An [**REDACTED**] *in our Shares involves various risks, some of which could be significant. You should carefully consider all of the information in this Document, including the risks and uncertainties described in this "Risk Factors" section, before making an* [**REDACTED**] *in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material and adverse effect on our business, financial condition, and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your* [**REDACTED**]. *These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section titled "Forward-Looking Statements" of this Document.*

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business success hinges on our capacity to consistently deliver new products on schedule, with compelling features and performance that deliver value to our customers and align with, or even anticipate, key shifts in the industry landscape.

Our success hinges significantly on developing, manufacturing, and delivering new products that deliver tangible value to our customers. Our ability to create, develop, manufacture, and launch new products and related technologies to meet evolving industry demands, at prices acceptable to our customers on a timely basis, is crucial to maintaining competitiveness in our target markets. Given the advanced technical complexity of our offerings, we face inherent risks in accurately assessing our internal capabilities, particularly regarding technological development proficiency. These risks may lead to research and development setbacks, including project underperformance or extended development timelines. While we are committed to executing our product roadmap, we cannot assure you that our efforts will consistently yield innovative products and technologies that resonate with customers. Furthermore, if we are unable to develop, manufacture, or launch value-driven products that align with emerging trends, or if we misjudge future consumer preferences regarding functionality, features, or form factors and fail to adapt accordingly, we risk losing our competitive edge, which could materially and adversely affect our business performance.

Products that fail to meet customers' expectations or are defective could impose significant costs on us or lead to loss of business opportunities. Given the technical complexity of our offerings, future products may exhibit defects, security vulnerabilities, or performance issues stemming from design flaws, manufacturing errors, material limitations, or challenges in specific use-case applications. For example, product malfunctions or failure to meet required specifications could cause significant harm to end users. These risks may increase as our products are introduced into new applications or as new features are released. Moreover, certain product deficiencies may only become apparent after delivery or even following extended periods of customer use. Undiscovered vulnerabilities in our products could result in suboptimal user experiences or trigger technical incidents that impact product reliability.

Additionally, our efforts to remediate these issues may lack the timeliness or effectiveness needed to meet customer expectations. An error or defect in products after commercial delivery could result in failure to achieve market acceptance, temporary or permanent withdrawal of a product from market, harm to our relationships with customers and partners and our brand reputation, which would in turn materially and negatively affect our financial condition and results of operations. Furthermore, we may incur liabilities to compensate customers or partners, including costs to repair, product replacements, or indemnification claims, and may be subject to regulatory penalties for violation of applicable laws and regulations.

Failure to identify shifting consumer preferences, respond to evolving market demand, develop new products aligned with evolving consumer needs, or effectively compete with our competitors may materially and adversely affect our business operations and financial performance.

We primarily operate in the consumer and commercial-grade tech-enabled personal creative tools market. Our future success, in part, depends on our ability to identify and promptly respond to consumer preferences and market demand, which may change from time to time subject to factors beyond our control, such as changes in consumption willingness, purchasing power and rapid technology advancements. We have consistently invested in product innovation and development to upgrade our existing products and to develop, design, manufacture, and launch new products. The success of new products depends on multiple factors, including those beyond our control, such as industry trends, market demand, regulatory approvals, production efficiency, competition and consumer acceptance. However, we cannot assure you that our efforts and strategies will always be effective. If we are unable to predict consumer preferences or market demand, or design, develop, manufacture or launch new products successfully in a timely manner, we may fail to capture emerging growth opportunities, or properly manage our inventory. Such failure could negatively impact our brand image and result in diminished consumer experience. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

If we fail to keep up with technological advancements, adapt our technology to emerging industry standards, or achieve successful and effective outcomes from our new technology investments, our business may be materially and adversely affected.

Innovation, in particular, technological innovation is pivotal to our success. During the Track Record Period, we made substantial R&D investments, which we believe are fundamental for our future growth and long-term prospects. In 2023, 2024 and the nine months ended September 30, 2025, our R&D expenses were RMB156.6 million, RMB359.2 million, and RMB308.9 million, respectively. However, rapid technological advancements and the emergence of new industry standards present significant challenges. Should we fail to keep pace with these developments or adapt our technology accordingly, our competitive position could be weakened. This may require additional investments in technology upgrades and process improvements to maintain alignment with evolving industry standards. Failure to make such adaptations could render our products less attractive, leading to potential market share erosion and materially adverse impacts on our business operations.

However, we cannot assure you that our R&D projects will achieve their intended outcomes or be completed within the expected timeline and budget. If we fail to commercialize our R&D efforts, we may incur significant sunk costs. Even if the newly developed products can be launched as planned, there is no guarantee they will gain customer acceptance or meet projected sales targets and profitability expectations. In addition, a portion of our R&D expenses have been used to developing general technologies infrastructure rather than specific products. While this investment is important for long-term innovation and capability building, they may not deliver immediate competitive advantages in the marketplace or generate the anticipated returns. Furthermore, we cannot assure you that competitors, whether existing or emerging, will not introduce products that match, surpass, or are more competitively priced than ours. In such cases, we risk losing market share. Given the inherent uncertainties in both the R&D timeline and the market viability window for new products, there is a possibility that we may need to discontinue despite substantial prior investments if it becomes commercially unviable. Furthermore, our introduction of new products could erode the demand and revenue for existing offerings or impact their pricing strategies.

Failure to effectively maintain, promote, and enhance our brand could undermine our business and competitive advantages.

We consider the maintenance, promotion, and enhancement of our brand to be essential to the success of our business. The strength and reputation of our brand largely depend on our continued ability to deliver high-quality, well-designed, reliable, and innovative products. However, we cannot guarantee that we will succeed in continuing doing so. We believe the significance of brand recognition will grow as competition in our market intensifies. In addition to offering dependable and high-quality products at competitive prices, the success of our brand promotion will also rely heavily on the effectiveness of our marketing initiatives. We promote our products through our sales team, strategic partners, and positive word-of-mouth from customers. We expect that our brand marketing initiatives will entail significant costs and expenses. However, we cannot assure you that these selling and marketing expenses will lead to revenue growth. Even if these efforts lead to higher revenue, there can be no assurance that such increases will be sufficient to offset the related costs. Additionally, any risk factors described in this section could materially and adversely affect to our brand image and market reputation, potentially leading to loss of consumer trust, decreased brand equity, and long-term impairment of our competitive positioning.

We may fail to maintain sufficient production capacity, and even if our production expansion projects proceed as planned, timely or full achievement of the anticipated production output increase remains uncertain.

