

RISK FACTORS

An [REDACTED] in [REDACTED] involves significant risks. You should carefully consider all the information in this Document, including the risks and uncertainties described below, before making an [REDACTED] in [REDACTED]. The following is a description of what we consider to be material risks to us, any of which could have a material adverse effect on our business, financial condition and results of operations. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also be detrimental to our business, financial condition and results of operations. You should consider our business and prospects in light of the challenges we face, including those discussed in this section. The trading price of [REDACTED] may decline due to any of these risks, 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 the section “Forward-looking Statements” in this Document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business relies on automotive manufacturers. Any downturns or material changes in the automotive industry and macroeconomic environment as well as other factors outside of our control could negatively affect our business and financial performance.

Our primary customers are automotive manufacturers, and our performance depends on the growth and overall conditions of the automotive industry. Demand for our products is influenced by the sales performance of our customers and the specific vehicle models to which our products relate. Factors such as shorter model launch cycles, technological advancements, evolving industry standards and changing consumer preferences contribute to faster product upgrades and may affect product demand. Our customers also face pricing pressure and ongoing cost reduction requirements, which may result in fluctuations in or declines in the average selling prices of our products. The automotive industry is sensitive to general economic conditions, including interest rates, inflation, consumer spending and geopolitical developments. Automotive production and sales may also be affected by regulatory requirements, government policies and incentives, trade restrictions, environmental standards, the availability and cost of credit, raw materials and key components, labor conditions, energy prices and logistics disruptions, as well as shifts in consumer preferences regarding vehicle features and powertrains. Negative developments in the automotive industry globally or in key markets where we operate, increased competition from new entrants, including NEV manufacturers, or adverse economic conditions affecting our major customers may reduce production volumes of relevant vehicle models and adversely affect demand for our products, which could in turn negatively impact our financial condition, results of operations and cash flows.

We operate in a relatively competitive industry, and we may be unable to continually maintain our market position.

We primarily operate in the automotive lighting market, which are relatively competitive. We compete with a number of other PRC or international companies that produce and sell similar products. Among other factors, our products compete on the basis of price, quality, technological innovation, design and performance, manufacturing and sales capability, delivery and customer services. Some of our competitors are larger and have greater financial and other resources than us. Some of our competitors may also have a competitive advantage in particular products or as a result of long-term relationships or ownership interests with certain customers. Our ability to compete successfully depends largely on our ability to maintain our advantages in areas such as technological advancement, quality and services, and to differentiate and stay ahead of our competitors with respect to

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our products. We continue to invest in technology and innovation which are critical to our long-term growth. Our ability to maintain advanced R&D ability and improve existing products, while successfully developing and introducing distinctive new and enhanced products that anticipate changing customer and consumer preferences and capitalize upon emerging technologies, is also important for us to remain competitive. If we are unsuccessful or are less successful than our competitors in predicting the course of market development, developing innovative products, processes or use of materials or adapting to new technologies or evolving regulatory, industry or customer requirements, we may be placed at a competitive disadvantage.

In addition, competition may make it more difficult for us to secure new projects, which may in turn put pressure on our revenue and profits and adversely affect our profit margins. Therefore, the ability to stay ahead of our competitors will be fundamental to our future success. If we do not continue to keep our existing production and quality leverage, continuously innovate to develop new and compelling products that effectively compete with our competitors, our business, financial condition and results of operations may be materially and adversely affected.

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

The automotive industry and automotive intelligence technologies are rapidly evolving, and our business prospects depend on our ability to identify changing customer needs, develop and introduce new products and enhance existing products in a cost-effective manner. Market adoption of automotive intelligence products may be affected by factors such as functionality, cost considerations, user preferences and consumer awareness. Rapid technological developments and emerging industry standards may require us to make additional investments in technology upgrades and process improvements. Failure to adapt in a timely manner could result in product obsolescence, loss of market share and adverse impacts on our business. Our R&D focuses on the intelligent upgrade of automotive lighting products and expansion into emerging businesses. We plan to further develop intelligent lighting products, including projection headlamps, interactive lighting, cockpit lighting and lighting controllers, as well as new products such as domain controllers, camera monitoring systems (CMS) and embodied intelligent robot components. The development of new technologies involves significant technological challenges, capital investment and execution risks, and we cannot assure that our R&D efforts will align with market demand or result in commercially viable products. Rapid industry innovation and evolving standards may also require us to adjust our R&D direction, modify existing technologies or discontinue certain projects, which could increase costs and affect our competitiveness.

If our investments in new products and technologies prove unsuccessful or ineffective, our business may be materially and adversely affected.

Technology innovation is key to our success. During the Track Record Period, we made substantial R&D investments, which we believe are crucial factors for our future growth and prospects. For 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, our research and development expenses amounted to RMB610.2 million, RMB655.5 million, RMB883.7 million, RMB186.0 million and RMB229.0 million, respectively, accounting for 6.0%, 4.9%, 5.8%, 6.0% and 6.7% of our total revenue in each year/period.

However, there can be no assurance that our R&D projects will yield the expected outcome or be completed within the anticipated time frame and budget. If we fail to commercialize our R&D efforts, we may incur significant sunk costs. Even if the newly developed products can be launched as we expected, there can be no assurance that they will be accepted by our customers and achieve the anticipated sales target or profit. In addition, a portion of our research and development expenses are allocated to developing general technologies rather than specific products. While this investment is important for long-term

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innovation and capability building, it may not immediately enhance the competitiveness of our products in the market or produce the expected benefits or returns. Furthermore, there can be no assurance that our existing or potential competitors will not develop products which are similar or superior to our products or are more competitively priced. In such cases, we may lose market share. Due to uncertainties in the time frame for developing new products and the duration of market windows for these products, there is a risk that we may have to abandon a product that is no longer commercially viable, even after we have invested significant resources in the development of such product.

During any operating period, if our R&D and technology investments lead to increased costs due to market conditions or competitive pressure, or if our R&D fails to achieve the expected results, our financial performance may be adversely affected.

We currently may be exposed to customer concentration risk. Failure to retain our existing customers or attract new ones could materially and adversely impact our business, financial condition and results of operations.

