You should carefully consider all of the information in this document, including the following risk factors before making any **[REDACTED]** *decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The market price of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your* **[REDACTED]**.

Risks Relating to Our Business and Industry

The semiconductor industry is highly competitive and rapidly evolving. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be adversely affected.

We continue to face intense competition in the semiconductor industry, especially in Asia, and expect the competition to intensify as more semiconductor companies enter the market and as our existing competitors continue to develop new technologies and launch new products and solutions. We are in direct and active competition with numerous competitors of varying size, technical capability and financial strength, with respect to one or more of our business lines, including advanced digital imaging, display and analog solutions. Many of our competitors have longer operating histories, stronger presence in key markets, greater name recognition, larger customer bases, more established strategic and financial relationships and greater financial, sales and marketing, distribution, technical and other resources than we do. Some of them also have their own manufacturing facilities, which in certain circumstances may give them the ability to price their products and solutions more aggressively than we can, to respond more rapidly to changing market opportunities than we can or to meet increased demands for their products and solutions more easily.

Our competitors primarily include large domestic and international semiconductor companies. Our competitors may have greater presence in key markets, greater access to advanced wafer foundry capacity, a more established and larger customer base, and, in general, better access to other resources than we do. In addition, downward pressure on pricing could adversely affect our growth and profitability. From time to time, other companies may enter into our markets and provide similar services and products that we offer. These new entrants may gain market share in the short term by pricing their semiconductor solutions significantly below current market levels, which puts additional downward pressure on the prices we can obtain for our solutions.

Some of our competitors have made or may make acquisitions or enter into partnerships or other strategic relationships to achieve competitive advantages. In addition, new entrants not currently considered our competitors may enter our markets through acquisitions, partnerships or strategic relationships. Industry consolidation may also bring in competitors with more comprehensive product offerings or greater pricing flexibility due to their expanded scale and financial resources. Strategic arrangements between our competitors and our third-party suppliers, including foundries and providers of packaging and other back-end services, could lead to preferential or exclusive arrangements benefiting our competitors while impairing our ability to secure sufficient capacity from such suppliers, hence adversely affecting our ability to meet customer demand for our solutions. In addition, competitors may enter into exclusive relationships with distributors or certain existing or potential end users of our solutions, which could reduce available distribution channels and demand for our solutions and impair our ability to sell our solutions and grow our business. Some of our customers are believed to be seeking, and may continue to seek, to develop their own semiconductor products and solutions which may compete with those we currently offer.

In addition, increased competition in the semiconductor industry may result in rapid technological change, evolving standards, reductions in product selling prices and rapid product obsolescence. If we are unable to successfully cope with these competitive challenges, we may be unable to maintain and grow our business. Our inability to compete successfully could also adversely affect our results of operations and impair our financial condition.

Our future success depends on the timely development, introduction, marketing and selling of new semiconductor solutions and technologies, which we might not be able to achieve. The development of new and more complex solutions and technologies can also increase our cost of sales and adversely affect our gross profit margin.

Our competitiveness and future success depend on our ability to predict and adapt to the rapidly evolving market demand and to develop, introduce, market and sell our new solutions and technologies in a timely and cost-effective manner. Any failure to introduce these new solutions and technologies, to achieve design wins, or to otherwise achieve market acceptance in a timely manner and on commercially reasonable terms could harm our business, financial condition and results of operations.

The development of new semiconductor solutions and technologies is highly complex, and we may experience unexpected challenges and delays in completing the development and introduction of them. Customers will continue to expect the sophistication of our semiconductor solutions to increase, and the number of consumer and industrial products that use semiconductors has continued to grow. This propels us to continue to design and develop semiconductors with advanced technologies that can be utilized in a wide range of applications. As our semiconductor solutions integrate new and more advanced technologies and functions, they become more complex and increasingly difficult to design, develop and produce. Successful product development and technological enhancements depends on a number of factors, including:

- accurate prediction of market requirements and evolving technical standards, such as those surrounding imaging pixel resolution, output interface standards, power requirements, optical lens size, input standards and operating systems;
- development of advanced technologies and capabilities;
- timely development completion and introduction of new semiconductor solutions that satisfy our customers' and their customers' requirements and specifications;
- development of semiconductor solutions that maintain technological advantages over the solutions of our competitors, such as advantages with respect to the functionality and imaging pixel capability of our digital imaging solutions and our proprietary testing processes; and
- market acceptance of our new semiconductor solutions.

Accomplishing all of these factors is difficult, time consuming and expensive. We may be unable to develop new semiconductor solutions or technological enhancements in time to capture market opportunities, satisfy the requirements and specifications of our customers and their respective customers, or achieve significant or sustainable acceptance in new and existing markets. If our competitors develop new solutions or technologies on a more expedited basis than us or are successful in developing solutions that are accepted more rapidly and broadly by the market than our solutions, we could lose market share. Matching or surpassing technological advances that may be developed by our competitors could require an extended period of time. In addition, our solutions could become obsolete sooner than anticipated due to a rapid change in one or more of the technologies related to our solutions or the reduced life cycles of consumer and industrial products.

Even if we are able to develop new semiconductor solutions and achieve design wins, we may initially experience lower manufacturing yields from them than our other more established solutions, potentially affecting our gross profit margin at least in the short term. These new solutions and technologies also often have a higher cost structure than our existing solutions and technologies as we devote more time and effort to their development, and our suppliers and manufacturers may incur additional costs by acquiring new equipment or components in order to meet our design specification and capacity requirements.

Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our reputation, business, investments, financial condition and results of operations.

International expansion is a significant component of our growth strategy and may require significant capital investment, which could strain our resources and adversely impact our operations and financial performance. We are subject to PRC law in addition to the laws of the foreign countries and regions in which we operate. If any of our operations, or our associates or agents, violate such laws, we could become subject to sanctions or other penalties, which could negatively affect our reputation, business, financial condition and results of operations.

In addition, we may face difficulties in managing our foundry partners, third-party providers of packaging services, distributors and other business partners on a global scale. Any negative changes in the global geopolitical environment may materially and adversely affect our ability to secure stable supplies from our foundry partners and, more generally, our ability to conduct our business. The following are some of the risks inherent in doing business globally that may not be applicable to companies focused on one single geographic market:

- difficulties in developing, staffing and simultaneously managing an overseas operation as a result of distance, language and cultural differences;
- challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures;
- geopolitical turmoil and instability in the regions where we operate, and any resulting disruption, instability or volatility in the global markets and industries resulting from such conflicts;
- political or social unrest or economic instability within a country or region;
- transportation and communication delays;
- longer customer payment cycles;
- the adverse effects of tariffs, duties, price controls, embargos or other restrictions that impair trade;
- currency exchange rate fluctuations;
- decreased visibility as to future demand;

- difficulties in trade receivables collections;
- compliance with applicable foreign laws and regulations and unexpected changes in laws or regulations, including compliance with labor practices, environmental laws, and compliance costs across different legal systems; and
- claims and lawsuits, including class actions, brought against us from courts or regulators of other jurisdictions, which could materially and adversely affect our reputation, business and results of operations. See also "—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities."

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have potentially led to high tariffs, increased export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. In April 2025, the United States imposed a tariff of 145% on all Chinese goods, except for certain consumer electronics produced in China, which was lowered to 30% until August 14, 2025 based on the joint statement between China and U.S. issued on May 12, 2025. There is still a high degree of uncertainty surrounding U.S. tariff policy, how it will be implemented, and how other countries will react to it. It also remains unclear whether increased tariffs and trade tensions will further disrupt international trade or lead to a downturn in the global economy. If any new tariffs, legislation, or regulations are implemented, or if existing trade agreements are renegotiated, such changes could adversely affect our business, financial condition, and results of operations.

In recent years, the United States has increased export controls restrictions on China including by adding increased controls to the Export Administration Regulations (the "**EAR**"), which includes a list of foreign persons on which certain trade restrictions are imposed (the "**Entity List**"). The export, re-export and/or in-country transfer of items subject to the EAR to a listed foreign person is generally prohibited unless the specified license requirements are met. In the past, certain of our customers have been added to the Entity List, and in some cases, a license has been required for the export, re-export, and in-country transfer of items to these customers. Additional customers or suppliers may become listed on the Entity List and subject to restrictions from sourcing or selling technologies, software, or components from or to us. We may not be able to obtain, extend or maintain the requisite regulatory permits in relation to our transactions with these customers and suppliers. These restrictions or regulations, and similar or more expansive restrictions or regulations that may be imposed by the U.S. or other jurisdictions in the future, may affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, product offerings and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our reputation and business.

Global trade disruption, significant introductions of trade barriers and bilateral trade frictions as well as investment restrictions, together with any future downturns in the global economy resulting therefrom, could adversely affect our financial performance and the financial performance of our investments. If the aforementioned trade-and investment-related issues continue, particularly due to geopolitical tensions, it could result in significant additional impacts on the industries in which we operate, the jurisdictions of our investments, and potentially lead to other adverse effects on our investments.

We depend on the increased acceptance of semiconductor applications in various verticals to grow our business and increase our revenue.

Our business strategy depends in large part on the continued growth of the various verticals into which we sell our semiconductor solutions, including the verticals for smartphone, automotive, medical, surveillance and emerging markets. If these verticals do not grow and develop as we anticipate, or our customers fail to market and sell their products as they anticipate in the verticals for reasons out of our control, we may be unable to sustain or grow the sales of our solutions. The seasonal and cyclical nature of the growth of the verticals of our semiconductor solutions could also adversely affect the demand of our solutions and our ability to accurately forecast market demand, leading to fluctuations in our business, financial condition and results of operations. For details, see "—Our business is subject to seasonal and cyclical fluctuations which may in turn cause fluctuations in our results of operations and cash flows from period to period." In addition, our business and financial condition may be adversely affected if certain new verticals do not emerge or develop as expected. Securities analysts may factor revenue from such new verticals into their future estimates of our financial performance and should such verticals not develop as expected, such estimates, our business and financial condition could be adversely affected.

In particular, sales to the smartphone and automotive verticals account for a large portion of our revenue. We expect that sales of our solutions to the smartphone and automotive verticals will continue to account for a meaningful portion of our revenue in the future. Any factors adversely affecting the demand for our solutions in these verticals could cause our business to suffer and adversely affect our business, financial condition and results of operations.

If we do not continue to achieve design wins with key manufacturers or if we experience a cutback in orders from our major customers, our market share and revenue could decrease. The smartphone and automotive semiconductor markets are also subject to rapid technological change. In order to compete successfully in these verticals, we will have to correctly forecast customer demand for technological improvements and be able to deliver such solutions on a timely basis at competitive prices. If we fail to do so, our business, financial condition and results of operations could be materially and adversely affected.

Our solutions have also been and will continue to be incorporated into other consumer and industrial applications, including in the medical, surveillance, and emerging markets. As our solutions begin to fill a greater role in these other verticals, the challenges and risks that we face in these other verticals could increase and could be similar to some of the challenges and risks that we face in the smartphone vertical. If our sales to these verticals do not increase and/or these verticals do not grow as expected, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Price pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin.