To align with anticipated customer needs, we plan to maintain sufficient production capacity and expand in the future as necessary. This expansion initiative in the future will impose significant demands on operations and require substantial resource commitments, including financial investment and the allocation of time to recruit, onboard, and integrate additional personnel. It will also elevate overhead and support costs, along with introducing risks associated with new product manufacturing and commercialization. Challenges in managing budgeting, financing, forecasting, and other process controls related to the expansion could adversely impact our business prospects, operating results, and financial condition. Furthermore, the expansion in the future requires securing various government approvals, permits, licenses, and certifications, as well as completing inspections and filings with relevant authorities. We cannot guarantee the successful execution of this expansion plan. Delays or failures in obtaining necessary approvals or completing regulatory procedures may materially postpone the expansion, or lead to its cancellation, which could negatively affect our business, financial condition, and results of operations.

However, even if we manage to expand our production capacity as planned, there is no assurance that we will be able to increase production output and establish large-scale production capacity in a timely manner or at all. The ramp-up of production output faces significant constraints and uncertainties, including but not limited to:

- delays by our suppliers and equipment vendors and cost overruns due to factors such as raw material price increases and equipment vendor issues, many of which may be beyond our control or unforeseeable;

- delays in government approval process or denial of required approvals by relevant authorities;

- our ability to configure the manufacturing lines for specific products in a timely manner; and

- the performance of procured manufacturing equipment and the expertise of our production technical team.

Moreover, our product development, manufacturing, and testing protocols are highly complex, demanding advanced technical expertise and sophisticated production process knowledge. Scaling up manufacturing to commercial volumes introduces multiple risks, such as technical challenges in process scale-up, process reproducibility issues, stability concerns, quality consistency variations, timely raw material availability, cost overruns, and inadequate definition or qualification of safety, reliability, and quality standards. Any modification to our production processes may trigger one or more manufacturing errors, necessitating temporary suspension or delays in production lines until the root causes are investigated, identified, and effectively resolved. Such disruptions inherently limit our production output. There is no guarantee that our facilities can successfully establish a large-scale commercial manufacturing process capable of meeting our targeted production capacity objectives. Additionally, failure to uphold rigorous quality assurance processes could lead to increased product defects, customer attrition, higher warranty reserves, elevated production and logistics costs, and operational delays.

Should these risks ultimately hinder our ability to ramp up production output in a timely manner or at all, we may fail to meet customer demand or achieve our projected growth targets. Furthermore, order fulfillment failures could damage our reputation and drive customers to alternative suppliers. The combination of the foregoing could materially and adversely affect our business, financial condition, and results of operations.

In addition, we engage third-party OEM manufacturing partners to manufacture certain products. However, there is a risk that these partners may not have sufficient production capacity to meet our demand or being able to prioritize our orders during periods of rapid growth or market surges. This could result in manufacturing bottlenecks, delayed order fulfillment, and an inability to capitalize on timely market opportunities, potentially impacting our revenue and customer relationships.

The industries that we operate in are highly competitive. Failure to compete effectively or launch our new products may materially and adversely affect our market share and profitability.

The global tech-enabled personal creative tool industry is highly competitive and concentrated, and we expect that the competition will be even more intense in the future. According to CIC, in 2024 and the nine months ended September 30, 2025, the top ten brands accounted for over 50% of gross merchandise value ("**GMV**") worldwide in laser-based personal creative tools industry. We are the No. 1 global laser-based personal creative tools brand, with a 37% market share in terms of GMV in the first nine months of 2025. We are also the largest and fastest-growing laser engraver and laser cutter brand, 47% market share in terms of GMV in the first nine months of 2025 — six times that of the second-largest player and surpassing the combined market shares of brands ranked second through tenth. Our existing competitors may seek to increase their market shares through various measures, such as continued research and development efforts, increased production capacity and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. We expect to face competition from both existing and new competitors as we expand our business into new business lines, geographic regions and product categories. Competitive pressure could also have an adverse impact on the demand for and pricing of our products, which in turn affects our growth and market share. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, financial condition, and results of operations.

In addition, our ability to compete effectively against existing or potential competitors hinges on multiple critical factors, such as brand reputation, product portfolio diversity, product quality, sales and marketing strategies and customer acquisition and retention capabilities. Some of our competitors may hold competitive advantages in these areas. As market competition intensifies and threat of new entrant grows, we may need to devote more management, financial or human resources. Failure to sustain effective competition could lead to a decline in market share, which could materially and adversely affect our business, financial performance and profitability.

We purchase certain key raw materials from third parties, and we may not be able to secure our supply of such key raw materials in a stable and timely manner.

We currently source critical raw materials for product manufacturing from third-party suppliers. We also cooperate with third-party equipment vendors to co-develop and procure highly customized production equipment. However, we cannot ensure uninterrupted access to stable, sufficient quantities of these key materials through existing supplier arrangements. Suppliers may also fail to meet our stringent quality requirements. Furthermore, material prices may experience significant volatility due to uncontrollable factors. See "— We are exposed to risks relating to price fluctuations of key raw materials." If our current suppliers are unable to satisfy our long-term requirements on a timely basis, we may be required to seek alternative sources for necessary raw materials, produce the raw materials in-house or redesign our proposed products to manufacture available substitutes. Failure to secure alternatives or encountering excessive costs in doing so could cause substantial manufacturing delays, jeopardize on-time product delivery, and damage our business reputation. This could reduce product demand and erode our brand standing. Our business, financial condition, and results of operations may therefore be materially adversely affected. Please see "— Risks Related to Our Business and Industry — Reliance on third-party suppliers presents potential risks, such as supply shortages, delays or non-compliance, could harm our business" for the risks of reliance on third-party suppliers.

Our reliance on our official websites exposes us to risks related to platform performance, cybersecurity, operational disruptions, and customer experience.

A significant portion of our revenue is derived from sales generated through our xTool official website. Our dependence on this platform exposes us to various operational and technological risks, including those relating to website performance, system reliability, cybersecurity, and user experience. In 2023, 2024, and the nine months ended September 30, 2024 and 2025, our revenue generated through our official websites amounted to RMB774.2 million, RMB1,538.6 million, RMB912.9 million and RMB1,086.0 million, representing 53.1%, 62.1%, 60.9% and 61.1% of our total revenue for the same years/periods, respectively.

Any system outage, cyberattack, or technical malfunction could disrupt our online services, delay order processing, or prevent customers from accessing product information, which could adversely affect our sales performance and customer satisfaction. We also rely on several third-party service providers for cloud hosting, logistics, and payment processing. Any service interruptions, security incidents, or performance issues experienced by these providers could further affect the stability of our xTool official website and user experience. In addition, we handle and store certain customer and transaction data through our xTool official website, and there remains a risk of unauthorized access, data loss, or misuse, which could lead to reputational harm and a decline in consumer trust.