To support revenue growth, we seek to retain key existing customers and attract new customers. As automotive lighting products are typically designed for specific vehicle models and the automotive manufacturing industry is relatively concentrated, customer concentration is a common industry characteristic. In 2023, 2024, 2025 and three months ended March 31, 2026, revenue from our five largest customers in each year/period accounted for 68.2%, 69.5%, 64.7% and 58.6% of our total revenue, respectively. Our business is therefore significantly affected by the operating performance, liquidity and procurement strategies of these key customers, and any disruption in such relationships could materially and adversely affect our financial condition and results of operations. We cannot assure that key customers will continue to procure our products for new vehicle models or maintain cooperation on existing or future projects. Our ability to retain or attract customers depends on factors including pricing competitiveness, market acceptance of new products and functionalities, our ongoing R&D capabilities, industry consolidation and overall economic and automotive industry conditions. Changes in customers' business models, financial condition or purchasing preferences, as well as shifts in the automotive lighting market or macroeconomic environment, may lead to reduced demand for our products. If we experience a significant decline in orders from existing customers and are unable to secure new customers on comparable terms, our business, financial condition and results of operations could be materially and adversely affected.

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

Our business depends on the continued services of our management team and skilled personnel. Retaining talent in various jurisdictions presents challenges, including cultural differences, varying legal and regulatory requirements and intense competition for qualified professionals. We cannot assure that we will be able to retain key personnel or recruit suitable replacements in a timely manner, at acceptable cost or at all. A shortage of skilled professionals may delay product development, limit our ability to respond to market demands and affect the effective management of our international operations. As our ability to innovate and maintain competitiveness relies on attracting and retaining highly qualified personnel, any failure to do so could materially and adversely affect our business, financial condition, results of operations and prospects.

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

The historical financial information included in this document is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future years/periods. Our future growth is, to a certain extent, based upon our forward-looking assessment of market prospects. We

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cannot guarantee that our assessment will always turn out to be correct or that we can grow our business as planned. Our expansion plans may be affected by a number of factors beyond our control. Such factors include changes in the general economic conditions and the competitive landscape of the industries where we operate, as well as the relevant regulations and policies and the supply and demand for our products.

Managing our growth will require significant expenditures and allocation of resources. We need to effectively manage our growth and maintain profits as we expect our costs and expenses may possibly continue to increase in the future. We will also need to expand, train, manage and motivate our workforce and manage our relationships with suppliers, customers and other business partners. We also expect to continue to invest in our current and planned production expansion projects as well as R&D activities. All these endeavors entail risks and demand considerable management efforts, skills and significant additional expenditures, which could strain our capacity to enhance our operational, auditing, human resources, financial and management controls. If we fail to achieve the necessary level of efficiency in our organization as we grow, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on the stability of our supply chain as well as a number of suppliers.

Our success depends in part on our ability to manage our supply chain to manufacture and deliver our products in a timely manner and with quality. We source the raw materials and components for our products from third-party suppliers. In 2023, 2024 and 2025, our raw materials and consumables used were RMB6.6 billion, RMB8.9 billion and RMB10.3 billion, respectively, representing 81.3%, 83.0%, and 84.3% of our total cost of sales, respectively. For the three months ended March 31, 2025 and 2026, our raw materials and consumables used were RMB2.1 billion and RMB2.3 billion respectively, representing 83.8% and 83.5% of our total cost of sales for the relevant periods respectively. See “Financial Information — Description of Major Components of Our Results of Operations — Cost of Sales”. As a result, our production volume and production costs depend on our ability to source raw materials and components at competitive prices. However, the raw materials and components 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. There can be no assurances that the price of our raw materials will not significantly increase or fluctuate in the future. Therefore, we might fail to secure an adequate supply of such raw materials and components under favorable business conditions as required by us, if at all, which could prevent us from meeting our customer demand. Moreover, such shortage could lead to increases in material cost and negatively impact our future profitability.

In addition, our suppliers could fail to meet our needs for various reasons beyond our control, including fires, natural disasters, extreme weather, manufacturing problems, epidemic, strikes, transportation interruptions or governmental regulation. A failure of supply could also occur due to suppliers’ financial difficulties, including bankruptcy. Changing suppliers may require a long lead time. We may not be able to locate alternative suppliers in sufficient quantities, of suitable quality or at an acceptable price within a reasonable period of time, or at all. As a result, our business, financial condition and results of operations could be materially and adversely affected.

Pricing pressure from our customers may materially and adversely affect our business, financial condition and results of operations.

We design, develop and manufacture complex and quality products, and primarily supply to automotive manufacturers in automotive industry. It’s a common practice in the industry for automotive manufactures to renegotiate a lowered price for existing vehicle models annually with their suppliers, and the competition in our industry will also affect our bargaining power on pricing. Our customers’ purchase orders generally require step-downs in component pricing over the period of production, and the pricing scheme is normally

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renegotiated annually, which will reflect the pricing trends in the industry. Our automotive manufacturer customers also have significant leverage over their suppliers, including us, because our industry is relatively competitive. Prices may also be adjusted to reflect changes in product content/costs and other commercial factors. If automotive manufacturers continue to implement cost-reduction measures, the pricing pressure on us as their supplier may intensify beyond our expectations. Our financial performance is largely dependent on our ability to adjust our pricing model accordingly and achieve product cost controls through product design enhancements, supply chain management and manufacturing efficiencies actions. We also seek to enhance our financial performance by investing in product development, design capabilities and new product initiatives that respond to and anticipate the needs of our customers and consumers. Our inability to maintain our gross margin and achieve product cost controls that offset customer-imposed or market influenced price reductions could adversely affect our financial condition, operating results and cash flows.

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

Our business plans and strategies are based on our assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, we cannot guarantee that our business plans and strategies will be implemented successfully as scheduled or at all.