We have experienced and expect to continue facing, downward pressure on the prices of our products and solutions due to increasingly competitive conditions in the verticals we serve. We are faced with strong pricing pressure that we continue to experience. Unless we can increase unit sales volume or successfully introduce higher-value offerings, our revenue derived from existing products and solutions may decline. Historically, we have increased, and expect to continue increasing, our research, development and related expenses in the long-term to develop new products and solutions with more advanced features that can be sold at higher selling prices and/or manufactured at lower cost. However, if we are unable to do so in a timely manner, or if we are unable to successfully develop more cost-effective technologies, our financial results could be adversely affected. Sustained pricing pressure could adversely affect our gross profit margin. If we are unable to offset declining prices through cost reductions or product improvements, our profitability will be negatively impacted, which could materially affect our business, financial condition and results of operations.

A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

Historically, a relatively small number of customers accounted for a substantial portion of our revenue. In 2022, 2023 and 2024, approximately 55.2%, 55.9% and 51.0%, respectively, of our revenue came from sales to our top five customers in the respective periods. Any material delay, alteration, cancelation or reduction of purchase orders from or change in the purchasing patterns of such customers, which may in turn be attributable to changes in their respective customers' demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

Our business, financial condition, results of operations and prospects will be affected by our ability to retain our existing customers and to attract new customers, as well as on the financial condition and success of our customers, including their ability to retain their respective customers and attract new customers. Furthermore, our major customers may have substantial bargaining power and leverage when negotiating contractual arrangements with us. Such customers have and may continue to seek advantageous pricing and other commercial terms and may require us, from time to time, to develop additional features in the solutions we sell to them. As a result, we may have to reduce the average selling price and/or incur increased average cost of our solutions, which may have a negative impact on our gross profit margin. If we are unable to retain one or more of our major customers, or if we are unable to maintain our current level of revenue and gross profits from such customers, our business, financial condition and results of operations could be impaired.

We may be unable to adequately forecast demand for our semiconductor solutions due to the unpredictability of the sales cycle. If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.

We generally have no long-term or minimum purchase commitments from our customers. In addition, even when customers may not have the contractual right to cancel or reschedule orders, it is customary business practice in the semiconductor industry for suppliers like us to permit such cancelations or rescheduling in order to maintain good relationship with a customer or for other business reasons. As a result, we depend on our demand forecasts for various kinds of solutions to make manufacturing decisions and to manage our inventory. Demand for solutions, however, can change significantly between the time inventory is ordered and the date by which we target to sell it. Demand may be affected by seasonality, new product launches, changes in product cycles and pricing, product defects, changes in customer purchasing patterns with respect to our solutions and other factors, and our customers may not order solutions in the quantities that we expect. In addition, when we begin selling a new product, it may be difficult to establish supplier relationships, determine appropriate product selection, and accurately forecast market demand.

Cancelations of, reductions in, or rescheduling of customer orders could also result in the loss of anticipated sales without allowing us sufficient time to reduce our inventory and operating expenses, as a substantial portion of our expenses are fixed at least in the short term.

As of December 31, 2022, 2023 and 2024, we had inventories of RMB12.4 billion, RMB6.3 billion and RMB7.0 billion, respectively. As we plan to continue expanding our product offerings, we may increase our inventory level, which will make it more challenging for us to manage our inventory effectively and will put more pressure on our warehousing system. To weather the impact of rising manufacturing costs and tightening supplies, we may strategically raise our inventory level from time to time, which can cause potential liquidity constraint to our operating cash flow and expose us to greater risk of negative price fluctuations. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, we may be required to lower sale prices in order to reduce inventory level, which may lead to lower gross profit margin. High inventory levels may also require us to commit substantial capital resources, preventing us from using that capital for other important purposes. On the other hand, if we underestimate the demand for our products and solutions, or if our foundry partners fail to supply quality wafers in a timely manner, we may experience inventory shortages, which might result in missed sales, diminished brand loyalty and lost revenue. Any of the above may materially and adversely affect our business, financial condition and results of operations.

Our success depends on our ability to achieve design wins and to convince our current and prospective customers to design our semiconductor solutions into their product offerings.

Our success has been, and will continue to be, dependent upon manufacturers and their customers designing our semiconductor solutions into their products. To achieve design wins, which are decisions by manufacturers and their customers to design our solutions into their systems, we must define and deliver cost effective and innovative semiconductor solutions on a timely basis that satisfy the manufacturers' and their customers' requirements and specifications. Our ability to achieve design wins is subject to numerous risks including competition from other solutions, the compatibility of our solutions with newly developed technologies or designs used in the end products, as well as delays in our product development cycle. Even if our solutions meet our customers' requirements and specifications, we may not eventually succeed in achieving a particular design win due to factors out of our control, such as the customers' pre-existing relationship with a particular supplier or other business considerations. If we do not achieve a design win with a prospective customer, it may be difficult to sell our semiconductor solutions to such prospective customer in the future because once a manufacturer has designed a supplier's solutions into its systems, it may be reluctant to change its source of components due to the significant costs, time, efforts and risks associated with qualifying a new supplier and, in many cases, modifying its design platforms. In addition, there is no guarantee that we will be able to continue to achieve design wins with customers with whom we have achieved design wins in the past. As manufacturers take on new projects, there is no obligation on their part to continue to design our solutions into their product offerings. Accordingly, if we fail to achieve design wins with key customers that embed semiconductors in their products, our market share or revenue could be adversely affected. Furthermore, to the extent that our competitors secure design wins, our ability to grow our business in the future will be impaired.

In addition, the selection process for semiconductors to be included in our customers' product offerings is typically lengthy and may require us to incur significant design and research and development expenditures and dedicate scarce engineering resources in pursuit of a single design win with no assurance that our solutions will be selected. Because of our extended product life cycle, our revenue in future years is highly dependent on design wins we are awarded in prior years. It is possible that a design win will not result in meaningful revenue until one year or more or later, or at all. If we do not continue to achieve design wins, our revenue in the following years may deteriorate. Further, a significant portion of our revenue in a given period may depend on a single product design win with a large customer. As a result, the loss of any key design win or any significant delay in the production of the customer's products into which our product is designed could adversely affect our business, financial condition and results of operations.

We depend on third-party foundries, which reduces our ability to control our manufacturing process. Any interruption or shortage or loss of capacity from these foundries could materially interrupt our business operations and product offerings, and a significant increase in procurement costs could also affect our gross profit margin.

We adopt a fabless manufacturing strategy, where we focus on the design and sales of semiconductor products and solutions and partner with world-leading suppliers on wafer fabrication, packaging and testing. We have maintained long-standing partnership with world-leading foundries with whom we work collaboratively to leverage their state-of-the-art facilities. We believe our fabless model reduces our capital requirements, operating expenses and time to market, which in turn enables us to focus and devote our resources to developing our core competencies in research and development, technological innovation, and product design. Historically, we relied on a small number of foundries.

We typically secure manufacturing capacity in any particular period on a purchase order basis. The foundries generally have no obligation to supply products to us for any specific period, in any specific quantity or at any specific price, except as set forth in a particular purchase order. In general, our reliance on third-party foundries involves a number of significant risks, including:

- reduced control over delivery schedules, quality assurance, manufacturing yields and production costs;
- lack of guaranteed production capacity or product supply;
- unavailability of, or delayed access to, next generation or key process technologies; and
- financial difficulties or disruptions in the operations of third-party foundries due to causes beyond our control, including geopolitical uncertainties. See also "—Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks. Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may adversely impact our reputation, business, investments, financial condition and results of operations."

The size of the orders we place with the foundries depends on actual or anticipated sales volumes of our products. Because our foundry partners also provide services to other companies, in the event they receive increased orders from us or other companies that they service, they may be unable to provide us with the requested quantity of supplies, may subordinate our request to the requests of other companies or may increase the prices they charge us. In recent years, the global semiconductor industry, including us, experienced wafer supply constraints, which may force companies in the industry to take certain actions such as allocating available products and solutions among customers or increasing the prices of products and solutions. This could result in harm to customer relations, the loss of sales and, in some cases, the loss of future business with those customers. If constraints in supply exist or if for any reason our foundry partners are unable to provide a sufficient number of wafers to us on a timely basis and at acceptable yields and costs, we may be unable to achieve future growth, which could result in our revenue, gross profit margin and other financial results being materially and adversely affected.

The current global economic and geopolitical conditions could materially affect our foundry partners and cause them to be unable to provide necessary services to us. If any of our foundry partners were unable to continue manufacturing our wafers in the required quantities, at acceptable quality, yields and costs, or in a timely manner, we may have to identify and qualify substitute foundries, which could be time consuming and difficult, and could negatively impact out revenues in the short term as well as increase our costs or result in unforeseen manufacturing problems. In addition, if competition for foundry capacity increases, we may be required to pay higher prices for manufacturing services.

Meanwhile, our foundry partners may also be subject to upstream supply constraints. For example, the raw materials used for wafer fabrication are subject to availability constraints and price volatility caused by supply conditions, regulations, macroeconomic conditions and other unpredictable factors. In the event that the raw materials our foundry partners acquire from their upstream suppliers increase in price or reduce in availability, we may be required to increase the prices we charge our customers, which could result in decreased sales, and we may not successfully pass the increased costs to our customers, which could result in a loss or in decreased profits.

We are also exposed to additional risks if we transfer the production of our semiconductors from one foundry to another, as such transfer could interrupt our manufacturing process. Aiming to use the most advanced manufacturing process technology appropriate for our solutions that is available from third-party foundries, we periodically evaluate the benefits of migrating our solutions to alternative process technologies in order to improve performance and reduce costs. These ongoing efforts require us from time to time to modify the manufacturing processes for our solutions and to redesign some solutions, which in turn may result in delays in product deliveries. As new processes become more prevalent, we expect to continue to integrate greater levels of functionality, as well as more customer and third-party intellectual properties, into our solutions. We may not be able to achieve higher levels of design integration or deliver new integrated solutions on a timely basis. We may face difficulties, delays and increased expense as we transition our solutions to new processes and potentially to new foundries.

Larger suppliers could also be in a better position to bargain for higher prices, longer contract duration, higher deposit, higher breach of contract penalties or other preferential terms for their products and services, which could result in an increase in our cost or penalty expenses. The good working relationships we have established with third-party foundries could be disrupted, and our supply chain could suffer, if they were to experience a change in control.

Our sales through distributors increase the complexity of our business and may reduce our ability to forecast revenue.

In line with the market practice, we use distributors principally to facilitate the logistics of the transactions and provide credit to end-user customers. These distributors also assume responsibility for collections, product returns and customer support. Revenues from sales of our products and solutions to our distributors represented approximately 48.9%, 47.6% and 44.6% of our revenues in 2022, 2023 and 2024, respectively**.** We expect that sales through distributors will continue to represent a significant proportion of our total revenue, although they may vary from year to year. Indirect distribution introduces a number of operational and financial complexities, and our ability to manage these relationships effectively is critical to maintaining accurate forecasting, stable cash flows, and healthy gross margins.

Selling through distributors reduces our ability to accurately forecast sales and increases the complexity of our business, and may require us to, among other matters:

- manage a more complex supply chain;

- monitor the level of inventory at each distributor;
- negotiate credits terms, return policies and pricing with each distributor;
- evaluate the impact of credit terms, return policies, pricing and unsold inventory associated with each distributor; and
- assess the financial condition and creditworthiness of our distributors.