Furthermore, we are exposed to risks associated with consumer credit fraud, including the unauthorized use of credit cards or other payment methods to place orders on our xTool official website. Fraudulent transactions may result in chargebacks, payment reversals, loss of shipped products, increased payment processing fees, and additional fraud prevention and compliance costs. While we employ measures designed to detect and prevent fraudulent transactions, such measures may not be fully effective, and sophisticated fraud schemes may continue to evolve. Any material increase in credit card fraud or failure to adequately mitigate such risks could adversely affect our revenue, operating margins, and relationships with payment service providers.

To remain competitive, we must continue to enhance the performance and functionality of our xTool official website, improve customer engagement, and adapt to evolving digital consumption habits and technological developments. Any failure to do so may lead to lower sales conversion, reduced customer loyalty, and slower business growth, which may have a material adverse effect on our business, financial condition, and results of operations.

We collaborate with third-party e-commerce platforms. Disruptions of our relationships with third-party e-commerce platforms, changes in, or interpretation of, policies of such third-party e-commerce platforms or unfavorable changes in our arrangements with them, could have an adverse effect on our business, financial condition and results of operations.

During the Track Record Period, we collaborated with third-party e-commerce platforms to sell our products to consumers. In 2023, 2024 and the nine months ended September 30, 2025, our revenue generated from sales through third-party e-commerce platforms was RMB459.9 million, RMB583.4 million and RMB376.2 million, respectively, accounting for 31.6%, 23.6% and 21.2% of our total revenue, for the same years/periods, respectively. We expect that sales through such third-party e-commerce platforms will continue to contribute to our total revenue in the foreseeable future. As such, our profitability and business performance are influenced by, among other things, the continued strong business relationships between third-party e-commerce platforms and us.

We are subject to the terms and conditions of third-party e-commerce platforms. However, we cannot guarantee the continued maintenance or renewal of these agreements on favorable terms, or at all. In the case that third-party e-commerce platforms amend the terms of agreements or render such terms unfavorable to us, or if new e-commerce regulations impose additional compliance burdens, our business performance, results of operations and profitability may be materially and adversely affected.

Furthermore, the operation of these third-party e-commerce platforms may be vulnerable to damage or interruptions such as power failure, computer viruses, acts of hacking, vandalism and similar events. Any material interruption or damage to the e-commerce platforms may have an adverse effect on our business, financial condition, and results of operations.

Operating globally exposes us to inherent risks, which will persist as we further expand our international footprint. Shifts in the global economic landscape, along with evolving diplomatic and trade relations, could negatively impact our operating results and lead to fluctuations to the demand for our products.

We operate our business in China and overseas, including multiple markets in the U.S., Europe, and other countries. During the Track Record Period, overseas revenues accounted for a majority of our total revenues. With our global presence, we may be subject to the following risks:

- ***operational and logistical challenges***. difficulties in providing products, services and support, in recruiting personnel in overseas markets, and in managing sales channels and distribution networks effectively;

- ***revenue volatility***. potential fluctuation in periodic revenue due to unfavorable market conditions, intensified competition, unattractive products and services, downward pricing pressure, and any other inherent risks associated with our international business operations;

- ***entry barriers***. challenges in commercializing our products in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure;

- ***third-party reliance risks***. increased vulnerability to operational disruptions caused by issues with third-party partners, including their financial instability, insolvency, labor disputes, manufacturing capabilities, costs structures, insurance, natural disasters, public health emergencies or other catastrophic events;

- ***regulatory and compliance complexities***. difficulties navigating unfamiliar regulatory frameworks, engaging with regulatory authorities, and complying with government policies to secure necessary manufacturing, import, marketing, and sales permits/licenses across jurisdictions;

- ***intellectual property vulnerabilities***. potential limitations in IP rights protection and risks of infringing on third-party intellectual rights;

- ***financial and accounting risks***. divergent accounting standards across jurisdictions, potential adverse tax implications, and foreign exchange losses;

- ***contractual enforcement limitations***. challenges in effectively upholding contractual or legal rights in international contexts; and

- ***geopolitical and market instability***. exposure to changes in local laws, regulations and policies as well as political, economic and market instability or civil unrest within operating jurisdictions.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in overseas markets will be impaired, or our international business may not be able to sustain profitability, which could have a material and adverse effect on our business, financial condition, and results of operations.

In particular, our operating results are influenced by macroeconomic conditions worldwide. Some of our business units operating in specific geographic regions are particularly susceptible to local economic and market dynamics. Global economic conditions exhibit significant regions variations and are prone to substantial volatility. There is no assurance as to how the trade tensions may evolve or whether there will be any changes to the scope and extent of goods that are or will be subject to such export controls, sanctions, tariffs, or new trade policies. We cannot predict the implications of the ongoing trade tensions and the impact on our industry and the global economy. In addition, any economic downturn, slowing growth rates, or other adverse economic conditions in our operating markets could materially and adversely affect our business, financial condition, and results of operations.

Our global operations expose us to dynamic international regulatory, social, and political environments, as well as localized conditions in the countries and regions where we conduct business. These factors give rise to multifaceted risks, including cross-border legal compliance complexities, exposure to potential disputes and litigation, geopolitical uncertainties, volatile local market dynamics, trade restrictions or prohibitions, foreign exchange fluctuations, intense competition, and varying tax regimes. Consequently, the geopolitical relationships between jurisdictions in which we operate directly influence our cost structure, product demand, and business collaboration with local partners. Escalating tensions or political concerns in these regions may materially and adversely affect our business, results of operations and prospects.

Changes in international trade policies, geopolitics and trade protection measures, export control and economic or trade sanctions may affect our business, financial condition, and results of operations.

Our business operations and financial performance can be influenced by various factors related to international trade policies, geopolitics, and trade protection measures, including export controls and economic or trade sanctions. For example, recently, the United States announced sweeping import tariffs on goods from all countries, under the International Economic Emergency Powers Act ("**IEEPA**"), comprising a 10% baseline tariff and varying reciprocal tariffs on certain trade partners. Other countries, including the PRC, announced retaliatory actions or plans for retaliatory actions. On April 9, 2025, the United States implemented a 90-day pause on the varying reciprocal tariffs (except for those on Chinese goods, which were temporarily increased to 125%), leaving the 10% baseline tariff in place. On May 12, 2025, China and the United States jointly announced a 90-day suspension of certain of their trade restrictions, such that the United States would reduce its reciprocal tariffs from 125% back down to 10% (resulting in a 30% baseline duty on most Chinese imports during this period), while China reduced its tariff rate to 10% on U.S. imports. On August 12, 2025, the US-China tariff truce got extended for another 90 days until November 10, 2025. On October 10, 2025, the U.S. announced its intent to impose an additional 100% tariff on products of Chinese origin, effective from November 1, 2025. However, on November 1, 2025, the two countries reached an agreement to de-escalate trade tensions, averting the implementation of the proposed tariff and extending the existing trade truce for approximately one year. Furthermore, the U.S. imposes a 19% reciprocal import tariff on goods from Thailand, effective August 7, 2025, down from a 36% rate initially announced in April 2025. Thailand secured this reduced rate by agreeing to lower its own import tariffs on over 10,000 US goods, simplify customs and sanitary regulations, and offer incentives for U.S. firms in sectors like semiconductors and clean energy. Additionally, the United States continues to assess the tariff rates it will impose on other jurisdictions, which might directly or indirectly impact our business or financial performance. These evolving policies have adversely affected the global economy and financial markets. Given the rapid transformation, forecasting future implications remains challenging. New tariffs, legislation, or regulatory changes, particularly retaliatory actions amid heightened global trade tensions, could materially affect our business. In extreme cases, such conflicts could result in economic downturns that materially and adversely impact our business, financial condition, and results of operations.