We may seek to expand our business through cooperation, strategic investments, mergers and acquisitions and partnership in the future. The success of these endeavors depends on the availability of, and competition for, suitable targets and opportunities, as well as financial resources, including available cash and financing capacity. If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities as expected or remain competitive in the industry. Moreover, future cooperations, strategic investments, mergers and acquisitions and partnerships may expose us to potential risks, including the diversion of management attention and resources from our existing business and the inability to generate sufficient income to offset the costs and expenses. These endeavors may also result in an increased leverage, sharing of potential legal liabilities in respect of the target businesses, and increased impairment charges related to goodwill and other intangible assets. As a result, we cannot assure you that we will be able to achieve the strategic purpose of any investment, partnership or cooperation, the desired level of control in management decisions of the partnership or our anticipated investment return from such business expansion. If we are unable to implement our expansion plans effectively, our business, financial condition and results of operations may be materially and adversely affected.

Changes in regulations, international trade policies, tariffs and rising political tensions, may adversely impact our business and operating results.

Due to the interconnectedness of the global economy, policy changes in one area of the world can have an immediate and material adverse impact on markets around the world. Significant political, trade or regulatory changes in the jurisdictions in which we operate or sell products, such as those stemming from the current U.S. federal administration, are difficult to predict and may have a material adverse effect on us. For example, changes to tariff policy implemented by the U.S. Congress, the Trump administration or any new administration have impacted and may in the future impact, among other things, the U.S. and global economy, international trade relations, the U.S. regulatory environment, inflation and other areas.

During the Track Record Period and up to the Latest Practicable Date, our operations were in compliance with applicable export controls, sanctions and tariffs during the Track Record Period. See “Business — Export Controls, Sanctions and Tariffs” for details. However, rising political tensions as a result of trade policies could reduce trade volume, investment and other economic activities between major international economies. These developments, or the

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perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, which in turn can significantly impact our business and results of operations. Consequently, such developments necessitate our increased investments in monitoring policy developments and exploring strategies to mitigate the impact on our operations. Economic sanctions and trade restriction measures (including tariffs) taken by government authorities or other trade tensions or unfavorable trade policies may affect the costs and/or marketability of our products, as, without the impact of additional tariffs, the peers in other countries and regions which are not subject to such tariffs, could potentially gain market share and improve their price competitiveness. The current international trade tensions and political tensions and any escalation of such tensions may have a material negative impact on our ability to continue to sell to global customers and further grow our customer base. In addition, as our business is closely interrelated with the performance of our customers' end-use products in the marketplace, if our customers are impacted by restrictive measures of trade protection or export control, our performance and income will be adversely affected. Geopolitical conditions may also lead to heightened restrictions on foreign investments, technological exchange, introducing increased compliance requirements and uncertainty for investors. Any of these factors could have a material adverse effect on our and our customers' business, prospects, financial condition and results of operations.

Our manufacturing processes are potentially vulnerable to disruptions that can increase our production costs. There are uncertainties and risks on whether we may maintain optimal utilization of our production facilities and to expand our production capacity in a cost-effective manner.

We manufacture a wide range of products and components at our own production facilities and seek to adjust capacity in line with market demand and improve productivity. Our operations involve coordination of raw materials procurement, inventory management, production processes, logistics and sales. Disruptions in any of these areas, including equipment failure, adverse weather, natural disasters or other unforeseen events, could cause production downtime, inventory loss or delivery delays, which may materially and adversely affect our business, financial condition and results of operations. Our ability to manufacture products cost-effectively depends on accurately forecasting customer demand, maintaining optimal utilization of production facilities and expanding capacity to achieve economies of scale. However, capacity optimization and expansion involve risks and uncertainties, including demand fluctuations, increased construction and operating costs and project delays, and require substantial capital investment and time. In addition, accidents at our facilities may result in property damage, environmental liabilities, operational suspension, litigation or negative publicity, any of which could materially and adversely affect our business and financial performance.

Undetected defects, errors or bugs of our products could adversely affect our business, financial condition and results of operations.

Our products are complex and designed for specific vehicle models, and may contain errors, defects, security vulnerabilities or software issues that are difficult to detect or rectify. Any real or perceived product failure, service interruption or quality issue could weaken customer confidence, result in warranty claims, product returns, order delays or cancellations, increased costs and reputational damage. Addressing such issues may require significant additional resources and could disrupt production. We may also face complaints, liability claims or litigation from customers, end users or other parties, as well as negative publicity, regardless of whether the allegations are valid, which could materially and adversely affect our business, financial condition and results of operations.

Defects in our design or manufacturing processes, or in components supplied by third parties, may lead to product recalls or liability claims. We cannot assure that insurance coverage will be sufficient to cover potential losses or litigation costs. Product failures may also result in delivery delays, rework or replacement expenses, particularly given the long life

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cycle of automotive products. Any significant recall incident or product liability claim could harm our brand and reputation and materially and adversely affect our business and financial performance.

There is no assurance that we will be able to obtain, maintain, update or renew all the requisite licenses, permits, certificates and approvals required under the regulatory environment applicable to our business.

In accordance with the laws and regulations applicable to our operation, we have obtained and maintained various approvals, licenses, permits and certifications in order to operate our business. See “Business — Licenses and Approvals” for details. Complying with such laws and regulations may require substantial expense and impose burdens to us, while any non-compliance may expose us to liability. Furthermore, with the introduction and enactment of new laws and regulations, as well as the refinement of interpretations and applications of existing ones, we cannot guarantee that we will always be able to maintain or obtain all requisite approvals, licenses, permits and certifications in a timely manner.

In addition, in the event that we are required to renew our certain existing licenses or permits or acquire new ones, whether as a result of the promulgation of new laws and regulations or otherwise, there is no assurance that we will be able to meet the requisite conditions and requirements, or obtain all requisite approvals, licenses, permits and certifications in a timely manner. Furthermore, due to the evolving interpretation and implementation of existing laws and the adoption of additional laws and regulations, the licenses, permits, qualifications, registrations or filings we hold may be deemed insufficient by the competent government authorities. If we are unable to obtain, or experience material delays in obtaining, necessary government approvals, our operations may be substantially disrupted, and we may be subject to fines or penalties from local authorities, which could materially and adversely affect our business, financial condition and results of operations.

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

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a relatively competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. However, we cannot guarantee that these activities are and will be successful or that we can achieve the brand promotion effect we expect.

Our brands, reputation and product sales could be harmed if, for example, our products fail to meet the expectations of our customers or contain defects or fail. In addition, adverse publicity about regulatory or legal action against us could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products.

