to time take mitigation measures, such as adjusting our production schedules, arranging for alternative energy supply or maintaining backup power systems. However, these measures involve additional capital and operating expenditures, may not be economically viable in all circumstances and cannot guarantee uninterrupted power supply or full protection against cost increases. In particular, our ability to pass higher energy costs on to customers through price adjustments is subject to market conditions, competitive dynamics and contractual arrangements, and there can be no assurance that such cost increases will be fully or promptly recovered.

We are subject to stringent environmental laws and regulations and may incur substantial costs in complying with such laws and regulations and resolving relevant risks.

Our production generates sewage and other industrial waste at different stages of the production process. As a result, our operations are subject to various environmental laws and regulations and administrative adjudications. Environmental laws and regulations impose stringent standards on our handling and disposal of waste and emission of sewage. If we fail to comply with any of the regulations or to satisfy any of the conditions required for the maintenance of our licenses and certificates, such licenses and certificates could be temporarily suspended, revoked, or rejected upon renewal or delayed for renewal upon expiry of their original terms. This could directly affect our business, financial condition and results of operations. Given the magnitude, complexity and continuous amendments to these laws and regulations, the liabilities, costs, obligations and requirements associated with these laws and regulations may therefore be substantial and may delay the commencement of, or cause interruptions to, our operations. Non-compliance with the laws and regulations applicable to our operations may even result in substantial penalties or fines, suspension or revocation of our relevant licenses, termination of government contracts or suspension of their operations.

Our involvement in legal proceedings and commercial or contractual disputes, and their potential impact on our reputation, business, financial condition and results of operations, are important for 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. 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

RISK FACTORS

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 directly affect our reputation, business, financial condition and results of operations.

We may face risks related to our properties.

We face legal defects regarding some of our owned properties. As of the Latest Practicable Date, we have not obtained the real estate ownership certificates for certain properties owned. While we are in the process of fulfilling the relevant procedures required for the ownership certificates for these properties, we may not be able to obtain these certificates in a timely manner or at all, in which case our business may be affected. See “Business — Properties — Owned Properties” for details.

Further, under the Administrative Measures on Commodity Housing Leasing (《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we had not completed lease registration for properties we leased in China. According to the relevant PRC laws and regulations, we may be required by relevant government authorities to file lease agreements for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for each of the non-registered leased property exceeding such time limit.

Under the Urban and Rural Planning Law of the People’s Republic of China (《中華人民共和國城鄉規劃法》), temporary construction within urban or township planning areas shall be subject to the approval of the urban and rural planning authorities of the relevant city or county people’s government. As of the Latest Practicable Date, we constructed a temporary building structure for inventory or supplementary production use. As advised by our PRC Legal Advisers, we may be requested by the relevant local government authority to demolish our temporary building structure within a prescribed period of time and subject to a fine up to an amount equivalent to our construction cost of the temporary building structure.

Force majeure events, such as natural disasters, adverse weather conditions, public health and public security hazards, may severely disrupt our business and operations.

Force majeure events may severely disrupt our business and operations. We may be exposed to events such as earthquakes, floods or other similar occurrences that are beyond our control and may directly affect our operational facilities and business activities. Any future occurrence of force majeure events, including hurricanes, earthquakes and other natural disasters, epidemics, quarantines, terrorism, embargos, plant closures or other unforeseen events beyond our control, could result in significant operational disruptions and property damage. Such events may interrupt production, logistics or other critical business functions and could materially and directly affect our business, financial condition and results of operations.

Effective management of our distributors and their compliance with framework agreements and distributors management policy are important for our business, prospects and reputation.

We engaged distributors to supplement our direct sales of products. For the distributorship, we primarily rely on distribution agreements and distributors management policy to regulate our relationships with these distributors. However, we cannot assure you that we will always be able to manage our distributors effectively, or that our distributors will not breach our agreements or policies. Any breach or alleged breach by our distributors of the distribution agreements, distributors management policy or applicable laws and regulations could result in potential legal liability incurred by us, damage to our goodwill, a decline in the market value of our brand and adverse public perception regarding the quality of our products, which could have a direct effect on our business, financial condition, results of operations and prospects.

RISK FACTORS

Market risk from fluctuations in foreign currency exchange rates could directly impact our financial performance.