Likewise, potential national security and foreign policy concerns may prompt governments to impose trade or other restrictions, which could make it more difficult to sell our products in, or restrict our access to, certain markets, or affect our supply chain. In this regard, various trade, export controls, and economic sanctions laws and regulations may affect our businesses.

In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce ("**BIS**"). The EAR includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the "**Entity List**"). The export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited if an Entity Listed person is a party to the transaction (including as purchaser or end-user), unless the transaction is licensed by BIS.

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 adversely affect our ability to acquire technologies, systems, devices or components that may be critical to our technology infrastructure, product and service offerings, and business operations. In addition, these restrictions or regulations may involve uncertainties and fluctuations, which may impose new restrictions from time to time. There can be no assurance that the current and/or future restrictions or regulations implemented by the U.S. government, or authorities in other jurisdictions, and related developments, will not have a negative impact on our business operations or reputation. If certain of our customers and suppliers are listed on the Entity List, that may limit our ability to source or sell technologies, software, or components from/to them. We cannot be certain what additional export control actions the U.S. government may take that could impact our solutions, suppliers or customers. As of the Latest Practicable Date, such restrictions or regulations have not had any material adverse effect on our business operations, and based on our current understanding and interpretation, we do not expect that they would materially and adversely impact our business operations.

Separately, we may also be subject to review and enforcement under domestic and foreign laws that screen foreign investment and acquisitions. In both the U.S. and non-U.S. jurisdictions, these regulatory requirements may treat companies differently based on the type of company in question and investor profile in the company. As a result of these laws, investments by particular investors may need to be filed with local regulators, which in turn may impose added costs on our business, impact our operations, and/or limit our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors. These laws are also regularly changed and updated. For example, recently the Office of Global Transactions of the U.S. Department of the Treasury ("**U.S. Treasury**") issued a final rule (the

"**Outbound Investment Rule**") to implement Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern" (August 9, 2023), which provided for the establishment of a new national security regulatory framework to regulate certain outbound investments from the United States in certain sensitive industry sectors in the People's Republic of China, including Hong Kong and Macau. The Outbound Investment Rule took effect in January 2025 and restricts U.S. persons' direct and indirect investment into companies with specified connections to China that engage in specified "covered activities" within three areas of technology: semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems. Notably, President Trump issued the America First Investment Policy Memorandum on February 21, 2025, which proposes to further expand the set of technologies of concern. On December 18, 2025, President Trump signed into law the National Defense Authorization Act for Fiscal Year 2026 ("**NDAA**"), including legislation that codifies and makes certain changes to the existing Outbound Investment Rule, including the addition of "hypersonic systems" and "high-performance computing and supercomputing" sectors. Before the U.S. Treasury issues implementing regulations, the current Outbound Investment Rule remains effective. These rules may limit our ability to engage in certain kinds of business operations; they may also limit our ability to raise capital from U.S. and other sources if we engage in the development of such technologies of concern. We believe we are not a "covered foreign person" as defined in the Outbound Investment Rule because we do not engage in any "covered activity" as defined in the Outbound Investment Rule or otherwise meet the definition of Covered Foreign Persons provided in the Outbound Investment Rule. However, there is no assurance that Treasury will take the same view. If we were to be deemed a covered foreign person due to changes in our business operations, amendments to relevant laws and regulations or other factors, our ability to raise capital would be significantly and negatively affected. In such case, the [**REDACTED**] prices of our securities may be materially and adversely affected. Continuing changes in both U.S. and non-U.S. jurisdictions to foreign investment laws and rules could adversely affect our strategic initiatives, financial performance, and growth prospects.

The application and implication of the Outbound Investment Rule, the America First Investment Policy Memo, and any related policies, laws, and regulations are complex. [**REDACTED**] should conduct their own due diligence and seek legal advice to fully understand the implications of these matters. Neither we, nor any of our subsidiaries, affiliates, directors, officers, employees, advisers, or agents has any obligation or responsibility to monitor and/or to facilitate, or shall be held liable for any loss or liability incurred from, the compliance or non-compliance with the requirements under the Outbound Investment Rule by any investor.

Additionally, alterations in trade protection measures, such as the imposition of anti-dumping duties, countervailing duties, or safeguard measures, may lead to higher costs or restrictions on our exports. Moreover, export controls and economic or trade sanctions can impose limitations on our ability to export products or conduct business in specific markets. Non-compliance with these controls and sanctions can result in legal penalties, reputational harm, and the loss of export privileges.

Legal systems of certain countries or regions where we operate may keep evolving.

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 and 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.

We are subject to variation embedded in the legal systems of some geographic markets where we operate. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets or may be subject to different or various degrees of interpretation by regulatory agencies, or may keep evolving in the future. Since local administrative and court authorities have significant discretion in interpreting and implementing 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 enjoy in many of the localities that we operate in. Moreover, local courts may have broad discretion to reject enforcement of foreign awards. These regulatory incompleteness and regulatory disclosure may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. In addition, the regulatory incompleteness may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us.

In addition, the legal systems of some geographic markets where we operate are based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. There are other circumstances where key regulatory definitions are unclear, imprecise or missing, or where interpretations that are adopted by regulators are inconsistent with interpretations adopted by a court in analogous cases. As a result, we may not be aware of our violation of certain policies and rules until sometime after the violation.

It is possible that a number of laws and regulations may be adopted or construed to apply to us in our geographic markets and elsewhere that could restrict our industries. 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 this regulation such as requiring auditors to confirm our policies are in compliance with accounting rules and receiving opinion letters from local counsels to confirm there is no legal liability. Furthermore, existing laws or new laws regarding the regulation of currency, money laundering, banking institutions, data protection and intermediary payments are evolving and subject to interpretations. Changes in current laws or regulations or the imposition of new laws and regulations in our geographic markets or elsewhere regarding our industries may slow the growth of our industries and adversely affect our financial position and results of operations.

We are exposed to risks relating to price fluctuations of key raw materials.