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

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The development cycles of our products can be long and we are subject to risks relating to the planning and implementation of complex projects.

Our planning and implementation process is complex and run throughout the entire vehicle development cycle, covering numerous stages such as styling design, digital modelling, tooling and mould development, prototype trial production, testing and validation, Off-tooling Samples ("OTS") approval, trial production and Production Part Approval Process ("PPAP"). The development cycles of our products can be lengthy with significant upfront investment. The development cycle for single project normally vary between 12 to 30 months. In addition, there may be various challenges during our development process, including, in particular, technical or process handling issues. As a result, we may face additional expenses and increased quality risks. If we are unable to resolve these issues, the development of that product may fail and our business, financial condition and results of operations may be adversely affected.

Further, even where we are nominated as a supplier for a particular vehicle model and undertake project development accordingly automotive manufacturer generally do not commit to minimum purchase quantities from their suppliers, nor do they commit that the products under the relevant R&D projects will ultimately be commercialized. Whether such projects can be commercialized and mass-produced is often subject to the automotive manufacturer's commercialization plans for the relevant vehicle model and changes in its practical requirements. As such, we cannot guarantee that we may successfully commercialize such development results of each project on a timely basis, nor can we guarantee that such commercialization will achieve favourable profit margins, failure of which may adversely affect on our profitability, and there is a risk that the initial investment for development cannot be recouped.

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

The success of our products and our business depends in part on our ability to obtain patents and other intellectual property rights and maintain adequate legal protection for our products in the jurisdictions where we operate.

We cannot assure you that patents will be granted with respect to our currently pending patent applications in a manner that gives us adequate defensive protection or competitive advantages, or that any patent granted to us will not be challenged, invalidated or circumvented. Our currently granted patents and any patents that may be granted or registered in the future may not provide sufficiently broad protection or may not prove to be enforceable in actions against alleged infringers. We cannot assure you that the steps we have taken will prevent unauthorized use of our technology or the reverse engineering of our technology. The confidentiality procedures and contractual restrictions implemented by us may not be sufficient or effective.

Protecting against the unauthorized use of our intellectual property and other proprietary technology is expensive and difficult, particularly internationally. Unauthorized parties may attempt to copy or reverse engineer our technologies or certain aspects of our products that we consider proprietary. Litigation may be necessary in the future to enforce or defend our intellectual property rights, to prevent unauthorized parties from copying or reverse engineering our products, to determine the validity and scope of our proprietary rights or to block infringing products where we operate. Any such litigation, whether initiated by us or a third party, could result in substantial costs and diversion of management resources, either of which could adversely affect our business, operating results and financial condition. Even if we obtain favorable outcomes in litigation, we may not be able to obtain adequate remedies.

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We may face claims of infringement on know-how and intellectual property rights by third parties which, if resolved unfavorably, could result in adverse effect to our business.

The industry in which we operate involves a large number of patents, and there is uncertainty regarding the scope, validity and enforceability of intellectual property rights. We cannot assure that our business operations do not or will not infringe, misappropriate or otherwise violate third-party intellectual property rights. We may be subject to infringement claims or litigation, including those arising from the alleged use of unauthorized software or know-how by employees or former employees of competitors. If such claims are resolved adversely to us, we could face substantial damages, injunctions affecting our operations, invalidation of our intellectual property rights or costly remediation measures such as product redesign.

Patent applications may remain pending for extended periods, creating a risk of inadvertent infringement. If we are found to infringe valid intellectual property rights, we may be required to obtain licenses on commercially unfavorable terms, pay royalties, suspend product sales or redesign affected products. We may also face indemnification claims from customers or business partners. Any inability to develop non-infringing technologies or obtain licenses on acceptable terms, as well as the time, cost and management distraction associated with intellectual property disputes, could materially and adversely affect our business, results of operations and reputation.

Our patent applications may not be issued as patents, which may have a material adverse effect on our ability to prevent others from commercially exploiting solutions similar to ours.

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. If another party has filed a patent application covering the same subject matter as we have developed, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results. Also, the costs associated with enforcing patents, confidentiality and invention agreements or other intellectual property rights may make aggressive enforcement impracticable.

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

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

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

In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know-how as well as our copyrights in our production and operation process.

We may fail to enter into the necessary protective agreements in connection with our proprietary information, and even if entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. We have limited control over the protection of trade secrets used by our third-party manufacturers and partners and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants, contractors, scientific advisers and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position.

However, we cannot assure you that such measures will be effective in mitigating the relevant risks or completely preventing intellectual property disputes or competition from arising.

There is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. We may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce our intellectual property rights.

We rely on our business partners and other industry participants and the business collaboration with them is subject to various risks.

Strategic business relationships are, and will continue to be, an important factor in the growth and success of our business. We have alliances and partnerships with other industry participants, such as research centers. If we are unable to maintain the existing relationships with our business partners, or if we fail to identify and negotiate additional relationships that are essential to our future expansion or success on commercially acceptable terms or at all, we may incur increased costs to develop and provide these capabilities on our own, and our business, financial condition and results of operations could be materially and adversely affected. We could experience delays in the development or delivery of our products to the extent our partners do not meet agreed timelines or experience capacity constraints. We could also experience disagreement in budget or funding for any joint development project. There is also risk of potential disputes with partners in the future, including with respect to intellectual property rights. Moreover, if our existing partner agreements were to be terminated, we may be unable to timely secure alternative agreements on terms and conditions commercially acceptable to us. Any of the foregoing could materially and adversely affect our business, financial condition and results of operations.

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We are exposed to credit risks related to our trade and bills receivables, deposits and other receivables.

We face credit risks attributable to our trade and bills receivables, deposits and other receivables. Our trade and bills receivables as of December 31, 2023, 2024 and 2025 and March 31, 2026 amounted to RMB4,398.1 million, RMB6,108.9 million, RMB7,149.6 million and RMB7,000.5 million, respectively. In the relevant years/period, our average trade receivables turnover days were 77 days, 103 days, 106 days and 112 days respectively.