Any failure to manage these challenges could cause us to inaccurately forecast sales and carry excess or insufficient inventory, thereby adversely affecting our business, financial condition and results of operations. In particular, failure to implement robust distributor management systems and controls—such as real-time inventory tracking, regular audits, contract enforcement, and financial monitoring—could result in inaccurate revenue forecasts, excess or obsolete inventory, write-downs, unexpected returns, or even legal disputes. These outcomes could materially and adversely affect our business, financial condition, results of operations, and stock price performance.

We mainly rely on third-party service providers for packaging and other back-end processes, which reduces our control over delivery schedules, product quality and costs. Any interruption or shortage or loss of capacity from these service providers could significantly interrupt our business operations and product offerings.

We rely on third-party service providers for substantially all of our semiconductor packaging processes. We also rely on several specialized service providers to perform other necessary processes, such as color filter application, and wafer probe tests. As high volume final product testing is a critical element in the production of our image sensors, we have installed high-throughput automated final test equipment built to our specifications at our testing facility in Shanghai, China. Recently, we have also introduced some of these specialized services at our Shanghai facility. Nevertheless, if for any reason one or more of these service providers become unable or unwilling to continue to provide services of acceptable quality, at acceptable costs or in a timely manner, our ability to deliver our solutions to our customers could be severely impaired. We would have to identify and qualify substitute service providers, which could be time consuming and difficult and could result in unforeseen operational problems. Substitute service providers might not be available or, if available, might be unwilling or unable to offer services on acceptable terms or prices.

In addition, if competition among fabless companies for packaging and color filter application or our other outsourced services increases, we may be required to invest significant amounts to secure access to these services, which could adversely impact our results of operations. The number of companies that provide these services is limited. In the event our current providers refuse or are unable to continue to provide these services to us, we may be unable to procure services from alternate service providers. Furthermore, if customer demand for our solutions increases, we may be unable to secure sufficient additional capacity from our current service providers on commercially reasonable terms, if at all. These factors may cause unforeseen product shortages or may increase our costs of manufacturing, which could adversely affect our business, financial condition and results of operations.

If our semiconductor solutions do not conform to, or are not compatible with, existing or emerging industry standards, demand for our semiconductor solutions may decrease, which in turn could harm our business, financial condition and results of operations.

We design our semiconductor solutions in conformity with prevailing industry standards. Some industry standards may not be widely adopted or implemented uniformly and competing standards may emerge that may be preferred by our customers.

Our ability to compete in the future will depend on our ability to identify and ensure compliance with evolving industry standards in our target markets. The emergence of new industry standards could render our solutions incompatible. If industry groups or other major players adopt new or competing industry standards with which our solutions are not compatible, our solutions could become less desirable to our current or prospective customers. As a result, our sales could suffer, and we could be required to make significant expenditures to develop new solutions or modify the existing ones. Although we believe our solutions are compliant with applicable industry standards, we cannot guarantee that our future solutions and technological enhancements will conform to the then prevailing industry standards under all circumstances. If our solutions do not conform to, or are not compatible with, existing or emerging standards, our business, financial condition and results of operations could be materially and adversely affected.

Our lengthy and complex product cycle including designing, taping-out, fabricating, packaging and testing, in addition to our customers' qualification and design cycle, may result in uncertainty and delays in revenue generation.

The production of our designs requires a lengthy manufacturing and packaging process, typically lasting approximately four months. Additional time may pass before a customer commences taking volume shipments of products that incorporate our solutions. Even when a manufacturer agrees to design our solutions into its products, it may not deliver final products incorporating our semiconductor solutions. See also "—Our customers may require our semiconductor solutions to undergo a lengthy and expensive qualification and verification process. If we are unsuccessful or delayed in qualifying any of our semiconductor solutions with a customer, our business, financial condition and results of operations could suffer."

Given this lengthy cycle, we may experience a delay between the time we incur expenditures for research and development and sales and marketing efforts and the time we generate revenue, if any, from these expenditures. This delay makes it more difficult to forecast customer demand, which adds uncertainty to the manufacturing planning process and could adversely affect our business, financial condition and results of operations. In addition, the product life cycle for certain of our semiconductor solutions designed for use in certain applications can be relatively short. If we fail to appropriately manage the manufacturing and packaging process, our solutions may become obsolete before they can be incorporated into our customers' products and we may never realize a return on investment for the expenditures we incur in designing, developing and producing these solutions.

Quality control and reliability is especially critical in the semiconductor industry, and any product defects, delays in delivery and adverse performance reliability could negatively affect our business, financial condition and results of operations, and may expose us to contractual liabilities, litigation risks and regulatory actions.

Our customers generally establish demanding specifications for quality, performance, and reliability that our solutions are required to meet. Our solutions are based upon evolving technology, and, because we integrate many functions on a single chip, are highly complex. The integration of additional functions into already complex solutions could result in a greater risk that customers or end-users could discover latent defects after we have already shipped significant quantities of a product, which might require product replacement or recall. Defective products can be caused by design, defective materials or component parts, or manufacturing difficulties. In particular, our third-party manufacturing processes or changes thereof, including raw material used in the manufacturing processes, may cause delays in production or cause our products to malfunction or fail. For example, minute levels of contaminants in the manufacturing environment, difficulties in the wafer fabrication process or other factors can cause a portion of the components on a wafer to be non-functional. These problems may be difficult to detect at an early stage of the manufacturing process and are often time-consuming and expensive to correct.

Despite our efforts to implement stringent testing and quality control measures, we may from time to time encounter product quality, performance and reliability issues. Delivery of products with defects or reliability, quality or compatibility problems may damage our reputation and ability to retain existing customers and attract new customers. If defects and failures occur in our products, we could experience lost revenue, increased costs, including warranty expense and costs associated with customer support, cancelations or rescheduling of orders or shipments, and product returns or discounts, any of which could harm our business, financial condition and results of operations. We may also face litigation and regulatory actions in relation to our product defects and failures. See "—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities."

Furthermore, we cannot guarantee that we will always achieve acceptable yields at third-party foundries, which may result in delays in the availability of components. Moreover, an increase in the rejection rate of these components, or our solutions incorporating them, during the quality control process before, during or after the manufacturing process may result in lower yields and margin, as well as disruptions to our delivery schedule.

In addition, changes in manufacturing processes required as a result of changes in product specifications, changing customer needs and the introduction of new business lines may significantly reduce manufacturing yields, potentially affecting our gross profit margin at least in the short term. Poor manufacturing yields over a prolonged period of time could adversely affect our ability to deliver solutions on a timely basis, increase our gross profit margin, and maintain a stable relationship with our customers, which could materially and adversely affect our business, financial condition and results of operations.

Our customers and/or end-use customers may require our semiconductor solutions to undergo a lengthy and expensive qualification and verification process. If we are unsuccessful in or delayed in qualifying any of our semiconductor solutions with a customer, our business, financial condition and results of operations could suffer.

Prior to purchasing our solutions, our customers and/or end-use customers require that our solutions undergo extensive qualification processes, which involve testing of our solutions in the customers' systems, as well as testing for reliability. This qualification process may continue for several months. After our solutions are qualified, it can take several months or more before the customer commences volume production of components or systems that incorporate our solutions.

Moreover, qualification of a product by a customer does not assure final sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision in our foundry partners' manufacturing process or our selection of a new supplier may require a new qualification process with our customers, which may result in delays and our holding excess or obsolete inventory. Despite these uncertainties, we devote substantial resources, including research and development, sales, marketing and management efforts, to qualifying our solutions with customers in anticipation of sales. If we are unsuccessful or delayed in qualifying any of our solutions with a customer, sales of those solutions to the customer may be precluded or delayed, which may harm our business, financial condition and results of operations.

We face various risks associated with our semiconductor distribution business. If we fail to manage and expand our relationships with our upstream suppliers, or otherwise fail to procure products on favorable terms, our business and prospects may suffer.

We source products from third-party suppliers for our semiconductor distribution business. In 2022, 2023 and 2024, our revenue generated from semiconductor distribution business amounted to approximately RMB3,564.8 million, RMB2,970.1 million and RMB3,938.9 million, respectively, accounting for 17.8%, 14.2% and 15.3% of our revenue in the same periods, respectively. Our major suppliers include domestic and cross-border manufacturers, distributors and resellers. Maintaining strong relationships with these suppliers is important to the growth of our business. In particular, we depend significantly on our ability to procure semiconductor components from suppliers on favorable pricing terms. We cannot assure you that our current suppliers will continue to sell semiconductor components to us on commercially acceptable terms, or at all. Even if we maintain good relationships with our suppliers, their ability to supply semiconductor components to us in sufficient quantity and at competitive prices may be adversely affected by economic conditions, labor actions, regulatory or legal decisions, customs and import restrictions, natural disasters or other causes. Our inventory management also presents risks, particularly in relation to products sourced from third-party suppliers. Managing inventory levels can become more complex due to limited visibility into end-market demand, potentially leading to excess or obsolete inventory. In addition, trade receivables collection cycles may be extended due to payment terms or disputes with downstream customers, which could impact cash flow stability. Inventory turnover days may also become less predictable, especially when sales depend on downstream distributors whose priorities may shift based on market conditions or competing product offerings. If we are unable to develop and maintain good relationships with suppliers that would allow us to obtain a sufficient amount and variety of electronic components with good quality on acceptable commercial terms, it may inhibit our ability to offer sufficient semiconductor components sought by our customers, or to offer these semiconductor components at competitive prices. In addition, for our semiconductor distribution business, in 2022, 2023 and 2024, we distributed products to 216, 224 and 226 downstream distributors which generated revenue for our semiconductor distribution business. These downstream distributors are independent third parties. Such sales may pose additional risks, such as channel conflict and inventory misalignment. Any adverse developments in our relationships with suppliers could materially and adversely affect our business, financial condition, results of operations and prospects. Any disputes with suppliers could adversely affect our reputation and subject us to damages and negative publicity. We also face potential liability, expenses for legal claims and harm to our business reputation in relation to the third-party semiconductor components we procure and resell. For details, see "—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities."

Strategic alliances, investments, acquisitions and divestures may affect our business, financial condition and results of operations. We may not be able to achieve our anticipated benefits and synergistic effects from such alliances, investments and acquisitions.

We may enter into strategic alliances with various third parties, such as our key customers and suppliers, to facilitate the implementation of our business strategies from time to time. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor such third parties' actions. To the extent the third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we have in the past acquired or invested in additional assets, technologies or businesses that are complementary to our existing business. For example, we acquired Hunan Silicon in March 2023, which specializes in mixed-signal IC designs, and TDDI Business in 2020, both of which have enhanced our technological capabilities and synergies across our business lines. We expect to continue to evaluate and consider a wide array of potential strategic transactions as part of our overall business strategy, including potential acquisitions of businesses, technologies, services, products and other assets, as well as strategic investments, joint ventures and alliances.