Prices of raw materials have a significant impact on our cost of sales. The current or expected supply of our key raw materials may fluctuate depending on a number of factors beyond our control, including but not limited to the availability of resources, market demand, potential speculation, market disruptions, natural disasters and other factors. We may not be able to obtain stable, high-quality raw materials at reasonable prices and acceptable quality at all times.

We have mechanisms and procedures in place to ensure stable prices of the raw materials we purchased. However, we cannot assure you that we will not experience significant fluctuations in the prices of raw materials in the future. Under such circumstances, we may need to further adjust the prices of our products accordingly to pass down the increased costs onto our customers, or secure alternative sources of supply. However, we cannot assure you that we will be able to pass all or a portion of the increased costs to our customers due to factors such as competition, or we will be able to find alternative sources in a timely and cost-effective manner, or at all. Additionally, we may not have strong bargaining power with customers and suppliers, and therefore may not be able to effectively mitigate the impact of raw material price fluctuations despite the measures put in place. If we fail to respond appropriately to the increases in the prices of raw materials needed for our products, we may continue to incur impairment losses on inventories in the future, and our business, financial condition, and results of operations may be materially and adversely affected.

If we fail to maintain an effective quality management system, our business, reputation, financial condition, and results of operations may be adversely affected.

Our product quality is critical to our success. Although we have established a stringent quality management system, we acknowledge its inherent limitations in detecting latent product defects, issues that may surface during usage and lead to safety hazards or operational issues for our customers. The effectiveness of our quality management system relies on multiple factors, including system design robustness, the precision and reliability of manufacturing equipment, the expertise and experience of our personnel, the comprehensiveness and effectiveness of training programs, and our ability to ensure consistent employee adherence to established quality policies and procedures. Notably, product-related incidents, such as those arising from component failures, manufacturing defects, design inadequacies, or insufficient disclosure of product risks and information, could create unsafe conditions or cause user injuries. Such events may trigger product liability claims or warranty disputes, potentially exposing us to litigation where we are named as a defendant. Moreover, our existing insurance coverage may prove inadequate in scope or applicability to fully mitigate the financial impact of these claims.

Furthermore, if any products sold by us are alleged or perceived to have quality issues or defects, we may need recall such products from the market, resulting in reduced revenue. We cannot guarantee that product recalls will not occur, or product liability claims will not be filed against us in the future. Any product recalls or any claims against us, regardless of merit, can strain our financial resources, hurt our reputation and divert significant management time and attention. Any product liability claims against us, if substantiated, could adversely affect our reputation, business, financial condition, and results of operations.

Our product inspection safety standards are established in accordance with applicable national and industry regulations. However, we cannot assure you that our quality management system will maintain ongoing effectiveness or remain fully compliant with all relevant laws, regulations, and standards. Any significant failure or decline in the effectiveness of our quality management system could lead to the loss of critical accreditations, certifications, or qualifications, which could in turn have a material adverse effect on our reputation, business and results of operations.

We are exposed to the risks relating to third-party logistics solutions providers.

Our delivery arrangements can be broadly divided into: (i) logistics solutions offered by various third-party logistics solutions providers, and (ii) fulfillment services provided by third-party e-commerce platforms. Our collaboration with third-party logistics providers could expose us to potential service disruptions or inefficiencies. If these providers fail to meet their service obligations due to operational issues, financial difficulties or other unforeseen circumstances, our ability to deliver products to customers in a timely and cost-effective manner may be impacted, which could cause a decline in product sales and loss of revenue. In addition, improper handling of our products by the logistics solutions providers could also result in product damage, which could lead to product liabilities or claims and damage our brand image and reputation. Furthermore, fluctuations in the prices of logistics solutions affect our ability to provide cost-effective products to our customers. Any of these events could materially and adversely affect our business, financial condition, and results of operations.

We may incur substantial warranty-related expenses, and our provisions for future potential warranty claims may be insufficient.

We provide warranty for our products and the terms of our warranty policies vary based on the type of products and the market where such products are sold. We provide provisions for these potential warranty expenses based on a certain percentage of sales revenue during the period. Our provision for product warranty was RMB8.0 million, RMB11.6 million and RMB13.3 million as of December 31, 2023, 2024 and nine months ended September 30, 2025, respectively, the increase of which was primarily driven by changes in sales of our products during the Track Record Period. As we continue to upgrade our products design and introduce new products, there is no assurance that future warranty claims will be consistent with history, and in the event that we experience a significant increase in warranty claims, there is no assurance that our provision will be sufficient, which may have a material adverse effect on our business, financial condition, and results of operations.

Any unforeseen or prolonged disruption to our warehousing network could adversely affect our business operations.

Currently, we operate overseas warehousing facilities in over 7 countries and regions. See "Business — Warehousing and Logistics." In the event that there is any unforeseen and prolonged disruption in the supply of utilities, such as water or electricity, or access to the premises, due to fire or earthquake, and we cannot restore the affected warehouse or relocate to an alternative promptly, our business operations will be materially and adversely interrupted, which in turn will affect our business operations. If a significant incident occurs at any of our warehouses or our prevention measures proved inadequate in the future, we may suffer loss of stored inventory, incur substantial costs to restore or relocate to an alternative, or face regulatory violations leading to administrative penalties from relevant authorities. If such an incident causes damages to other third parties and we are determined to be partially or fully responsible, we may also be required to compensate such damages caused to third parties. Under such circumstances, our business, financial condition, and results of operations may be adversely affected. We engage third party warehousing management companies to operate our facilities, and any mismanagement by these vendors could lead to disruptions in inventory control, supply chain delays, compliance violations, and potential financial losses.

Furthermore, as all of warehouses we operate for providing logistics solutions are leased, we are exposed to risks in relation to unpredictable and increasing rental costs and relocation costs. Renegotiating lease renewals with our landlords may result in increased rental rates or more stringent payment terms, which could adversely affect our profitability and operating results. There is also a risk that we may be unable to successfully extend or renew our leases upon expiration, either on commercially reasonable terms or at all, potentially compelling us to relocate our warehouse. Such relocation may disrupt our operations and incur significant relocation costs and capital expenditures for installing warehousing facilities and technology systems and could in turn adversely affect our financial condition. Further, we cannot assure you that we will be able to relocate to suitable alternative premises in a timely manner or at all, and failure in necessarily relocating our operations could result in disruption to our business operations. We also lease out some idle warehouse space to third parties. Therefore, we are exposed to risks in relation to liability for damage or loss of stored goods, challenges in ensuring compliance with applicable regulations, and the possibility of contractual disputes arising from unclear terms or breaches of the lease agreement.

Our production facilities may face operational disruptions and legal liabilities arising from manufacturing accidents, potentially caused by non-compliance with safety protocols and procedures.