During the Track Record Period, we had overseas customers and conducted settlements in U.S. dollars. There may be a certain time lag between the execution of sales and procurement contracts and the receipt and payment of foreign currency. During the Track Record Period, the amount of exchange gains and losses was relatively small. As we continue to expand its scale of operations, overseas sales may also increase accordingly. If significant exchange rate fluctuations occur in the future or settlements cannot be completed in a timely manner, and we are unable to take effective countermeasures, our profitability may be exposed to risks arising from exchange rate volatility.

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

During the Track Record Period, we received government grants. As many of these government grants are non-recurring in nature, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants that may become available to us in the future. Furthermore, we are subject to preferential income tax treatments. If we cease to be entitled to such government grants or preferential tax treatment or if the relevant PRC laws and regulations change, our income tax expenses may increase, which could directly affect our business, results of operations, financial condition and prospects.

Credit risk related to delays in payment and defaults by customers or related parties is important for our liquidity and financial condition.

We are exposed to credit risks related to delay in payment and defaults of our customers or related parties. As of December 31, 2023, 2024, 2025, and March 31, 2026, we recorded loss allowance for trade and bills receivable of RMB28.4 million, RMB42.9 million, RMB42.8 million and RMB41.6 million, respectively. We may not be able to collect any, if not all, such trade and bills receivable due to a variety of factors that are beyond our control, including long payment cycle, adverse operating conditions or financial condition of our customers, and our customers’ inability to pay caused by their end customers’ delay in payment. In such circumstances, we may have to make impairment provisions, and our liquidity and financial condition will be directly affected.

Our ability to recover trade receivables in a timely manner is important for our business and financial performance and results of operations.

The ability of our customers and counterparties to meet their payment obligations may be affected by their own business performance, financial condition, as well as broader macroeconomic and industry conditions. If any major customer or a significant number of customers experience financial difficulties, delay payments, default on their obligations or become insolvent, we may have to extend payment terms, restructure receivables, recognize impairment losses or write off bad debts. Similarly, if suppliers or other counterparties fail to perform their obligations after receiving prepayments or deposits from us, we may face difficulties in recovering such amounts or obtaining alternative supplies on comparable terms. Any significant delays or defaults in the collection of trade receivables, prepayments and other amounts due could directly affect our cash flows, liquidity position, working capital management and overall financial condition.

We are subject to risks of inventory impairment, shortages and excess inventory, which are important for our business, financial condition and results of operation.

If market demand weakens further or if downstream investment continues to slow, the net realizable value of our inventories may fall materially below their carrying costs, which could require us to recognize substantial inventory write-downs or impairment losses. Any such impairment would directly reduce our gross profit and net profit, directly affect our asset quality and leverage ratios,

RISK FACTORS

and may weaken our ability to obtain external financing on favorable terms. In addition, excess or obsolete inventory may constrain our operational flexibility and negatively affect our liquidity position, thereby directly affecting our business, financial condition and results of operations.

Our ongoing capital investment needs and related cost control and financing arrangements are important for our business.

We require continuous and significant capital investments to expand and upgrade our production facilities, introduce new equipment, enhance automation and improve product quality and compliance with evolving technical standards. We may not always be able to accurately forecast the required level or timing of capital investments. If we invest in additional capacity or new technologies based on overly optimistic demand expectations, we may experience under-utilization of facilities, lower returns on investment and increased depreciation and financing costs. Conversely, if we under-invest or delay necessary capital projects, we may be unable to meet customer demand, fall behind competitors in technology and efficiency, or face higher maintenance and repair costs for aging equipment.

To fund capital expenditures, we may need to rely on internally generated cash flows, bank borrowings or other external financing. There can be no assurance that such financing will be available on terms acceptable to us, or at all. Increased leverage could, in turn, increase our interest expenses and subject us to restrictive covenants that limit our operational and financial flexibility. Any of the foregoing could directly affect our business, financial condition, results of operations and prospects.

Our investment in wealth management products may affect our financial performance and financial position.

During the Track Record Period, we purchased wealth management products as a supplemental mean to improve the utilization of our cash on hand on a short-term basis. We intend to purchase low-risk wealth management products with good liquidity for treasury management purpose in the future. There is no assurance that we will not record a loss from wealth management products. As a result, our financial performance and financial position may be adversely affected. Furthermore, factors beyond our control can influence and cause adverse changes to the estimates we use and thereby affect the fair value of wealth management products. These factors include, but not limited to, general economic condition and changes in market foreign exchange rates. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could adversely affect our financial performance and financial position.