Investments or acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. The costs of identifying and consummating investments and acquisitions may be significant. We may also incur significant expenses in obtaining necessary approvals from relevant local government authorities. In addition, investments and acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities and exposure to potential unknown liabilities of the acquired business. The cost and duration of integrating newly acquired businesses could also materially exceed our expectations. We may also face challenges in international acquisitions, such as compliance with local law and regulation, limited access to target companies and cultural assimilation challenges. Such investments or acquisitions may fail to deliver the anticipated strategic or financial benefits, including cost savings, revenue growth, or technological advancements. Any such negative developments could have a material and adverse effect on our business, financial condition and results of operations.

In addition, our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. As of December 31, 2024, we had investments accounted by equity method of RMB464.0 million and goodwill of RMB3,632.2 million. We performed impairment tests for our goodwill and long-term equity investments. Our long-term equity investments are tested for impairment if there are indicators of impairment at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the asset's estimated future cash flows. See "Financial Information—Material Accounting Policies and Critical Accounting Estimates and Judgments—Impairment of Long-term Assets." Moreover, we share the results of the investments in associates which we account for as equity-accounted investments, although we have no control on the factors and risks that affect their business, results of operations and financial condition. We may not always be able to obtain gains from the equity-accounted investments. In 2022, 2023 and 2024, for example, our share of post-tax losses of equity accounted associates was a loss of RMB46.3 million, RMB38.8 million and RMB33.3 million, respectively. The decrease in such loss from 2022 to 2024 was primarily due to the improving business performance of our invested associates. If our equity-accounted investments were in a loss position, we would also pick up their loss in our consolidated statement of operations. We may in the future incur losses or impairment charges in connection with our investments or acquisitions and pick up the losses of our equity-accounted investments, which could depress our profitability and have a material and adverse impact on our financial results. In addition, changes in accounting principles relating to recognition and measurement of our investments may have a significant impact on our financial results.

From time to time, we may also divest under-performing businesses, or businesses that no longer fit our overall strategy. Such divestures may have a negative impact on our financial performance for the relevant period.

Other risks associated with strategic alliances, investments, acquisitions and divestures include:

- difficulty in realizing the potential technological benefits of the transaction;
- problems integrating the acquired key employees, operations, technologies or products into our existing business and semiconductor solutions;
- difficulty in maintaining uniform standards, controls, procedures and policies;
- adverse effects on existing business relationships with employees, customers, suppliers and strategic partners as a result of integration of new businesses and management personnel;
- risks associated with entering markets in which we lack experience; and
- negative publicity, litigation, government inquiries, investigations or actions against the companies we invest in or acquire, or even against our other businesses.

Our failure to address these risks successfully could have a material and adverse effect on our business, financial condition and results of operations.

We may not be able to sustain our historical growth rates or effectively implement our business strategies and expansion plans. If we do not successfully manage our growth, our ability to increase our revenue and improve our earnings could be adversely affected.

We have experienced rapid growth in recent years. However, there is no assurance that we will be able to maintain our historical growth rates in future periods. Our revenue growth may slow or our revenue may decline for any number of possible reasons, such as decreased customer orders, increased competition, slowdown in the growth or contraction of the semiconductor industry, changes in policies or general economic conditions, and natural disasters or outbreaks of pandemics. If our growth rate declines, investors' perceptions of our business and business prospects may be adversely affected and the prices of our ordinary shares and H Shares could decline.

We plan to achieve our business growth by implementing a series of strategies, such as maintaining technology leadership and developing leading, feature-rich solutions, further increasing market share and penetrating our addressable markets, innovating our application-specific technologies to expand into new verticals, and continuing to strengthen global ecosystem through partnerships and supply chain optimization. There is no assurance that we will be able to implement our business strategies and expansion plans successfully, which in turn are subject to uncertainties and changing market conditions. Our plans for development and business expansion are formulated based on assumptions on the occurrence of certain future events, which may or may not materialize. We may encounter difficulties in implementing our business strategies such as failing to further expand our operations due to intense competition in the semiconductor industry and the new regulations in the semiconductor industry that we may not be familiar with. We may also not have timely access to adequate capital financing when suitable business opportunities arise. Further, there is also no assurance that any of our business strategies will yield the benefits or achieve the level of profitability we anticipate.

Our growth has placed, and will continue to place, a significant strain on our management and other resources. To manage our growth effectively, we must, among other things:

- continuously improve our operational, financial and accounting systems;
- train, manage and maintain good relations with our existing employee base;
- attract and retain qualified personnel with relevant experience;
- effectively manage trade receivables and inventory; and
- navigate evolving trade and investment policies—both domestically and internationally—that may impact our supply chain, market access, investment strategy, and overall business operations.

We must also manage multiple relationships with customers, business partners and other third parties, such as our foundry partners and packaging service providers. Moreover, future growth could significantly overburden our management and financial systems and other resources. We may not make adequate allowances for the costs and risks associated with our expansion. In addition, our systems, procedures or controls may not be adequate to support our operations, and we may not be able to expand quickly enough to capitalize on potential market opportunities. Our future results of operations will also depend, in part, on our ability to expand sales and marketing, research and development, accounting, finance and administrative support.

Our future results may fluctuate, fail to match past performance or fail to meet expectations as a result of conditions beyond our control, such as general economic conditions in the overseas and domestic markets, cyclical and other market conditions within our industry and the financial health and viability of our suppliers and customers.

Our results may fluctuate in the future, may fail to match our past performance or fail to meet our expectations and the expectations of securities analysts and investors as a result of conditions beyond our control. Our results and related ratios, such as gross profit margin, operating profit margin and effective tax rate may fluctuate for a variety of reasons beyond our control, including:

- general economic and political conditions in the countries and regions where we sell our semiconductor solutions;
- the timing of new product introductions by our customers and our competitors;
- seasonality and variability in the smartphone vertical and our other verticals;
- movements in exchange rates, which can impact our reported revenues, cost of goods sold, and profitability, especially given that we operate across multiple jurisdictions and transact in various currencies;
- fluctuations in interest rates, which may affect our financing costs, capital expenditures, and investment returns, particularly if we rely on variable-rate debt or seek to fund growth through external financing;
- unexpected changes in the manufacturing and delivery capabilities of our foundry partners and packaging service providers; and

- The imposition of additional trade and investment restrictions, tariffs, export controls, or sanctions that could increase our costs, disrupt our supply chain, limit our access to key markets, or constrain our ability to invest in or collaborate with certain technologies or jurisdictions.

In particular, the semiconductor industry is highly cyclical and has experienced significant downturns in the past, characterized by reduced product demand, production overcapacity, increased inventory levels, industry-wide fluctuations in demand, and substantial erosion of average selling prices. These industry cycles can be exacerbated by macroeconomic volatility, including rising interest rates, inflationary pressures, currency fluctuations, and geopolitical instability. As a result, the cyclical nature of the semiconductor industry may cause us to experience substantial period-to-period fluctuations in our business, financial condition, and results of operations.

Our success depends on the continuing and collaborative efforts of our management team, and our business may be disrupted if we lose their services.

Our success heavily depends upon the continued services of our management. If one or more of our senior management were unable or unwilling to continue in their present positions, we might not be able to replace them easily or at all, and our business, financial condition and results of operations may be materially and adversely affected. If any of our senior management joins a competitor or forms a competing business, we may lose customers, suppliers, know-how and key professionals and staff members. Most of our senior management members have entered into employment agreements and confidentiality and non-competition agreements with us. However, if any dispute arises between our officers and us, we may have to incur substantial costs and expenses in order to enforce such agreements or we may be unable to enforce them at all. We may also incur increased operating expenses and be required to divert the attention of other senior executives away from their original duties to recruiting replacements for key personnel. In addition, we do not have key person insurance for any of our executive officers or other key personnel. Events or activities attributed to our executive officers or other key personnel, and related publicity, whether or not justified, may affect their ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our reputation, resulting in an adverse effect on our business, operating results and financial condition.

If we are unable to recruit, train and retain qualified personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

Our future success depends, to a significant extent, on our ability to recruit, train and retain qualified personnel, particularly scientists, engineers, technicians and sales and marketing personnel with substantial experience in the semiconductor industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our research and development departments, managerial and operating systems, sales and marketing teams and other functionalities also depends on the hard work and quality performance of our management and employees. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives.

As of December 31, 2024, we had 5,376 full-time employees, a majority of whom worked in our research and development, production, and sales and marketing divisions. Competition for these personnel with the appropriate qualifications in the semiconductor industry can be intense, and we may experience difficulty in hiring and retaining such candidates. Failure to obtain stable and skilled personnel and other labor support may lead to underperformance of these functions and cause disruption to our business. Furthermore, our cost structure is vulnerable to increase in labor costs. If the compensation package we offer is not competitive in the market, we may not be able to provide sufficient incentives to or maintain a stable and dedicated talent pool. Any failure to address these risks and uncertainties could materially and adversely affect our business and results of operations. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth on a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

Natural disasters, health epidemics, acts of war or terrorism and other business disruptions beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

We are vulnerable to natural disasters, health epidemics, terrorist attacks, armed conflicts, wars and other acts of violence, in addition to regional or international crisis, calamity or emergency, which may lead to significant loss of personnel and damages to properties, or otherwise cause material disruptions to our business and operations. Our business could also be harmed if such events interrupt the operations of our foundry partners and service providers, or the operations of our customers, distributors and other business partners. The ultimate impact of business interruption events, both in terms of direct impact on us and our supply chain, as well as on our customers (including their willingness to procure, potential supply chain issues as well as end-market demand), may not be known for a considerable period of time following the events.

Our business depends on the proper functioning of internal processes and information technology systems. A failure of these processes and systems, data breaches, cyber-attacks, or cyber-fraud may cause business disruptions, compromise our intellectual property or other sensitive information, litigation or government actions, or result in losses.

We rely on the efficient and uninterrupted operation of complex information technology applications, systems and networks to operate our business. The reliability and security of information technology infrastructure and software, and our ability to expand and continually update technologies in response to changing needs is critical to our business. Any significant interruption in these applications, systems or networks, including new system implementations, computer viruses, cyberattacks, security breaches, facility issues or energy blackouts, could have a material and adverse impact on our business, financial condition and results of operations.

Cyber-attacks attempting to obtain access to our computer systems and networks could result in the misappropriation of proprietary information and technology. Although we have not experienced a material breach or incident to date, there can be no assurance that a future breach or incident will not have a material impact on our operations and financial results. In the current environment, there are numerous and evolving risks to cybersecurity and privacy, including criminal hackers, state-sponsored intrusions, industrial espionage, employee malfeasance, and human or technological error. In the event of such breaches, we, our customers or other third parties could be exposed to potential liability, litigation, and regulatory action, as well as the potential loss of existing or potential customers, damage to reputation, and other financial loss. In addition, the cost and operational consequences of responding to attempted breaches and implementing remediation measures could be significant.

Cyber-attacks or other catastrophic events could result in interruptions or delays to us, our customers, or other third-party operations or services, financial loss, potential liability, and damage our reputation and affect our relationships with customers and suppliers. Further, we may be subject to theft, loss, or misuse of personal and confidential data regarding our employees, customers and suppliers that is routinely collected, used, stored, and transferred to run our business. Such theft, loss, or misuse could result in significantly increased business and security costs or costs related to defending legal claims. Even though we have taken measures to comply with current privacy-related or data protection laws and regulations in each applicable jurisdiction, material changes in these laws and regulations could result in increased costs on us in order to maintain compliance.