The fluctuation and extension of trade and bills receivables turnover may have a material and adverse effect on our cash flow and liquidity position. See “Financial Information — Discussion of Certain Components from our Consolidated Statements of Financial Position — Trade and Bills Receivables” for details. We cannot assure you that all of our counterparties will not default on us in the future, despite our efforts to conduct credit assessments on them. As a result, we are exposed to risks that our counterparties may fail to fulfill their obligations to us under our contracts.

We are exposed to inventory management risks.

Our inventories primarily consist of raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025 and March 31, 2026, our inventories were RMB2,245.4 million, RMB2,629.3 million, RMB2,575.0 million and RMB2,318.0 million, respectively, of which finished goods accounted for 64.9%, 75.4%, 75.2% and 69.2%, respectively. Our inventory turnover days for the relevant years/period was 101 days, 82 days, 76 days and 80 days, respectively.

If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and significant inventory write-offs. We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in a diminished customer base and a decrease in revenue, any of which could harm our business, financial condition and results of operations.

In the event of any damage or deterioration caused by factors beyond our control, including catastrophic events such as outbreak of fire or explosion, we may suffer from losses and such losses may not be compensated in a timely and adequate manner. Our business performance and financial position may thereby be adversely affected.

Work stoppages, increases in labor costs and other labor-related matters may adversely affect our business operations.

If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing labor costs, which may have an adverse effect on our business, financial condition and results of operations. In addition, labor costs in regions where we operate have been increasing in recent years and could potentially continue to increase, which may further increase our manufacturing costs. Factors contributing to rising labor costs include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these costs. The competition for skilled labor in our industry is intense and we may be required to offer more attractive compensation packages to retain and attract qualified personnel. 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 and our financial condition and results of operations may be materially and adversely affected.

RISK FACTORS

Pursuant to the Labor Contract Law, dispatched labor is intended to be a supplementary form of employment and the fundamental form should be direct employment by enterprises and organizations that hire employees. Further, it is stated in the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) that became effective on March 1, 2014 that the number of dispatched workers an employer uses may not exceed 10% of its total labor force. During the Track Record Period, dispatched workers of our Company and certain PRC subsidiaries exceeded 10% of the total labor force. As of May 31, 2026, our Company and certain PRC subsidiaries had reduced the number of dispatched workers down to below 10% of the total labor force. During the Track Record Period and up to the Latest Practicable Date, we had not received any notice of rectification from, or been imposed any administrative penalty by, the relevant governmental authorities in this regard. However, we cannot assure you that the competent authorities will not request us to rectify such arrangements within a prescribed period. If we fail to rectify within the prescribed period, we may be subject to a fine ranging from RMB5,000 to RMB10,000 per excess dispatched worker.

Failure to pay social insurance and housing provident funds for our employees in accordance with applicable laws and regulations may subject us to penalties.

We are subject to PRC labour laws and regulations and are required to make contributions for our employees to various social welfare schemes, including the housing provident fund, pension insurance, medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. The relevant authorities may inspect an employer’s compliance, and any failure to make full contributions in accordance with applicable requirements may result in administrative penalties. During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees in accordance with applicable local requirements, or arranged for certain employees’ contributions to be made through third-party agencies. However, we cannot assure you that the competent authorities will not require us to pay any underpaid contributions and impose late payment surcharges or fines. If we are investigated or subject to material administrative penalties, or incur material legal costs, due to non-compliance with relevant PRC laws and regulations, our business, financial condition and results of operations could be adversely affected. See “Business — Employees”.

Our production is dependent on the stable, timely and adequate supply of energy at reasonable prices.

We depend on a stable supply of energy, mainly including electricity and water, to maintain production. Our production volume and manufacturing costs are affected by the price and supply of energy. The prices of energy are subject to a number of factors which may be beyond our control, including inflation, supplier capacity constraints, general economic conditions, commodity price fluctuations, demand from other industries for energy and local and national regulatory requirements. Furthermore, there can be no assurance that unexpected and serious shortages of energy will not occur in the future or that we will be able to pass on any cost increases to our customers. Adverse changes in power consumption policies, particularly those leading to higher energy prices, could negatively impact our business, financial condition, operational results and prospects. Significant fluctuations in these costs could materially affect our profitability if we are unable to adjust our product prices accordingly, potentially undermining our competitive advantages. Failure to pass increased costs onto our customers may lead to a reduction in our profit margins. If the supply of energy is affected by natural disasters, adverse weather conditions, equipment failures, disruptions in transport or other inclement factors, we may not be able to locate alternative sources of supply at commercially reasonable prices or maintain the full energy supply required for production, resulting the reduction or cessation of production capacity. Any such events may have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Our existing automotive manufacturer customers may not purchase our products in any certain quantity or at any certain price.

Upon obtaining nomination from certain automotive manufacturer, we develop customized solutions to be equipped on specific vehicle models of automotive manufacturer customers. We generally enter into procurement general terms or master contracts with our automotive manufacturer customers, which set forth the general and salient terms such as general product range, individual contract and/or order placement principals, technology standards, qualification and warranty requirements, delivery principals, indemnifications and general terms. For details such as purchasing quantity, pricing, our automotive manufacturer customers may provide estimations based on their production plan of relevant vehicle models, and will enter into individual contracts or place procurement orders specifying the pricing with us from time to time, and the automotive manufacturer may reserve the right of potential adjustment of the purchase volumes and delivery arrangement, which may result in uncertainty to our revenue. Additionally, automotive manufacturer may experience delays or cancellations in the development of the models, which may result in extended timelines or even the abandonment of certain models. As a result, in case actual production orders from the automotive manufacturer customers are not consistent with their projections, or even if mass production commences but the orders placed with us and the prices offered to us differ materially, we could realize less revenue than our expectation. If actual production orders or sales volumes are lower than estimated, we may not cancel excess supplies in a timely manner, or at all, and the inventory may accumulate, leading to increased storage costs and potential obsolescence, which may materially and adversely affect our business, financial condition and results of operations.

We have certain construction projects which require substantial upfront investment and involve long construction years/periods. Without prudent project selection and effective risk management, our business, financial condition and results of operations may be adversely affected.