We have granted, and may continue to grant share-based awards, which may increase share-based payment expenses and affect our financial condition and results of operations.

We adopted share incentive plans including share-based compensation for the benefit of our employees to incentivize and reward the eligible persons who have contributed to our success. We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key personnel and employees. Nevertheless, share-based compensation expenses would potentially dilute the shareholding of existing shareholders. We may continue to grant share-based compensation awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may affect our financial condition and results of operations. We may re-evaluate the vesting schedules, lock-up period, or other key terms applicable to the grants under the share incentive plan from time to time. If we choose to do so, we may experience a substantial change in our share-based compensation expenses in the reporting periods following this [REDACTED].

RISK FACTORS

RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTIONS WE OPERATE

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our business assets are located in China and vast majority of our sales and revenue was derived from China during the Track Record Period. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC government could affect our business and financial condition. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies which imposed stricter standards with respect to, among other things, quality and safety control, and supervision and inspection of companies in our industry. See “Regulatory Overview” for more details. Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

We are subject to a range of laws, regulations and regulatory standards, and any failure to comply with these requirements may expose us to liabilities.

We are subject to extensive laws, regulations and regulatory requirements in the PRC and other jurisdictions in which we conduct our business, and any failure to comply with such requirements may subject us to liabilities and penalties. For example, we are required to comply with various labor-related laws and regulations in the PRC, including those relating to social insurance and housing provident fund contributions for our employees.

Under the relevant PRC laws and regulations, including the Regulation on the Administration of Housing Provident Funds and the PRC Social Insurance Law, PRC enterprises are required to establish housing provident fund accounts for their employees, complete social insurance registration and make contributions to social insurance and housing provident fund in a timely and full manner. Although we were not subject to any material administrative penalties imposed by the relevant authorities in connection with our social insurance and housing provident fund contributions during the Track Record Period, there can be no assurance that our historical and current practices in this regard will always be regarded as fully compliant by the relevant regulatory authorities, particularly in light of the evolving interpretation, application and enforcement of the relevant laws and regulations.

If our practices are determined to be non-compliant, we may be required to make up any shortfall in social insurance and housing provident fund contributions within a prescribed time period and may be subject to administrative penalties if we fail to rectify such non-compliance in accordance with the requirements of the relevant authorities. During the Track Record Period, we had not received any administrative order to rectify our practices comprehensively or to pay up any shortfall all at once or subject to any material administrative penalty imposed by the relevant regulatory authorities regarding PRC social insurance and housing provident funds. Considering relevant regulator policies and the facts stated above provided that there are no material changes to the current social insurance, housing provident fund policies and regulations, or to the enforcement and supervision requirements of local governments and in the absence of collective employee complaints or litigation or arbitrations, our PRC Legal Advisor is of the view that the likelihood that we would be required by relevant regulatory authorities to pay up any shortfall all at once for social insurance and housing provident fund contribution or become subject to material administrative penalties by relevant authorities is remote. Notwithstanding the foregoing, any failure by us to comply with other applicable labor laws and regulations in the PRC may also expose us to liabilities, penalties or claims for compensation by employees.

RISK FACTORS

You may experience difficulties in effecting service of legal process and enforcing judgments obtained from non-PRC courts or tribunals against us and our management who reside in the PRC.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for [REDACTED] to effect service of process upon or to enforce judgments outside of China against us and most of our Directors and senior management outside China. A judgment of a court or tribunal of another jurisdiction may be reciprocally recognized or enforced in China only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts or tribunals of China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China is not a party to treaties providing for the reciprocal enforcement of judgments of courts or tribunals with certain foreign countries such as the United States, and enforcement in China of judgments of a court or tribunal in these jurisdictions may consequently be difficult or impossible.

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 China. We cannot guarantee that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange needs. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange (“SAFE”). We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be registered in advance by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [REDACTED], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. 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.

Our operations are subject to PRC tax laws and regulations.

As a company incorporated in China, we are subject to PRC tax laws and regulations. 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.

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.