Our business also depends on various outsourced IT services. We rely on third-party vendors to provide critical services and to adequately address cyber security threats to their own systems. Any material failure of third-party systems and services to operate effectively could disrupt our operations and could have a material and adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not completely cover the risks related to our business and operations.

We maintain insurance policies that are required under the laws and administrative regulations of the jurisdiction where we operate as well as based on our assessment of our operational needs and industry practice. We maintain insurance policies on our buildings, equipment and inventories covering property damage and damage due to, among other events, fires, typhoons, earthquakes and floods. We maintain these insurance policies on our facilities and on transit of inventories. Additionally, we maintain director and officer liability insurance. In compliance with the applicable PRC laws and regulations, we also provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance and medical insurance to our employees. In addition, we also provide certain types of commercial insurance to our employees. We do not have insurance for business interruptions, nor do we maintain product liability insurance or key person insurance. We cannot assure you that our insurance coverage is sufficient to cover all of our risk exposure and prevent us from any loss, or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or if the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected. Any liability or damage to, or caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources.

Our use of some leased properties could be challenged by third parties or government authorities, and failure to renew our current leases or locate desirable alternatives for our facilities may cause interruptions to our business operations.

As of the date of this document, we are not aware of any material claims or actions being contemplated or initiated by government authorities, property owners or any other third parties with respect to our leasehold interests in or use of such properties. However, we cannot assure you that our use of such leased properties will not be challenged. In the event that our use of properties is successfully challenged, we may be forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We can provide no assurance that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeliness of our financial reporting may be adversely affected.

We may in the future discover, areas of our internal control that need improvement. If we fail to maintain or implement an effective internal control system over financial reporting, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our business, financial condition and results of operations. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential penalties, regulatory investigations and civil or criminal sanctions.

Our ability to compete will be harmed if we are unable to protect, maintain or enforce our intellectual property rights adequately. Our patents, trade secrets, know-how and other proprietary information may be stolen, used in an unauthorized manner, or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.

We believe that the protection of our intellectual property rights is, and will continue to be, important to the success of our business. We rely on a combination of patents, trade secret protection, non-disclosure and other contractual agreements and trademarks to establish and protect our proprietary intellectual property rights. Our inability to adequately protect our intellectual property rights could materially and adversely affect our competitive position, business, financial condition and results of operations.

Our ability to obtain additional patents is uncertain and the legal protection afforded by these patents may not adequately protect our rights or permit us to gain or keep competitive advantage. In addition, the specific content required of patents and patent applications that are necessary to support and interpret patent claims can be uncertain due to the complex nature of the relevant legal, scientific and factual issues. Changes in either patent laws or interpretations of patent laws in China, the United States or elsewhere may diminish the value of our intellectual property or narrow the scope of our patent protection. We cannot assure you that any patent will be issued as a result of any applications or, if issued, that any claims allowed will be sufficiently broad to protect our technology. It is possible that existing or future patents may be challenged, invalidated or circumvented. In addition, the cost to litigate infringements of our patents, or the cost to defend ourselves against patent infringement actions by others, could be substantial and, if incurred, could materially affect our business and financial condition. See "—If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities."

Proprietary trade secrets and unpatented know-how are also very important to our business. We rely on trade secrets to protect certain aspects of our technology, especially where we do not believe that patent protection is appropriate or obtainable. However, trade secrets can be difficult to protect. Our employees, consultants, contractors, outside collaborators and other advisors may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential or proprietary information. Enforcing a claim that a third party illegally obtained and is using our trade secrets may be expensive and time consuming and may not be successful at all. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

Assertions against us by third parties for infringement of their intellectual property rights could divert management attention, result in significant costs and cause our business, financial condition and results of operations to suffer.

The semiconductor industry is characterized by vigorous protection and pursuit of intellectual property rights and positions, which results in protracted and expensive litigation for many companies. We have received, and expect to continue to receive, notices of infringement of third-party intellectual property rights. We may receive claims from various industry participants alleging infringement of their patents, trade secrets or other intellectual property rights in the future. These claims may increase as our intellectual property portfolio becomes larger and/or more valuable. Intellectual property claims against us, and any resulting lawsuit, may cause us to incur significant expenses, subject us to liability for damages and invalidate our proprietary rights. Any potential intellectual property litigation against us would likely be time-consuming and expensive to resolve and could divert management's time and attention and could also force us to take actions such as:

- ceasing the sale or use of products or services that incorporate the infringed intellectual property;
- obtaining from the holder of the infringed intellectual property a license to sell or use the relevant technology, which license may not be available on acceptable terms, if at all; or
- redesigning those products or services that incorporate the disputed intellectual property, which could result in substantial unanticipated development expenses and delay and prevent us from selling the solutions until the redesign is completed, if at all.

If we are subject to a successful claim of infringement and we fail to develop non-infringing intellectual property or license the infringed intellectual property on acceptable terms and on a timely basis, we may be unable to sell some or all of our solutions, and our business, financial condition and results of operations could be adversely affected. We may in the future initiate claims or litigation against third parties for infringement of our intellectual property rights or to determine the scope and validity of our proprietary rights or the proprietary rights of competitors. These claims could also result in significant expense and the diversion of technical and management attention.

In addition, third parties may assert claims of infringement and misappropriation of proprietary rights based on the use or resale of our solutions against our business partners with whom we do business. In addition, the end-user customers may also be named as parties in these claims. Under our agreements with certain suppliers and customers, we may be required to defend protracted and costly litigation on their behalf, regardless of the merits of these claims, or to indemnify these parties for such claims. If we are required or agree to defend or indemnify any of our suppliers, customers or their end-user customers in connection with any claims of infringement or misappropriation of proprietary rights or injunctions are secured by third parties that prevent the sale of products that incorporate our solutions, we could incur significant costs and expenses and experience a significant decrease in our revenue that could adversely affect our business, financial condition and results of operations.

Our ability to design, introduce and sell our semiconductor solutions is dependent in part upon third-party intellectual property rights.

In the design and development of new semiconductor solutions, product enhancements and sales of current solutions, we rely in part on third-party intellectual properties such as software development tools and hardware testing tools. Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet future customer demands for more features and greater functionality from semiconductor solutions may exceed the capabilities of the third-party intellectual property or development tools that are available to us. In addition, hardware and software tools and products procured or licensed from third parties may contain design or manufacturing defects that such third parties are unable to resolve, including flaws that could unexpectedly interfere with the operation of our solutions. Furthermore, some of the software licensed from third parties may not be available in the future on terms acceptable to us or allow our solutions to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future solutions or the enhancement of existing solutions. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet customer demands, our business could be harmed.

The intellectual property laws of different jurisdictions may differ and we may not be able to protect or enforce our intellectual property rights in certain jurisdictions.

Our international operation requires us to seek protection of our intellectual property in various jurisdictions including China, the United States, EU and other countries or regions, relying on a combination of trade secrets and regulatory protection methods. The issuance, scope, validity and enforceability of our patents and other intellectual property rights are highly uncertain and differ significantly in different jurisdictions. For example, filing and prosecuting patent applications and defending patents covering our technologies in all countries across the world could be prohibitively expensive. Competitors may use our technologies in jurisdictions in which we have not obtained sufficient intellectual property protection and may subsequently export otherwise infringing solutions to territories where we have intellectual property protection, taking advantage of the varying levels of law enforcement across jurisdictions. Furthermore, while we intend to protect our intellectual property rights in our significant markets, there can be no assurance that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may expect to expand our business.

In addition, the laws of some jurisdictions do not protect intellectual property rights to the same extent as the laws or rules and regulations in jurisdictions such as the United States and Europe, and many companies have encountered significant difficulties in registering, protecting and defending such rights in certain jurisdictions. Furthermore, the legal systems of certain countries, particularly developing countries, may not favor the enforcement of patents, trade secrets and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents or the sales and marketing of competing solutions in violation of our proprietary rights generally. Proceedings to enforce our patent rights in different jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, and our patent applications at risk of not issuing as patents, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to a broad range of laws and regulations. Any lack of requisite approvals, licenses or permits applicable to our business or any failure to comply with applicable laws or regulations may have a material and adverse impact on our business, financial condition and results of operations.

We are subject to regulation by various governmental agencies in the jurisdictions in which we operate. In addition, the laws and regulations our business is subject to are complex and change frequently. Failure to comply with the large body of laws and regulations to which we are subject or to successfully develop and implement policies, procedures and practices intended to facilitate compliance with such laws and regulations could have a material and adverse effect on our business and operations. In particular, our business is subject to governmental supervision and regulation by the relevant PRC regulatory authorities. Please refer to "Regulatory Overview" for further information on such regulatory authorities. Together, these authorities promulgate and enforce regulations that cover many aspects of our operations, including entry into these industries, the scope of permissible business activities, licenses and permits for various business activities.

In addition, new laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have, and to address new issues that arise from time to time. If we are unable to maintain and renew one or more of our licenses and certificates when their current term expires, or obtain such renewals on commercially reasonable terms, our operations could be disrupted.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including various disputes with or claims from our employees, shareholders, suppliers, customers, contractors, business partners and other third parties that we engage for our business operations. We may be subject to litigation and regulatory proceedings relating to third-party and principal intellectual property infringement claims, contract disputes, employment related cases, cross-border payment and settlement disputes and other matters in the ordinary course of our business.

As our business expands, including across jurisdictions and through the addition of new businesses, we may encounter a variety of these claims, including those brought against us pursuant to anti-monopoly or unfair competitions laws or involving higher amounts of alleged damages. We have acquired and may acquire companies that may become subject to litigation, as well as regulatory proceedings. In addition, in connection with litigation or regulatory proceedings we may be subject to in various jurisdictions, we may be prohibited by laws, regulations or government authorities in one jurisdiction from complying with subpoenas, orders or other requests from courts or regulators of other jurisdictions. Our failure or inability to comply with the subpoenas, orders or requests could subject us to fines, penalties or other legal liability, which could have a material and adverse effect on our reputation, business, results of operations and financial condition.

As a **[REDACTED]** company, we may face additional exposure to claims and lawsuits, including securities law class actions. We will need to defend against these lawsuits, including any appeals should our initial defense be successful. The litigation process may utilize a material portion of our cash resources and divert management's attention away from the day-to-day operations of us, all of which could harm our business. There can be no assurance that we will prevail in any of these cases, and any adverse outcome of these cases could have a material and adverse effect on our reputation, business, financial condition and results of operations. In addition, although we have obtained directors' and officers' liability insurance, the insurance coverage may not be adequate to cover our obligations to indemnify our Directors and officers, fund a settlement of litigation in excess of insurance coverage or pay an adverse judgment in litigation. Certain of our Directors may be subject to alleged class actions due to their current or previous directorships in other listed companies. Our Directors and executive officers may also face litigation or proceedings (including alleged or future securities class action) unrelated to their respective capacity as a Director or executive officer of our company, and such litigation or proceedings may adversely affect our public image and reputation.