We currently have several construction in process projects, such as the electronics facility of the Intelligent Manufacturing Industrial Park and the intelligent automotive electronics and vision systems industrial center project. The construction and operation of such projects may require substantial upfront capital and resources during the early stages of project development. The successful completion of such projects is subject to several factors beyond our control, including but not limited to regulatory approval, climate conditions, and supply chain condition. Any delay or disruption in these processes may result in cost overruns, project postponements or cancellations, which could adversely affect our business, financial condition and results of operations. Furthermore, the long payback period associated with these capital-intensive projects may impact our liquidity and profitability. We cannot assure you that we will always accurately assess project feasibility, manage construction risks or respond promptly to market changes, which may adversely affect our business, financial condition and results of operations.

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

As we continue to grow our operations and support our customer base, we need to be able to continue to provide efficient after-sales support and effective maintenance that meets our customers' needs at scale. We may not be able to recruit or retain sufficient qualified support personnel with experiences in supporting customers of our products. As a result, we may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or maintenance assistance. We also may be unable to modify the future scope and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors.

RISK FACTORS

If we experience increased customer demand for after-sales support and maintenance, we may face increased costs that may harm our results of operations. In particular, we may expand to countries and regions where the costs of providing maintenance and after-sales support services are higher as a result of more stringent consumer protection regulations and market practices. If we are unable to provide efficient customer maintenance and after-sales support, our business may be harmed. Our ability to attract new end customers is highly dependent on our business reputation and on positive recommendations from our existing customers. Any actual or perceived failure to maintain high-quality maintenance and after-sales support services would harm our business.

Our employees and business partners may engage in intentional or negligent misconduct, or violate our internal policies and laws, which could impair the quality of our service, cause us to lose customers or subject us to liabilities.

We risk compromising the quality of our products if our employees and business partners do not perform in accordance with our standards. We cannot guarantee that our employees and business partners will not engage in any intentional or negligent misconduct.

Furthermore, we may be exposed to the risks of fraud or other unlawful activities committed by our employees and business partners. Fraud or other unlawful activities by our employees and business partners may include making unauthorized misrepresentation to our customers, misappropriating third-party intellectual property and other proprietary rights, misusing sensitive customer information and engaging in bribery or other unlawful payments. In any such event, we could incur liability to our customers or any other third parties.

Any claims could subject us to costly litigation and affect our business, financial condition and results of operations, and may distract the attention of our management regardless of whether the claims have merit. Any claims could result in complaints from our customers or other third parties, regulatory or legal liabilities or damages to our reputation.

Any discontinuation, reduction or delay in payment of any government grants, tax refund or preferential tax treatments may have a material and adverse impact on our business, financial condition and results of operations.

During the Track Record Period, we benefited from certain government grants and subsidies. In 2023, 2024, 2025 and the three months ended March 31, 2025 and 2026, we recognized government grants of RMB118.2 million, RMB175.0 million, RMB158.5 million, RMB36.3 million and RMB41.2 million, respectively. In addition, we and some of our subsidiaries are entitled to preferential tax treatment. For example, the Company has been accredited as High and New Technology Enterprises and were subject to a preferential enterprise income tax rate of 15% during the Track Record Period. Pursuant to the Serbian Corporate Income Tax Law and based on the scale of our Group’s investment in the Republic of Serbia, our subsidiary in Serbia will be entitled to a 10-year corporate income tax exemption commencing from its first profit-making year. See “Financial Information — Description of Major Components of Our Results of Operations — Income Tax Expenses.” Preferential tax treatments granted to us by PRC governmental authorities and the governmental authorities in other jurisdictions are subject to review and may be adjusted or revoked in the future. We cannot guarantee that the preferential tax treatments to which our we are currently entitled will be successfully renewed.

We cannot guarantee that the local governments and tax authorities will not, in the future, change their position and discontinue any of the grants and subsidies, or our current tax treatments. The discontinuation of governmental grants and/or any of our current tax treatments could adversely impact our net profit.

RISK FACTORS

Our results of operations were and may continue to be subject to period-to-period fluctuations.

We have experienced and may continue to experience period-to-period fluctuations in our results of operations. Historically, we had more sales and production volumes in the fourth quarter of a given year as compared to the rest of year because our automotive manufacturer customers tended to deliver more products during the fourth quarter of the year. In addition, we cannot guarantee against any delay in completion of inspection and acceptance by our customers. Any slight delays in the customer acceptance of our products may cause substantial changes in proportion of operational results over different quarters of the year or even different year. As a result of such fluctuations in our revenue recognition from period to period, comparisons of revenue and our operating results between different years within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon in assessing or predicting our future financial performance in a particular year or period. See “Business — Seasonality” for further details.

We may incur significant capital expenditures for our business operations and expansion plans, which may adversely affect our short-term cash flow, liquidity and profitability.

We may incur significant capital expenditures in connection with our business operations and expansion plans, including investments in our manufacturing bases to expand our offerings and upgrade our production technologies. See “Financial Information — Capital Expenditures.” In 2023, 2024, 2025 and the three months ended March 31, 2026, our capital expenditures amounted to RMB1,040.6 million, RMB679.1 million, RMB868.0 million and RMB260.9 million, respectively. Inherent risk exists for such significant capital expenditures as our investments may not succeed or generate the benefits that we expect, which could materially affect our profitability. Even if we achieve our goals for such investments, our short-term cash flow and liquidity may be adversely affected. While we intend to explore alternative arrangements to reduce the capital intensity of any future expansion, there is no assurance this will be successful. The markets for certain of our offerings remain relatively new, and it is uncertain whether our efforts, and related investments, will result in adequate financial returns for us. Further, our technological adjustments and upgrades, as well as new products and services, may not be successful. Any early-stage investments and development of such new products may not result in long-term success or financial returns for us.

We face certain risks in relation to our leases.

As of the Latest Practicable Date, certain of our lease agreements had not been registered and filed with the relevant real estate administration bureaus in the PRC. Although failure to do so does not in itself invalidate the leases, the lessors and the lessees may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so.

We, our Directors, management, employees and shareholders and their affiliates may be subject to lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fine.