According to the relevant laws and regulations, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. And the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends are not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends. In addition, if a non-resident enterprise has

RISK FACTORS

no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Specifically, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i) 5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends, (ii) otherwise, 10% of the total amount of dividends. Considering the above, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

Our operations are subject to cybersecurity, data privacy and personal information protection risks, and any non-compliance or security incident could adversely affect us.

We rely on information technology systems to support our business operations, including production management, supply chain coordination, financial reporting and internal communications. In the course of our business, we may collect, process and store certain data, which may include business-sensitive information and limited personal information of employees and business contacts, subject to applicable cybersecurity, data privacy and personal information protection laws and regulations. The regulatory framework governing cyber security and data protection in the PRC and other jurisdictions where we operate is evolving and becoming increasingly stringent. Any failure to establish and maintain appropriate policies, systems and controls, or any misinterpretation of applicable requirements, could result in non-compliance with the relevant laws and regulations.

Our IT systems and data may also be vulnerable to cyber-attacks, hacking, phishing, malware, ransomware, unauthorized access, misuse or other security incidents. Any actual or suspected data breach or loss, or any material disruption to our IT systems, could result in business interruptions, loss of data, increased recovery costs, reputational damage and potential regulatory inquiries or penalties. Although we have taken certain information security measures, such measures may not be sufficient to prevent or fully mitigate all such risks. If any of the foregoing events occurs, our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATED TO THE [REDACTED]

We will be concurrently subject to Hong Kong and China listing and regulatory requirements.

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

The characteristics of the A share and H share markets may differ.

Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [REDACTED] or settlement between the H share and A share markets. With different [REDACTED] characteristics, the H share and A share markets have divergent [REDACTED], liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the [REDACTED] of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the [REDACTED] of our H Shares, and vice versa. Due to the different characteristics of the H share

RISK FACTORS

and A share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the prior trading history of our A Shares when evaluating an [REDACTED] in our H Shares.

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the completion of the [REDACTED], there has been no public market for our H Shares. There can be no guarantee that an active [REDACTED] for our H Shares will develop or be sustained after the completion of the [REDACTED]. The [REDACTED] is the result of negotiations between our Company, the [REDACTED] (for itself and on behalf of the [REDACTED]), which may not be indicative of the price at which our H Shares will be [REDACTED] following completion of the [REDACTED]. The [REDACTED] of our H Shares may drop below the [REDACTED] at any time after completion of the [REDACTED].

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

The [REDACTED] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [REDACTED], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. The H Shares held by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [REDACTED] in our H Shares commences on the Stock Exchange. We cannot assure you that our existing Shareholders will not dispose any H Shares they may own now or in the future. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

Dividends declared and distributed in the past may not be indicative of our dividend payments in the future and there can be no assurance if and when we will pay dividends in the future.

We have declared dividends in the past. However, there is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable laws and regulations of Chinese Mainland, the payment of dividends may be subject to certain limitations. The declaration, payment and amount of any future dividends are subject to the discretion of our board of Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our board of Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable laws and regulations of Chinese Mainland. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Our Single Largest Group of Shareholders can exert significant influence on us and could cause us to act in a way that may not be in the best interests of our minority Shareholders.

Our Single Largest Group of Shareholders has substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce

RISK FACTORS

the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Single Largest Group of Shareholders may differ from the interests of our other Shareholders. It is possible that our Single Largest Group of Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

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

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective [REDACTED] in our H Shares should be reminded that, in making their [REDACTED] decisions as to whether to [REDACTED] our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to [REDACTED] our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [REDACTED]. Prior to the publication of this document, there has been press and media coverage regarding us, our business, our industry and the [REDACTED]. There may be additional media coverage regarding us, our business, our industry and the [REDACTED] subsequent to the date of this document but prior to the completion of the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [REDACTED] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

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

We have derived certain facts and other statistics in this document, particularly those relating to the general economy and the industries in which we operate, from information provided by official government sources. We, the Sole Sponsor, [REDACTED], any of the [REDACTED], any of their respective directors, supervisors, and advisors, or any other persons or parties involved in the [REDACTED] have not independently verified information and statistics from official government sources, and there can be no assurance as to the accuracy of such facts and statistics. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED “WARNING” ON THE COVER OF THIS DOCUMENT.

RISK FACTORS

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

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