Furthermore, our solutions have been incorporated into certain end-user products in the medical and automotive industries, and we expect that they will continue to increase as a percentage of our overall business. The use of the medical and automotive industry products into which our solutions are designed could result in an unsafe condition, injury, or even death as a result of, among other factors, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or product-related information. These factors could result in product liability claims seeking damages for personal injury, and we could be named as a defendant in such claims. Because the outcome of product liability claims is not predictable and is difficult to assess or quantify, we cannot provide assurance that such claims will not materially and adversely affect our business or damage the reputation of our solutions or that of our company.

In order to comply with environmental, occupational health and safety and other similar laws and regulations, we may need to modify our activities or incur substantial costs, and such laws and regulations, including any failure to comply with such laws and regulations, could subject us to substantial costs, liabilities, obligations and fines, or require it to have suppliers alter their processes.

The semiconductor industry is subject to a variety of international and domestic laws and regulations governing pollution, environmental protection and occupational health and safety. Compliance with current or future environmental and occupational health and safety laws and regulations could restrict our ability to expand our business or require us to modify processes or incur other substantial expenses which could harm our business. Environmental and occupational health and safety laws and regulations have tended to become more stringent over time, causing a need to redesign technologies, imposing greater compliance costs and increasing risks and penalties associated with violations, which could seriously harm our business.

We could be adversely affected by violations of applicable anti-corruption laws or violations of our internal policies designed to ensure ethical business practices.

We operate in a number of countries throughout the world, including in countries with a strong commitment to anti-corruption and ethical behavior. We are subject to the risk that we, our employees or any third-parties that we engage to do work on our behalf in certain countries may take action determined to be in violation of anti-corruption laws in any jurisdiction in which we conduct business. Corruption can result in huge economic losses due to fraud, theft and waste. Moreover, corruption can corrode critical public institutions, such as the courts, law enforcement and public pension administration, thereby undermining property rights, public confidence and social stability. As a result, corruption dramatically increases the systemic risks that exist in some of the jurisdictions in which we operate. We are thus exposed to the increased costs and risks of corruption where we operate, and there can be no assurance that any reform efforts will have a meaningful effect during our term. The United States has the FCPA, and other jurisdictions have adopted similar anti-corruption laws. Many of these laws have extraterritorial application. In addition, we will have internal ethics policies that we require our employees to comply with in order to ensure that our business is conducted in a manner that our management deems appropriate. If these anti-corruption laws or internal policies were to be violated, our reputation and operations could also be substantially harmed.

In recent years, the U.S. Department of Justice has devoted greater resources to enforcement of the FCPA. Other countries have also adopted or improved their anti-corruption legal regimes in recent years. We are committed, to the fullest extent permitted by applicable law, to complying with the FCPA and other anti-corruption laws and regulations, anti-bribery laws and regulations, as well as anti-boycott regulations to which they/we are subject. As a result, we could be adversely affected because of our unwillingness to participate in transactions that violate such laws or regulations. Such laws and regulations can make it difficult in certain circumstances for us to act successfully on investment opportunities and for Portfolio Entities to obtain or retain business.

Any violation of the FCPA or any similar anti-corruption law or regulation could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might adversely affect our business, financial condition and results of operations. In addition, we will have internal ethics policies that we require our employees to comply with in order to ensure that our business is conducted in a manner that our management deems appropriate. If these anti-corruption laws or internal policies were to be violated, our reputation and operations could also be substantially harmed. In addition, we could incur costs and expenses associated with engaging external counsel or other third-party consultants or professionals in connection with inquiries or investigations relating to FCPA or other applicable anti-corruption laws or anti-bribery laws. In these cases, we could suffer significant losses from the cost of defense, interruption to ordinary operations and fines and penalties.

Non-compliance on the part of our Directors, employees, our business partners, or other third parties involved in our business could adversely affect our business.

We are exposed to the risk of non-compliance or improper conduct by our Directors, employees, business partners or other third parties. In particular, despite our efforts to provide training on a regular basis, it is not always possible to identify and deter such misconducts, and the precautions we take to detect and prevent such activities may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. Any actual or alleged illegal or improper activities by our Directors and employees (including our senior management) could subject us to liability or negative publicity, whether or not such activities are directly related to us. Such activities and allegations may also affect our Directors' and employees' ability or willingness to continue to serve our company or dedicate their full time and efforts to our company and negatively affect our brand and reputation, resulting in an adverse effect on our business, financial condition and results of operations.

Our business partners, as well as other third parties who entered into business relationships with us, may also be subject to regulatory penalties or punishments because of their regulatory non-compliance, which may, directly or indirectly, disrupt our business. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner, or at all.

If any governmental investigations, lawsuits or other actions are instituted against us as a result of the actual or alleged illegal or improper activities by our Directors, employees, business partners, or other third parties involved in our business, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, including, without limitation, damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, diminished profits and future earnings, which could have a significant impact on our business. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees and divert the attention of management in defending ourselves against any of these claims or investigations.

Any negative publicity with respect to us, the industry we are in or our business partners may materially and adversely affect our reputation, business, financial condition and results of operations.

We, our shareholders, Directors, senior management, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our investors and customers.

We may be exposed to credit risk due to customer defaults, which could harm our business, financial condition, results of operations and cash flows.

As of December 31, 2022, 2023 and 2024, our trade receivables were RMB2,501.9 million, RMB4,031.5 million and RMB3,963.9 million, respectively. The increased amount of our trade receivables exposes us to increased credit risk. We cannot assure you that in the future, we will be able to recover all the trade receivables. Should we fail to recover all the trade receivables, it will adversely affect our business, financial condition and results of operations. While we normally do not agree to extend the payment terms for our customers, we cannot guarantee that we will not have to do so in certain cases going forward. Any loss of or a sharp reduction in our customers' sales, default by our customers, a prolonged delay in the payment of trade receivables or the extension of payment terms for our customers could adversely affect our cash flow, liquidity, business, financial condition and results of operations.

Failure to comply with the terms of our indebtedness or enforcement of our obligations under any guarantee or other similar arrangement could have an adverse effect on our cash flow and liquidity.

As of December 31, 2024, we had long-term borrowings of RMB3,472.0 million. Under the terms of our indebtedness and under any debt financing arrangement that we may enter into in the future, we are, and may be in the future, subject to covenants that could, among other things, restrict our business and operations. If we breach any of these covenants, our lenders under our credit facilities and holders of our unsecured senior notes will be entitled to accelerate our debt obligations. Any default under our credit facilities or unsecured senior notes could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material and adverse effect on our cash flow and liquidity. In addition, enforcement against us under any guarantee and other similar arrangements we may enter into in the future could materially and adversely affect our cash flow and liquidity.

We have granted, and may continue to grant, share options and other types of awards under our share incentive plans, which may result in increased share-based payments.

We have adopted share incentive plans to provide additional incentives to employees, Directors and consultants. We recorded RMB271.3 million and RMB245.6 million in share-based payments for the years ended December 31, 2022 and 2024, respectively and RMB31.5 million in reversal for share-based payments for the year ended December 31, 2023. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards to employees in the future. As a result, our expenses associated with share-based payments may increase, which may have an adverse effect on our results of operations.

Changes in the fair value of our financial assets may materially and adversely affect our results of operations, financial condition and prospects.

As of December 31, 2024, our financial assets at fair value through other comprehensive income and through profit or loss in total amounted to RMB5,111.8 million, which primarily consisted of our investments in listed companies, private companies and industry funds which were measured at fair value through profit or loss and our investments in listed companies and private companies which were not held for trading and were measured at fair value through other comprehensive income. Financial assets at fair value through profit or loss are stated at fair value, and net changes in their fair value are recorded as other gains, net, and therefore directly affect our results of operations. We recorded losses of RMB221.2 million in 2022, and recognized gains of RMB246.9 million and RMB74.3 million in 2023 and 2024, respectively, arising from changes in fair value.

Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of these financial investments, which could have a negative impact on our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at fair value through profit or loss in the future. In addition, the value we ultimately realize from the disposal of these investments may be lower than their current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material and adverse effect on our results of operations, financial condition or prospects.

We cannot assure you that we can always obtain necessary or reliable data to apply relevant financial valuation models for determination of fair values, due to factors beyond our control such as loss of data or insufficient market information. In such circumstances, we need to make assumptions, judgments and estimates in order to establish the fair value. Since assumptions are subjective in nature and inherently uncertain, the actual results may differ from our estimates. Any consequential impairments or write-downs in future periods could have a material and adverse effect on our results of operations, financial condition and prospects.

We may be required to record a significant charge to earnings if our goodwill, intangible assets or other long-term assets become impaired.

Under IFRS, long-term equity investments, investment properties measured using the cost model, fixed assets, construction in progress, right-of-use assets and intangible assets with finite useful lives are tested for impairment if there is any indication that the assets may be impaired at the balance sheet date. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For goodwill acquired from business combination and intangible assets with indefinite useful lives or not ready for intended use, irrespective of whether there is any indication of impairment, impairment should be tested at each year-end. Factors that may be considered a change in circumstances indicating that the carrying amount of our intangible assets may not be recoverable include a decline in market price of such assets, slower growth rates or other adverse changes in our industry and the macroeconomic conditions, and if such assets become idle or obsolete.

We may be required to record a significant charge to earnings in our financial statements during the period in which we determine that our intangible assets or other long-term assets have been impaired. Any such charge would adversely impact our results of operations. As of December 31, 2024, we had intangible assets of RMB1,886.5 million, goodwill of RMB3,632.2 million and investments accounted by equity method of RMB464.0 million. Our investments or acquisitions and acquired assets or businesses may also result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. See "—Strategic alliances, investments, acquisitions and divestures may have a material and adverse effect on our business, financial condition and results of operations. We may not be able to achieve our anticipated benefits and synergistic effects from such alliances, investments and acquisitions."

Our business is subject to seasonal and cyclical fluctuations which may in turn cause fluctuations in our results of operations and cash flows from period to period.

Our results of operations were subject to seasonality in the past due to a number of factors, many of which are beyond our control. These factors and other industry risks, many of which are more fully discussed in our other risk factors, include:

- the seasonal nature of the growth of end markets and customer demand for our solutions;
- our gain or loss of a large customer, or cutbacks in orders from such customers;
- competitive pricing pressures;
- our ability to achieve design wins;
- the availability of production capacity at our foundry partners;
- the growth of the market for semiconductor solutions and applications using semiconductor solutions;
- the deferral of customer orders in anticipation of new solutions, product designs or enhancements; and
- adverse changes in domestic or global economic conditions.

We also anticipate that the rate of orders from our customers may vary significantly from period to period, while our operating expenses are relatively fixed in the short-term. Consequently, if we do not achieve the revenue we expect in any period, expenses and inventory levels could be disproportionately high, adversely impacting our results of operations and cash flows for that period, and potentially in future periods.

All of these factors are difficult to forecast and could result in fluctuations in our results of operations. Fluctuations in our results of operations could adversely affect our share price in a manner unrelated to our long-term operating performance.

Our future tax rates and tax payments could be higher than we anticipate and may harm our business, financial condition and results of operations, and we are subject to risks associated with changes in the preferential tax treatment applicable to some of our subsidiaries.