As of the Latest Practicable Date, we were not a party to any material legal or administrative proceedings. However, we may in the future be involved in lawsuits, contract disputes, employment-related matters, regulatory investigations or other proceedings arising from our business operations. Such matters may be costly and time-consuming, require significant management attention and result in settlements, judgments, penalties or fines. Any associated negative publicity, regardless of the merits of the claims, could harm market acceptance of our products and materially and adversely affect our business, financial condition, results of operations or liquidity.

RISK FACTORS

Our Directors, management, shareholders or employees may also be subject to litigation or regulatory actions, including shareholder or class action lawsuits. Adverse outcomes could result in substantial damages, changes to our business practices or reputational harm, and we may incur significant legal expenses or indemnification obligations even if we ultimately prevail. In addition, patent disputes or other intellectual property litigation may disrupt our operations, restrict the use of certain technologies and adversely affect our business performance.

We may not have sufficient insurance coverage to cover our business risks.

We have obtained insurance to cover certain potential risks and liabilities, such as property insurance and employers’ insurance. For further details, see “Business — Insurance”. However, insurance companies in the PRC and other jurisdictions in which we operate may offer limited business insurance products. As a result, we may not be able to acquire any insurance for all types of risks we face in our operations in the PRC and overseas, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. This potentially insufficient coverage could expose us to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease, adverse weather conditions or natural disasters could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage will be sufficient to cover us for any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensation amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to applicable laws and regulations relating to cybersecurity and data privacy.

We may be subject to laws and regulations relating to cybersecurity and data privacy, including restrictions on the collection, usage and storage of confidential information. In addition, we may be influenced by misconduct of our employees or third parties, such as improperly using information obtained in our operations, misappropriating or illegally disclosing confidential information obtained in our business operations. As a result, we may be required to invest significant resources to develop our security measures against cybersecurity and data privacy issues caused by potential breaches.

In addition, regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We cannot guarantee that relevant interpretation or implementation of the laws or regulations will not adversely affect us. We may also become subject to new laws and regulations regarding cybersecurity and data privacy matters. If we were unable to effectively address data privacy and protection concerns, we may be subject to legal proceedings, regulatory actions or penalties, which may further adversely affect our business, financial condition and results of operations.

Failure or disruption of our information technology systems could adversely affect our business, financial condition and results of operations.

We have implemented various information technology systems to digitalize key areas of our intelligent operations across the entire value chain. We rely on our information technology systems for operational efficiency enhancement and the timely delivery of our products to customers. See “Business — Information Technology”. However, any failure or disruption in the operation of these systems or the loss of data due to such failure or disruption, including due to human error, sabotage, cyber attack or any actual or perceived security breach that leads to leakage of our confidential information, may interrupt our operations, temporarily or permanently disable our platform, result in fraudulent transfer of funds, damage our relationships with our customers and other business partners, and subject us to high cost and damages, legal liabilities, regulatory sanctions, financial exposure and reputational damages, any of which may materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Furthermore, the unavailability of, or failure to retain, well-trained employees capable of constantly servicing our information technology systems may lead to inefficiency or disruption of information technology systems, thereby adversely affecting our ability to operate efficiently.

To address any ESG risks, we may incur additional costs, which may materially and adversely affect our financial performance.

To identify, manage and mitigate ESG risks, we may incur additional costs and expenses which could impact our financial performance. This commitment may entail incurring substantial additional costs and would potentially impact our profitability. See “Business — Environmental, Social and Governance” for details.

In addition, the increasing ESG-related regulatory requirements, including various ESG disclosure mandates in the jurisdictions where we operate, may lead to rising compliance costs and uncertainties in customer retention, all of which may materially and adversely affect our results of operations and financial conditions.

Any future occurrence of force majeure events, such as natural disasters, wars or outbreaks of contagious diseases may materially and adversely affect our business, financial condition and results of operations.

Our business could be adversely affected by natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, riots, terrorism or other force majeure events beyond our control. Any of the foregoing events may give rise to interruptions, damage to our property, delays in production, breakdowns, system failures, technology platform failures or internet failures, all of which could adversely affect our business, results of operations, financial condition and prospects. In particular, these natural disasters, outbreaks of contagious diseases and other adverse public health developments could severely disrupt our business operations by damaging our technology infrastructure or information technology system or impacting the productivity of our workforce, which may adversely affect our financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE COUNTRIES WHERE WE OPERATE

Uncertainties embedded in the legal systems in the countries and regions where we operate could affect our business, financial condition and results of operations.

We conduct our business primarily through entities in the PRC and operate internationally, including a major manufacturing base in Serbia and subsidiaries in Germany, Japan, Mexico, the United States and Hong Kong. The legal systems in the jurisdictions where we operate differ significantly and are subject to ongoing changes. Laws and regulations in certain markets may be evolving, inconsistently interpreted or insufficiently developed, and enforcement practices may vary. As a result, it may be difficult to assess legal risks, predict the outcome of administrative or court proceedings or enforce contractual or arbitral rights.

In addition, certain regulatory policies or interpretations may not be published on a timely basis or may have retroactive effects. We may incur substantial costs and management distraction in responding to legal proceedings or increased regulatory scrutiny. The adoption of new laws or stricter enforcement of existing regulations in the jurisdictions where we operate could require additional compliance efforts, restrict our business activities or adversely affect the growth of our industry, which may in turn materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with overseas offerings and future capital raising activities.

On February 17, 2023, the CSRC promulgated the Filing Rules and their implementation guidelines. The Filing Rules, which came into effect on March 31, 2023, mainly provide the scope of activities subject to the filing requirement, the entities subject to filing obligations and the filing procedures. We are required to file with the CSRC in accordance with the Filing Rules after our application for the [REDACTED] is submitted, and there is uncertainty as to whether we will be able to complete the filing procedures or obtain approval for this [REDACTED] in a timely manner or at all.

If the CSRC or other PRC regulatory authorities in the future promulgate new rules or explanations imposing further requirements that we obtain their approvals or complete the required filing or other regulatory procedures for this [REDACTED] or future capital raising activities, there can be no assurance that we will be able to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any unforeseen situations or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, financial condition, results of operations and the trading price of our Shares.

[REDACTED] may experience difficulties in effecting service of legal process or enforcing foreign judgments against us and our Directors and management.