During operations and production, we enforce and require employee adherence to safety measures and procedures outlined in our internal policies, covering occupational safety, fire safety, and related protocols. We cannot guarantee strict compliance with these safety protocols by all employees. Given the complexity of our manufacturing processes which inherently involve tool and equipment operation, machinery use, and chemical material handling, accidents resulting in employee injuries or fatalities remain possible. Moreover, our existing manufacturing protocols may not comprehensively prevent all potential malfunctions or unforeseen accidents, including those that have never occurred or were not anticipated during protocol development. Such incidents could disrupt operations and expose us to liabilities. Currently, our insurance coverage may be inadequate to fully address these potential liabilities, which could materially and adversely affect our business, financial condition, and results of operations. See "— Our existing insurance coverage may be inadequate to fully address losses and liabilities arising from various operational risks and hazards, including potential product liability claims." In additional to our own production facilities, we also engage independent third-party OEM partners to manufacture certain products, and any operating disruptions, financial instability, or other unforeseen risk affecting our OEM partners could have a material adverse impact on our financial conditions and results of operations.

Our information technology networks and systems may encounter malfunction, unexpected system failure, service interruptions, capacity limitations, or security breaches. Cybersecurity incidents or failure to safeguard confidential information could expose us to legal liabilities, financial losses, and reputational harm.

We rely on our information technology ("**IT**") networks and systems to conduct and monitor the daily operations of our manufacturing facilities, and to collect accurate up-to-date financial, operating and other transaction data for business analysis. Our IT networks and systems may encounter malfunction, unexpected system failure, service interruptions, capacity constraints, or security breaches. Cybersecurity incidents or lapses in protecting confidential information could expose us to legal liabilities, financial losses, and reputational harm. We rely on IT networks and systems to facilitate electronic communications among our personnel, suppliers, customers and other business partners and for synchronization with our manufacturers and logistics providers on demand forecast, order placements and manufacturing and service status and capacity. Our operations involve storage and transmission of sensitive data related to our business, stakeholders, and partners. Our IT systems, including systems managed by third parties, face potential risks from damages, disruptions or shutdowns caused by software/database/component upgrades, power outages, hardware failures, malware, cyberattacks, telecommunication failures, user errors or catastrophic events. Any such breach could compromise our network integrity and the confidentiality/availability of stored data, potentially triggering regulatory investigations, operational downtime, service interruptions, and reputational damage that undermines our business continuity and future growth. If we do not effectively resolve the issues in a timely manner, our business, financial condition, and results of operations may be materially and adversely affected.

In addition, our systems, servers and equipment, and those of our service providers, may be vulnerable to cybersecurity incidents, which may lead to damages to our IT systems, material disruption to our business, or theft, rendering inaccessible, improper disclosure or misappropriation of our or our customers' business information, trade secrets, sensitive data and other confidential or proprietary information. Any such event could have a material adverse effect on our business even if we recover using our backup information.

We are subject to evolving of privacy and data protection regulations, which may impact our legal, financial and operational behavior.

We collect and store business and transaction data generated during or related to our operations, including records of interactions and transactions with customers, suppliers, and business partners. Safeguarding this data through secure storage and maintenance is critically important. We process such data in compliance with applicable legal requirements to ensure its security. To uphold these standards, we have adopted various measures to ensure legal compliance. See "Business — Data Privacy and Information Technology Systems" for more information. However, the laws and regulations regarding privacy and data protection across different jurisdictions where we operate are generally complex and continue to evolve. As such, we cannot guarantee that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. If we are unable to comply with the applicable laws and regulations, or to address any privacy and data protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from using our solutions and could subject us to adverse legal, financial and operational consequences.

The legal and regulatory developments with respect to data protection may keep evolving, which may affect how we design our IT systems, how we operate our business, how we and our business partners process data, which in turn could affect demand for our products. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations and to establish and maintain internal compliance policies.

Failure to maintain effective pricing strategies may have a material adverse effect on our business and results of operations.

Our pricing strategy has significantly influenced and may continue to shape our revenue and profit margin across different geographic markets. However, our competitors' pricing strategies are beyond our control and could significantly affect the results of our pricing strategies. Failure to align with our customers' price expectations, coupled with an inability to compete against rivals employing aggressive pricing tactics, poses dual risks. Furthermore, if we cannot adjust our cost structure to accommodate potential declines in our product prices, our business, financial condition, and results of operations could be materially and adversely affected. In addition, adopting an aggressive pricing strategy to capture or defend market shares may undermine our long-term profitability and sustainability.

Misconduct, non-compliance or oversights by our employees or third parties could adversely affect our business and reputation.

Misconduct, non-compliance and oversights by our employees could subject us to liability or negative publicity, and there can be no assurance that our employees will not engage in misconducts or omissions that could materially and adversely affect our business, financial condition, and results of operations.

Similarly, our third-party business partners, including suppliers, distributors, service providers and other entities linked to our business partners through business relationships, may engage in similar misconduct, non-compliance, or oversights, subjecting us to liability or negative publicity. Although we maintain rigorous standards in selecting our business partners, we cannot eliminate the risk of incurring liabilities or suffering losses arising from any non-compliance by third parties. Such non-compliance may lead to regulatory penalties for the third parties involved, which may, directly or indirectly, affect our business operations. We cannot be certain whether such third-party has infringed or will infringe any other parties' legal rights or violate any regulatory requirements. 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. Legal liabilities and regulatory actions involving our business partners or other third parties may affect our business activities and reputation, which may in turn affect our results of operations.

Our sales and marketing activities may not be effective.

Our sales and marketing activities are important to enhance our brand recognition and enlarge our consumer base. For details, see "Business — Sales, Marketing and Distribution." Our selling and marketing expenses amounted to RMB394.9 million, RMB562.5 million and RMB402.0 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing 27.1%, 22.7% and 22.6%, respectively, of our total revenue for the corresponding periods. Our sales and marketing activities may become increasingly costly and may not yield economically meaningful results. We cannot assure you that our efforts in sales and marketing activities will always be effective, or that we are able to cost-effectively manage our marketing and advertising expenses. Any of the foregoing risks could materially and adversely affect our business, financial condition, and results of operations.

We may not be able to effectively manage and develop our distribution network, or efficiently sustain our business relationships with our distributors, which could adversely affect our brand, business, results of operations, and future financial performance.

We primarily rely on direct to customer online channels to reach our end customers directly. Additionally, we collaborate with distributor partners to extend our customer reach in certain jurisdictions. Maintaining an effective distribution network enables the stable delivery of our products to customers, and our distributors play an important role in expanding our geographic footprint and driving sales of our products. For the years ended December 31, 2023 and 2024 and for the nine months ended September 30, 2025, our total sales through distributors amounted to RMB213.1 million, RMB341.5 million and RMB306.6 million, respectively, accounting for 14.6%, 13.8% and 17.3%, respectively, of our revenue for the corresponding periods. Failure to maintain our business relationships with existing distributors, to establish relationships with new distributors, and to manage and expand our distributors' distribution coverage could adversely affect our distribution network and hence our business, as well as our brands, results of operations, financial performance and prospects. Our ability to expand our distribution coverage is also affected by changes in the relevant regulatory requirements, competitive landscape, and customer preferences and spending habits. Failure to effectively respond to such changes may result in an adverse effect on our business and prospects.