As a multinational corporation, we conduct our business in many countries and are subject to taxation in many jurisdictions. The taxation of our business is subject to the application of multiple and sometimes conflicting tax laws and regulations as well as multinational tax conventions. The application of tax law is subject to legal and factual interpretation, judgment and uncertainty. Furthermore, tax laws themselves are subject to change. For example, the Pillar 2 tax implementations as contemplated by various jurisdictions that we operate in may affect the taxation of our non-PRC subsidiaries' earnings. A number of other factors will also affect our future tax rate, and some of these factors could increase our effective tax rate in future periods, which could adversely impact our results of operations. These factors include changes in non-deductible share-based payments, changes in the proportion and geographic mix of our revenue or earnings, changes in the valuation of our deferred tax assets and liabilities, changes in available tax credits, and the resolution of issues arising from tax audits.

Furthermore, local tax laws and regulations have provided certain preferential tax treatments applicable to different enterprises, industries and locations. We and some of our subsidiaries are currently taxed at preferential rates due to the nature of our business activities and/or the location of our operations. For example, we and some of our PRC subsidiaries enjoy a preferential income tax of 15.0% due to our qualifications as "High and New Technology Enterprise". Certain of our subsidiaries in Singapore enjoys reduced rates of Singapore income tax on certain classes of income as approve by the Singapore Economic Development Board, an agency of the Government of Singapore. In order to retain these tax benefits in Singapore, we must meet several requirements as to capital and business spending, headcount and activities. If we fail to meet these requirements or if the Singapore government enacts changes to existing tax laws or regulations, the tax benefits that we have received may be terminated, revoked, or reduced. Any change or elimination of such preferential tax treatments may materially and adversely affect our business, financial condition and results of operations.

If we need additional capital in the future, it may not be available to us on favorable terms, or at all. Our ability to raise additional funds depends on a variety of factors, including our credit ratings and anticipated results of operations.

Our cash, cash equivalents and short term investments primarily come from cash provided by operating activities. Although we currently expect our available cash, cash equivalents and short term investments, together with cash we anticipate generating from operating activities, will be sufficient to satisfy our capital requirements for the foreseeable future, if we are unable to sell our inventories or collect on our trade receivables as anticipated, we may be required to raise additional capital through equity or debt financing. Such additional financing may not be available on acceptable terms, or at all, and could have a material and adverse effect on our business, financial condition, results of operations and prospects. If we raise additional funds through issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership and any new securities we issue could have rights, preferences and privileges senior to those of holders of our common shares. We are also subject to credit rating by third-party agencies, any decline in credit ratings could increase our financing cost, affect our ability to raise additional capital, and in turn have a material and adverse effect on the future growth of our business.

The strategic priorities and financial performance of many of our businesses are subject to the market and other dynamics related to carbon neutrality and ESG, which can pose risks in addition to opportunities.

There is an increasing focus from certain investors, customers and other parties in society concerning corporate responsibility, specifically related to ESG factors. Accordingly, there is an increased emphasis on corporate responsibility ratings and a number of third parties provide reports on companies in order to measure and assess ESG performance, which pose reputational, regulatory and other risks on us. We believe that it is our responsibility to devote substantial time and resources to develop technology and products designed to reduce carbon footprint. In the meantime, given the nature of our businesses and the industries we serve, we must anticipate and respond to market, technological, regulatory and other changes driven by broader trends related to decarbonization efforts in response to climate change, and these changes present both risks and opportunities for our businesses. The process of developing new technology products and enhancing existing products to mitigate climate change is often complex, costly and uncertain, and we may pursue strategies or make investments that do not prove to be commercially successful in the time frames expected, or at all, which could impact our operating results and financial conditions. Furthermore, our success in advancing decarbonization objectives across our businesses will depend in part on the actions of governments, regulators and other market participants to invest in infrastructure, create appropriate market incentives and to otherwise support the development of new technologies.

In addition, the ESG factors by which companies' corporate responsibility practices are assessed may change, which could result in greater expectations of us and cause us to undertake costly initiatives to satisfy such new criteria. Alternatively, if we are unable to satisfy such new criteria or we are unable to respond or perceived to be inadequately responding to sustainability concerns, investors may conclude that our policies with respect to corporate responsibility are inadequate and choose to purchase products from a competitor of us. We risk damage to our brands and our reputation in the event that our corporate responsibility procedures or standards do not meet the standards set by various third parties.

In addition, in the event that we communicate certain initiatives and goals regarding ESG matters, we could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could be criticized for the scope of such initiatives or goals. Any of these circumstances could cause negative publicity and material and adverse effect on our business, financial condition and results of operations. Moreover, not all of our competitors may seek to establish climate or other ESG targets and goals, or at a comparable level to ours, which could result in our competitors achieving competitive advantages through lower costs in supply chain or operation, which could adversely affect our business, results of operations, financial condition and prospects.

We are subject to a broad range of increasingly strict laws and regulations relating to, among other areas, the environment, occupational health and safety and labor practices, in jurisdictions in which we operate. In particular, in terms of environmental protection, we are required to comply with laws, regulations and various industry standards relating to air emissions, discharges of waste water, waste gas and solid waste, noise pollution, toxic chemicals, waste treatment, and the energy efficiency of certain products, among other things.

We are also subject to periodic monitoring by environmental protection authorities in various jurisdictions in which we operate. Compliance with these laws and regulations is costly, and failure to comply could subject us to, among other things, legal liability, fines, suspension of production, a loss of license to operate certain facilities and other sanctions, unexpected interruptions to operations, securities litigation and a general loss of investor confidence, any one of which could have a material adverse impact on our business prospects, financial condition and results of operations as well as the market value of our Shares. Furthermore, future developments such as new and more restrictive or changes to existing laws and regulations relating to, among other areas, the environmental, occupational health and safety and labor practices, more aggressive enforcement of existing laws and regulations or the discovery of presently unknown environmental conditions may require us to make material changes to our products and operations or require additional expenditures, which could have an adverse effect on our business, financial condition and results of operations.

We may be the subject of anti-competitive, harassing, or other detrimental conduct by third parties including complaints to regulatory agencies, negative social media postings, and the public dissemination of malicious assessments of our business that could harm our reputation and cause us to lose market share, customers and revenues.

We may be the target of anti-competitive, harassing, or other detrimental conduct by third parties. Such conduct includes complaints, anonymous or otherwise, to regulatory agencies. We may be subject to government or regulatory investigation as a result of such third-party conduct and may be required to expend significant time and incur substantial costs to address such third-party conduct, and there is no assurance that we will be able to conclusively refute each of the allegations within a reasonable period of time, or at all. Additionally, allegations, directly or indirectly against us, may be posted online by anyone, whether or not related to us, on an anonymous basis. Customers value readily available information concerning distributors, retailers, manufacturers, and their products and services and often act on such information without further investigation or authentication and without regard to its accuracy. The availability of information on social media is virtually immediate, as is its impact. Social media immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. Information posted may be inaccurate and adverse to us, and it may harm our reputation, business operations and financial performance. The harm may be immediate without affording us an opportunity for redress or correction. Our reputation may be negatively affected as a result of the public dissemination of anonymous allegations or malicious statements about our business, which in turn may cause us to lose market share, customers and revenues.

Unfavorable results of legal and regulatory proceedings could materially adversely affect our business and financial condition and performance.

We are or may in the future become subject to a variety of litigation and legal compliance risks. Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. Results of legal and regulatory proceedings cannot be predicted with certainty and for some matters, such as class actions, no insurance is cost-effectively available. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel from our business operations. Such proceedings could also generate significant adverse publicity and have a negative impact on our reputation and brand image, regardless of the existence or amount of liability. We estimate loss contingencies and establish accruals as required by the applicable accounting standard, based on our assessment of contingencies where liability is deemed probable and reasonably estimable, in light of the facts and circumstances known to us at a particular point in time. Subsequent developments in legal proceedings, volatility in foreign currency exchange rates and other factors may affect our assessment and estimates of the loss contingency recorded and could result in an adverse effect on our results of operations in the period in which a liability would be recognized or cash flows for the period in which amounts would be paid. Actual results may significantly vary from our reserves.

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

The legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. Some jurisdictions have a civil law system based on written statutes, while others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate.

These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats intended to extract payments or benefits from us.

Furthermore, many of the legal systems in the geographic markets where we operate are influenced by government policies and internal interpretations, some of which are not published on a timely basis or at all and may have retroactive effects. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations adopted by regulators are inconsistent with those applied by courts in analogous cases. As a result, we may not become aware of our violation of certain policies or rules until sometime after the violation has occurred. In addition, administrative and court proceedings in certain of our geographic markets may be protracted, resulting in substantial costs and diversion of resources and management attention.

Operating across multiple jurisdictions also increases our compliance burden and cost base. We must navigate different legal standards, licensing requirements, labor laws, tax regimes, and reporting obligations, often requiring localized legal counsel and compliance infrastructure. These complexities may slow down decision-making, increase operational overhead, and heighten the risk of inadvertent noncompliance.

It is possible that a number of laws and regulations may be adopted or construed to be applicable to us in our geographic markets and elsewhere that could affect our businesses and operations. Scrutiny and regulation of the industries in which we operate may further increase, and we may be required to devote additional legal and other resources to addressing these regulations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets may slow the growth of our industries and affect our business, financial condition and results of operations.

We are listed on the Shanghai Stock Exchange and are subject to extensive requirements relating to the supervision of listed companies in China. Failure to comply with such evolving laws and regulations on corporate governance and public disclosure, among other matters, may lead to penalties, disciplinary actions and other negative consequences.

As a publicly traded company in China, we are subject to heightened scrutiny regarding corporate governance and public disclosure relating to supervision of listed companies in the PRC, which may increase both our costs and the risk of non-compliance. For example, we are subject to the supervision of the CSRC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded in China, and to new and evolving regulatory measures under applicable law. Any non-compliance of the applicable requirements may cause us to incur penalties or become subject to other disciplinary actions.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalty and our business may be harmed.

Changes in the political and economic policies, as well as the interpretation and enforcement law, rules and regulations, may affect our business, financial condition, results of operations and prospects.

Our business, financial condition, results of operations and prospects are affected by the economic, political, and legal developments in the jurisdictions where we operate. The overall economic growth is influenced by the governmental regulations and policies in relation to resource allocation, monetary policies, preferential treatment to particular industries or companies and others. Any of the foregoing would affect our business, financial condition, results of operations and prospects. Laws, rules and regulations in relation to economic matters are promulgated from time to time, including those related to such as foreign investment, corporate organization and governance, commerce, taxation, finance, foreign exchange and trade, so as to develop a comprehensive system of commercial law. In addition, the interpretation and implementation of the laws and regulations may also evolve from time to time, and we cannot assure you that our business operations will not be affected in the future.

You may experience difficulties in effecting service of legal process or enforcing foreign judgments against us.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in Mainland China only if the jurisdiction has a treaty with Mainland China or if the jurisdiction has been otherwise deemed by the courts of Mainland China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, Mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in Mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible.

Fluctuations in exchange rates could have an adverse effect on our business, financial condition and results of operations. Conversion between RMB and other currencies may affect our business and operations, our ability to pay dividends and meet our financial obligations, and the value of your investment.