We are a company incorporated under the laws of the PRC and some of our assets and subsidiaries are located in the PRC and Serbia. The majority of our Directors and senior management resides within the PRC. The assets of these Directors and senior management also may be located within the PRC. Neither the PRC nor Serbia have treaties providing for the reciprocal recognition and enforcement of judgments of courts of most other jurisdictions. As a result, recognition and enforcement in the PRC or Serbia of judgments of a court in any of these jurisdictions outside the PRC or Serbia may be difficult. It may be also difficult and time-consuming to effect service of process upon our Directors and senior management outside the PRC or Serbia.

We are subject to the currency exchange regulatory system.

The conversion of RMB is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. 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 SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, normally need to be approved by or registered with the SAFE or its local branch unless otherwise permitted by law.

Accordingly, following the completion of the [REDACTED], under existing foreign exchange regulations, there is no assurance that we may obtain sufficient foreign currencies to satisfy all of our foreign currency demands. 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, operating results and financial condition, may be affected. Further, we cannot guarantee that new regulations will not be promulgated by Chinese or foreign authorities in the future that would have the effect of further restricting the remittance of RMB into or out of China.

RISK FACTORS

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

As a PRC-incorporated company, we are subject to PRC tax laws and regulations, and any non-compliance may result in fines, penalties, litigation or other adverse consequences that could affect our business, financial condition and results of operations. We also operate in multiple overseas jurisdictions and may be subject to complex and evolving tax regimes, including uncertainties regarding corporate income tax, import duties and eligibility for preferential tax treatments. For example, our Serbian subsidiary is entitled to a corporate income tax exemption for a specified period, but there can be no assurance that such preferential treatment will continue.

Changes in tax laws, interpretations, tax rates or the geographic mix of our earnings may increase our effective tax rate or require additional tax provisions. We are also subject to tax audits and examinations by domestic and overseas authorities, the outcomes of which are uncertain. Any adverse determination, including tax liabilities exceeding amounts previously accrued, could materially and adversely affect our financial condition, operating results and cash flows.

We are a PRC enterprise and we are subject to PRC tax on our global income. [REDACTED] may be subject to PRC income taxes for any gains on the sales of H Shares and dividends on the H Shares.

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

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

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

RISK FACTORS

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to [REDACTED] and regulatory requirements of PRC and Hong Kong and the two [REDACTED] markets have different characteristics.

As we are listed on the Shanghai Stock Exchange and will be [REDACTED] on the Main Board in Hong Kong, we will be required to comply with the [REDACTED] rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available, or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions. The characteristics of the A share and H share markets may differ. Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the [REDACTED], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [REDACTED] on the Stock Exchange. Under current laws and regulations of PRC, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no [REDACTED] between the H Share and A Share markets. With different [REDACTED] characteristics, the H Share and A Share markets have divergent [REDACTED] volumes, liquidity and [REDACTED] bases, as well as different levels of retail and institutional [REDACTED] participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the [REDACTED] decision in [REDACTED].

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

Prior to the [REDACTED], there was no [REDACTED] for our H Shares. We cannot assure you that a [REDACTED] for our H Shares with adequate liquidity and [REDACTED] volume will develop and be sustained following the completion of the [REDACTED]. In addition, the [REDACTED] of our H Shares is the result of negotiations between the [REDACTED] (for themselves and on behalf of the [REDACTED]) and us, and may not be an indication of the [REDACTED] at which our H Shares will be [REDACTED] following the completion of the [REDACTED]. If an active [REDACTED] for our H Shares does not develop following the completion of the [REDACTED], the [REDACTED] and liquidity of our H Shares may be materially and adversely affected.

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

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

RISK FACTORS

Future [REDACTED] or perceived [REDACTED] of our H Shares in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.

The [REDACTED] of our H Shares 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 [REDACTED] of our H Shares or other securities relating to our H Shares in the [REDACTED] by our Shareholders, or the issuance of new shares or other securities, or the perception that such [REDACTED] or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders’ interests in our Company. New shares or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Market [REDACTED] of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [REDACTED] of our H Shares.

In addition, while [REDACTED] shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they [REDACTED], they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED]. Any [REDACTED] of the H Shares [REDACTED] by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our H Shares and any sizeable [REDACTED] could have a material and adverse effect on the [REDACTED] of our H Shares and could cause substantial volatility in the [REDACTED] of our H Shares.

If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling debt securities or obtaining a credit facility. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

[REDACTED] decisions in our H Shares should not be based on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange, which were prepared based on regulatory requirements.

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in PRC. As a result, from time to time, we publicly release information relating to us on the Shanghai 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 PRC, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this Document. As a result, 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].

RISK FACTORS

Certain facts, forecasts and other statistics contained in this document are derived from official government publications.

Certain facts, forecasts and statistics in this document relating to the PRC and global economy and the industry in which we operate are obtained from official government publications that we believe are reliable. However, we cannot guarantee the quality or reliability of these sources. Our Directors believe that the sources of the information are appropriate and have taken reasonable care in extracting and reproducing such information. They do not believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by our Group, the Sole Sponsor or any other party involved in the [REDACTED]. Due to possibly flawed or ineffective sampling or discrepancies between published information and market practice and other problems, the statistics in this results of operations relating to the PRC and the global economy and the industry in which we operate may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. You should consider how much weight or importance such facts or statistics carry and should not place undue reliance on them.

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

During the Track Record Period, we paid dividends of RMB312.4 million, RMB397.3 million and RMB426.5 million during the years ended December 31, 2023, 2024 and 2025 respectively. We also declared dividend of RMB508.8 million in respect of the year ended December 31, 2025 on April 10, 2026, which was fully paid out in May 2026.

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 the PRC, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under the IFRS Accounting Standards. 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 the PRC and Hong Kong. For details, see “Financial Information — Dividends and Dividend Policy.” No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

RISK FACTORS

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

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage which contains information not disclosed or not consistent with the information included in our results of operations. Prior to the completion of the [REDACTED], there may be press and media coverage regarding our Group and the [REDACTED]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. Our Directors would like to emphasize to prospective [REDACTED] that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness and reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. 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.

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, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily 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. As a consequence, 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.