Additionally, some of our distributors may engage sub-distributors to further distribute our products. We do not enter into direct agreements with these sub-distributors, nor do we maintain a direct relationship with them. Any misconduct by a sub-distributor, such as violations of local laws, misleading promotional activities, or poor customer service, could harm our brand reputation, lead to customer dissatisfaction, and potentially result in legal or regulatory liabilities.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and other related compliance laws, and non-compliance with such laws can subject us to administrative, civil, and criminal penalties, collateral consequences, remedial measures, and legal expenses.

We are subject to anti-corruption, anti-bribery, anti-money laundering, and other related compliance laws and regulations in various jurisdictions in which we conduct activities. We have adopted policies and procedures designed to ensure compliance with applicable anti-corruption, anti-bribery, anti-money laundering, and related laws and regulations by our employees, suppliers, representatives, consultants, agents and business partners. We have established relevant mechanisms to ensure the implementation of such policies and procedures, such as periodic review and reporting the issues identified including those related to our employees and other parties, collecting evidence and reporting to relevant authorities if there involves violation of applicable laws and regulations of our employees and other parties. However, our policies and procedures may not be sufficient, and our directors, officers, employees, suppliers, representatives, consultants, agents, and business partners could engage in improper conduct for which we may be held responsible.

Non-compliance with anti-corruption, anti-bribery, or anti-money laundering laws could subject us to complaints, adverse media coverage, investigations, and severe administrative, civil and criminal sanctions, collateral consequences, remedial measures, and legal expenses, any of which could materially and adversely affect our business, financial condition, and results of operations.

We may be involved in legal or other proceedings arising out of our business operations, from time to time, exposing us to potential reputational damage and significant financial liabilities as a result.

We may periodically be subject to various litigation, legal or contractual disputes, claims or administrative proceedings in the ordinary course of our business, including, but not limited to, disputes or claims from our suppliers, customers, business partners and other third parties. Ongoing or threatened legal actions may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings which are initially deemed immaterial may escalate in significance due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the financial exposure, and the parties involved. Adverse verdicts, judgments, awards, or settlement with third parties may require us to pay substantial monetary damages or assume other liabilities. In addition, negative publicity stemming from such proceedings could damage our reputation, harm our brand and product image, which may materially and adversely affect our business.

Any failure to obtain and maintain necessary approvals, licenses, certifications, and permits for our operations may materially and adversely affect our business, financial condition, and results of operations.

Our business requires us to obtain and renew, from time to time, a multitude of approvals, licenses and permits. If we fail to obtain, maintain or renew any necessary approval, license, certifications, or permit for our operations in a timely manner or at all, or if the scope of our operations exceeds the scope permitted under the applicable approvals, licenses and permits, we may be subject to fines, penalties or suspension of operations or even revocation of operating licenses, and our business, financial condition, and results of operations may be materially and adversely affected.

Negative publicity or rumors concerning our company, products, management, directors, employees, shareholders, customers, business partners or their affiliates or our industry in general may adversely affect our reputation and business.

Negative publicity or rumors related to our industry, our company, products, management, directors, employees, customers, distributors, business partners or their affiliates, or our relationship with any of these parties may materially and adversely harm our business and reputation, and cause fluctuations in the potential [**REDACTED**] price of our Shares. Although we made efforts to strengthen our responsiveness to negative publicity events, we cannot guarantee that similar media reports or allegations from other parties will not emerge in the future, nor can we assure you that we will be able to mitigate such negative publicity to the satisfaction of our investors, customers and business partners or prevent misunderstandings and related damages stemming from such reports. We may have to incur significant expenses as we may need to seek legal recourse or defend our company in court in response to such allegations, which may cause us to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports or allegations even if they are baseless, which may materially and adversely affect our results of operations.

Our active use of social media as a marketing channel and voluntary online engagement by users and influencers may expose us to reputational and regulatory risks.

We actively use a variety of social media platforms as part of our marketing and brand-building strategy, where we share product information, creative content, and promotional campaigns to engage with our customers. Such marketing activities are subject to various laws and regulations on "false advertisements" in various jurisdictions where we operate. In addition, many of our users and potential customers voluntarily post reviews, experiences, or endorsements about our products online. While such organic engagement helps to enhance brand awareness and community interaction, it also exposes us to risks beyond our full control.

Posts or endorsements made by users, influencers, or other third parties may at times contain inaccurate, exaggerated, or misleading statements about our products' features, performance, or intended uses. Such content could result in customer misunderstanding, product misuse, or dissatisfaction, and in some circumstances may attract regulatory attention under applicable advertising, consumer-protection, or product-safety rules.

Moreover, negative commentary, viral criticism, or social-media controversies involving our brand, products, or affiliated influencers, whether warranted or not, could damage our brand reputation and erode consumer trust. We also face uncertainty from changes in platform algorithms, content policies, or enforcement practices, which could affect the visibility and effectiveness of our online content. Consequently, our active presence on social media and the uncontrolled nature of user-generated content may result in fluctuations in public sentiment and brand perception, which could adversely impact our business and reputation.

Our facilities or operations may suffer damage or adverse impacts due to natural disasters or other catastrophic events.

Our facilities or operations could be adversely affected by uncontrollable events, such as natural disasters, armed conflicts, pandemics, and other calamities. We cannot guarantee that any backup systems will fully safeguard against disruptions from fire, floods, typhoons, earthquakes, power outages, telecommunications failures, break-ins, war, riots, terrorist attacks or similar events. Any of the foregoing events may trigger operational interruptions, system breakdowns, technology platform failures or internet outages, which could cause the loss or corruption of data or malfunctions of software or hardware as well as adversely affect our ability to produce our products and provide services.

We are also exposed to diverse public health-related related risks, including epidemics, pandemics, and other outbreaks. These public health crises, alongside their cascading effects such as shifts in consumer and business behavior, pandemic-induced market anxiety, economic slowdowns, and restrictions on business and individual activities, may create significant volatility in the global economy and suppress overall economic activity.

The success of our business hinges on our ability to attract, develop, and retain key management and core employees, including our key R&D talents.

Our business operations depend on the continuing efforts of our management and core employees, including our key R&D talents. For details, see "Directors and Senior Management." If one or more key management or core employees are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all. We may incur additional expenses to recruit and retain qualified replacements. In addition, our key management or core employees may join a competitor or form a competing company. We can provide no assurance that we will be able to successfully enforce our contractual rights included in employment agreements with our key management and core employees. As a result, our business may suffer from the loss of services of one or more key management or core employees, and our business, financial condition, and results of operations may be materially and adversely affected.