A substantial portion of the Group's revenue and cost are not denominated in Renminbi. Fluctuations in foreign exchange rates against the Renminbi could result in changes in reported revenue and results of operations due to the foreign exchange impact of translating these transactions into Renminbi. Currency fluctuations could decrease revenue and increase our cost of sales.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in the global political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar or other currencies in the future. It is difficult to predict how market forces, international relationships or policies may impact the exchange rate between Renminbi and the U.S. dollar or other currencies in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenue, earnings and financial position, and the value of any dividends we may pay. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollar could have an adverse effect on the Renminbi amount we could receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings.

There are limited hedging options available to reduce our exposure to exchange rate fluctuations. We do not currently maintain any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. As a result, fluctuations in exchange rates may have a material and adverse effect on your investment.

Our Company is a PRC tax resident and is subject to PRC tax on its global income, and the dividends payable to investors and gains on the sale of our H Shares by our* [REDACTED] *are subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are required to pay tax on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中华人民共和国个人所得税法》) with respect to PRC source income or gains at a rate of 20%. For a Non-PRC individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless a reduction is approved by the competent tax authority of the State Council or exempted by an international convention or agreement to which the PRC government is a party. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Non-resident individual H Share holders should be aware that they may be obligated to pay PRC income tax on the dividends and bonus realized from the H Shares.

Non-PRC resident enterprises that do not have establishments or premises in China, or that have establishments or premises in China but their income is not related to such establishments or premises are subject to the EIT at the rate of 10% on dividends received from Chinese companies and gains realized upon disposition of equity interests in Chinese companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between China and the jurisdiction where the non-resident enterprise resides. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, payment of any such refund will be subject to the PRC tax authorities' verification. As of the date of this document, there were no specific rules on how to levy tax on gains realized by non-resident enterprise H Share holders through the sale or transfer by other means of the H Shares. If any such tax were to be levied, the **[REDACTED]** of our H Shares may be materially and adversely affected.

Risks Relating to the [REDACTED]

We will be concurrently subject to* [REDACTED] *and regulatory requirements of Mainland China,* [REDACTED] *and Switzerland.

As we are listed on the Shanghai Stock Exchange and SIX Swiss Exchange and will be **[REDACTED]** on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other applicable regulatory regimes of all three 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 three 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 **[REDACTED]** on the Shanghai Stock Exchange and our H Shares will be **[REDACTED]** on the **[REDACTED]**. Under current laws and regulations of Mainland China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no **[REDACTED]** or **[REDACTED]** between the H Share and A Share markets. With different **[REDACTED]** characteristics, the H Share and A Share markets have divergent **[REDACTED]**, liquidity and **[REDACTED]** bases, as well as different levels of retail and institutional **[REDACTED]** participation. As a result, the **[REDACTED]** of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the **[REDACTED]** 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 **[REDACTED]** history of our A Shares when evaluating the **[REDACTED]** decision in our H Shares.

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

Prior to the **[REDACTED]**, there was no public market for our H Shares. We cannot assure you that a **[REDACTED]** for our H Shares with adequate liquidity and **[REDACTED]** will develop and be sustained following the completion of the **[REDACTED]**. In addition, the **[REDACTED]** of our H Shares is expected to be fixed by agreement between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and us, and may not be an indication of the **[REDACTED]** of our H Shares 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 **[REDACTED]** of our H Shares may be materially and adversely affected.

***The price and* [REDACTED] *of our H Shares may be volatile, which could lead to substantial losses to* [REDACTED].**

The price 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 Hong Kong Stock Exchange and other securities markets have, from time to time, experienced significant price and **[REDACTED]** volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price 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, regulatory developments, relationships with our suppliers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies **[REDACTED]** on the Hong Kong 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 performance.

Future sales or perceived sales of substantial amounts of our H Shares in the* [REDACTED] *could have a material adverse effect on the prevailing* [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 sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, especially by our Directors, executive officers and our Controlling Shareholder, or the issuance of new shares or other securities, or the perception that such sales 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 shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Certain amount of the shares of our Company controlled by our Controlling Shareholder are subject to certain lock-up periods beginning on the date on which trading in our H Shares commences on the Hong Kong Stock Exchange. While we currently are not aware of any intention of such persons to dispose of significant amounts of their shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any shares of our Company they may own now or in the future. **[REDACTED]** shares of our Company by such Shareholders and the availability of these Shares for future **[REDACTED]** may have a negative impact on the **[REDACTED]** of our shares.

In addition, while investors subscribing shares in the **[REDACTED]** are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in the section headed "**[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 subscribed by such **[REDACTED]** pursuant to such arrangement or agreement could adversely affect the **[REDACTED]** of our H Shares and any sizeable sale 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.

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

Immediately following the completion of the **[REDACTED]** and assuming the **[REDACTED]** are not exercised, Mr. YU Renrong, our Controlling Shareholder, will hold approximately **[REDACTED]** of the issued share capital of our Company (taking into account the shares held by persons acting in concert with him). This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their shares of our Company as part of a sale of our Company and might reduce the price of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholder may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholder may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Each of Mr. YU Renrong and Shaoxing Weihao Management has from time to time pledged the A Shares they owned to certain PRC financial institutions as collateral in order to obtain financing. As of the Latest Practicable Date, Each of Mr. YU Renrong and Shaoxing Weihao Management has pledged 173,708,400 A Shares, representing approximately 14.27% of the total issued share capital of our Company, and 56,896,000 A Shares, representing approximately 4.67% of the total issued share capital of our Company, respectively. Mr. YU Renrong is the ultimate beneficial owner of the general partner of Shaoxing Weihao Management. See "Substantial Shareholders" for more information. If an event of default occurs under the relevant security agreements, the lenders may be able to enforce their rights against part or all of the pledged Shares of our Company thereunder through legal proceedings. In such event, Mr. YU Renrong and/or Shaoxing Weihao Management may no longer be able to maintain the current level of interest in our Company, which could adversely affect the influence of our Controlling Shareholders over us.

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

We have declared dividends in the past. We protect our Shareholders' interest by ensuring a consistent dividend policy. 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 Mainland China, 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 IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at 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 Mainland China. See "Financial Information—Dividend Policy" for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the existing foreign exchange regulations of Mainland China, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of Mainland China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of Mainland China.

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

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in Mainland China. 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 Mainland China, which are different from those applicable to the **[REDACTED]**. The presentation of financial and operational information for the Track Record Period disclosed on the 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, **[REDACTED]** in our H Shares should be reminded that, in making their **[REDACTED]** decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

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

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

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

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

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, 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.

U.S. persons purchasing our H Shares in the* [REDACTED] *may be required to file notifications with the U.S. Treasury under the U.S. government's new China-focused Outbound Investment Security Program, and we could be negatively impacted by possible changes to this program. These requirements and possible changes to the program may adversely affect the value of our* [REDACTED] *securities.

On August 9, 2023, the U.S. government issued an executive order and the U.S. Department of the Treasury ("**Treasury**") published an advanced notice of proposed rulemaking providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau (the "**Outbound Investment Security Program**" or the "**OISP**"). On June 21, 2024, Treasury issued a proposed rule for the OISP. On October 28, 2024, Treasury issued a final rule (the "**Final Rule**") setting forth the OISP regulations that implement the executive order of August 9, 2023, which targets transactions by U.S. persons that involve persons and entities associated with "countries of concern," currently China, including Hong Kong and Macau, with business in certain technology sectors. The Final Rule took effect on January 2, 2025. The OISP could apply to certain U.S. persons (including their controlled foreign entities, if applicable) outside the United States who may participate in the **[REDACTED]** through offshore transactions in accordance with Regulation S.

The OISP could potentially limit our ability to raise additional capital from U.S. **[REDACTED]** or prevent us from securing sufficient capital when needed and at reasonable cost, negatively affecting our business, financial condition and prospects. We are likely to be deemed a "Covered Foreign Person" engaged in the design and packaging of semiconductors specified in the OISP. Specifically, we are engaged in the design and packaging of integrated circuits that are covered by the definition of "notifiable transaction" but not covered by the definition of "prohibited transaction" (as defined in the OISP). Certain U.S. person transactions with Covered Foreign Persons that meet the criteria described above are covered by the OISP's U.S. person notification requirements. Even though U.S. persons' purchase of certain publicly traded securities, such as our currently outstanding A Shares that already are traded on the Shanghai Stock Exchange and GDRs listed on the SIX Swiss Exchange, may be neither prohibited transactions nor notifiable transactions under an exception in the Final Rule (the "**Publicly Traded Securities Exception**"), it appears unlikely that U.S. persons' purchase of our H Shares to be issued in the **[REDACTED]** would be eligible for the Publicly Traded Securities Exception. If the Publicly Traded Securities Exception is unavailable, U.S. persons (as defined under the Final Rule) that either purchase our H Shares in the **[REDACTED]** or are the parent of a non-U.S. person that purchases our H Shares in the **[REDACTED]** would be required to file a notification regarding such purchases with Treasury no later than 30 days after the relevant purchase. **[REDACTED]** should consult their legal counsel regarding the applicability of the Publicly Traded Securities Exception to the **[REDACTED]**, notification obligations, if any, applicable to them under the OISP, and the procedures for filing such notifications. Failing to comply with the OISP notification requirements or failing to provide accurate and complete information in the filing under the OISP may subject the relevant U.S. persons to civil penalties including fines of up to the greater of two times the transaction value or US$377,700 (as such amount may be adjusted for inflation), and — for willful violations — criminal penalties of fines of up to US$1 million and imprisonment of up to 20 years.

The OISP may be changed by executive actions of the U.S. government, including changes to the scope of activities and technologies applicable to notifiable or prohibited transactions or the scope and the availability of exceptions to the OISP's prohibitions or notification requirements. Specifically, on January 20, 2025, the U.S. government issued a national security presidential memorandum, entitled "America First Trade Policy," which, among other things, directs the Secretary of the Treasury and several other executive departments and offices of the U.S. government to review the OISP to determine if it includes "sufficient controls to address national security threats" and to determine whether the executive order implementing the OISP "should be modified or rescinded and replaced." In addition, on February 21, 2025, the U.S. government issued a national security presidential memorandum entitled "America First Investment Policy" which, among other things, states that the U.S. government will consider possible application of the OISP to a wider range of technology sectors and application of restrictions to a wider range of investments, including publicly traded securities. On April 3, 2025, the White House reported that Treasury and the National Security Council were evaluating options relating to the OISP and that the Trump Administration plans to evaluate whether the scope of outbound investment restrictions should be expanded. Possible changes to the OISP could limit or, in the worst-case scenario, eliminate our ability to raise capital or contingent equity capital (such as convertible bonds) from U.S. **[REDACTED]** in the future, or our ability to raise such capital may be significantly and negatively affected, which could be detrimental to our capital-raising capacity and our business, financial condition and prospects. In addition, changes to the Publicly Traded Securities Exception or other aspects of the OISP could prohibit the purchase or **[REDACTED]** of our **[REDACTED]** securities by U.S. persons, impose new notification or other regulatory requirements, or make our **[REDACTED]** securities less attractive to such **[REDACTED]**. In such cases, the value of our **[REDACTED]** securities could significantly decline, and our liquidity may be materially and adversely affected.