Our existing insurance coverage may be inadequate to fully address losses and liabilities arising from various operational risks and hazards, including potential product liability claims.

Our business is subject to a variety of operational risks, including but not limited to operational errors, power outages, environmental or industrial accidents, and catastrophic incidents such as fires, earthquakes, explosions, floods or other natural disasters. In addition, as we operate in overseas markets, we are exposed to risks related to geopolitical tensions, policy changes and intellectual property ("**IP**") and technology protection. These aforementioned risks may result in, including but not limited to, personal injury or casualties, environmental damage, monetary loss, and legal liability. The occurrence of any of these events may result in disruption of our operations and cause us to suffer substantial losses or incur significant liabilities. During the Track Record Period, we maintain general liability insurance, employee insurance, and production accident insurance for our business operations. There is no assurance that our insurance will be adequate to cover our exposure to the foregoing risks. If we incur material losses or liabilities, and insurance is not adequate to cover such losses or liabilities, our business, financial condition, and results of operations may be materially and adversely affected.

Our risk management framework, internal control systems, and available risk management tools, may not fully shield us from inherent risks embedded in our operations.

We have implemented risk management frameworks, internal control systems, and adopted risk management tools available to us to address operational risks. For further information, see "Business — Risk Management and Internal Control." However, we cannot guarantee these measures will fully safeguard us against the potential risks inherent in our business. Should we fail to detect or address any potential risks or internal control deficiencies, our business, results of operations and prospects may be materially and adversely affected.

Further, the successful implementation of our risk management framework and internal control systems depends on our management, employees and business partners. There is no assurance that our management, employees and business partners will strictly observe and adhere to relevant measures and policies. There is also no assurance that our management, employees and business partners will be able to carry out relevant measures and policies without human errors or mistakes. In addition, as our business expands, we may have to adopt and modify our risk management and internal control measures and policies in a timely manner in response to our business growth. Failure to do so may result in material and adverse effect on our business and results of operations.

Increasing focus with respect to environmental, social and corporate governance matters may impose additional costs on us or expose us to additional risks.

Relevant regulatory authorities and public advocacy groups have been increasingly focused on environmental, social and corporate governance ("**ESG**")-related issues in recent years, making our business more sensitive to ESG-related issues and changes in governmental policies and laws and regulations associated with environment protection and other ESG-related matters. Investor advocacy groups, certain institutional investors, investment funds and other influential investors have also been increasingly focused on ESG practices and in recent years have placed increasing importance on the implications and social cost of their investments. Regardless of the industry, increased focus from investors and relevant regulatory authorities on ESG and similar matters may hinder access to capital, as investors may decide to reallocate capital or to not commit capital as a result of their assessment of the ESG practices of the target companies. Any ESG concern or issue could also increase our regulatory compliance costs.

If we do not adapt to or comply with the evolving expectations and standards on ESG matters from investors and relevant regulatory authorities or are perceived to have not responded appropriately to the growing concern for ESG-related issues, regardless of whether there is a legal requirement to do so, we may suffer from reputational damage, and the business, financial condition and the price of our Shares could be materially and adversely affected. Furthermore, to promote environmental responsibility and reduce our environmental footprint, we have established certain environmental targets and plans that are aligned with our overall business strategy and objectives. See "Business — Environmental, Social and Governance." Failure to achieve or potential modification or discontinuation of certain or all such ESG targets and/or plans may also adversely affect our corporate image, which could in turn result in adverse impacts on our business, financial condition, and results of operations.

Title defects and failure to register the lease agreement regarding some of our leased properties may affect our interests in such properties.

As of the Latest Practicable Date, five of our leased properties, the lessors with whom we enter into lease agreements did not provide valid property ownership certificates or sufficient documentation to prove their rights to lease the properties to us for our intended use. Therefore, we cannot ensure that they have the rights to lease or sublease such properties to us for our intended use. As advised by our PRC Legal Adviser, we may not be able to continue to lease such properties if the lease was challenged by a third party or relevant government authorities.

Furthermore, according to applicable PRC laws and regulations, the lessor and the lessee to a lease agreement are required to file the lease agreement with relevant government authorities within 30 days after the execution of the lease agreement. As of the Latest Practicable Date, we had not filed our lease agreements for five of our leased properties we leased with the local housing administration authorities as required under PRC laws and regulations. As advised by our PRC Legal Adviser, if we and the lessors fail to handle filing for such lease registration as required by the relevant competent authorities, we may be subject to a fine of RMB1,000 to RMB10,000 for each of the unregistered lease agreements.

If we are challenged by third parties or government authorities upon any of the circumstances stated above, we may be forced to relocate or may be subject to fines, as the case may be, and, as a result, our business, financial condition, results of operations, and prospects may be adversely affected. For details, please see "Business — Properties — Leased Properties."

Reliance on third-party suppliers presents potential risks, such as supply shortages, delays or non-compliance, could harm our business.

Our suppliers during the Track Record Period mainly consist of raw material providers and marketing service providers. In 2023, 2024 and nine months ended September 30, 2025, purchases from our largest supplier in each year during the Track Record Period amounted to RMB133.2 million, RMB176.0 million and RMB125.6 million, representing 12.4%, 10.1% and 7.9% of our total amount of purchase during the respective years/period, while purchases from our five largest suppliers in 2023, 2024 and nine months ended September 30, 2025 amounted to RMB414.0 million, RMB589.8 million and RMB453.7 million, representing 38.5%, 33.8% and 28.6% of our total amount of purchase during the respective years/period. We believe that we maintain good relationships with our major suppliers. However, we cannot assure you that we will be able to maintain business relationship with our existing suppliers, or secure supply of products at competitive prices. If we cannot locate alternative suppliers for replacement in a timely manner and/or on comparable commercial terms, our business operation may be hindered, which could materially and adversely affect our profitability.

If our suppliers cease offering us favorable credit terms or shorten the existing credit period, or otherwise impose more stringent commercial terms, our liquidity condition may be materially and adversely affected.

We experienced fluctuations in our trade and other payables and turnover days during the Track Record Period. As of December 31, 2023, 2024 and September 30, 2025, our current trade and other payables amounted to RMB465.4 million, RMB684.6 million and RMB711.4 million, respectively, representing 33.4%, 29.1% and 27.8% of our total current liabilities, respectively, as of the same dates. We are generally granted a credit period ranging from 30 days to 120 days by our suppliers on purchases of goods. Our trade payables turnover days amounted to 91.1 days, 72.9 days and 98.9 days in 2023, 2024 and the nine months ended September 30, 2025, respectively. We cannot assure you that we will continue to successfully negotiate and obtain favorable credit terms from our suppliers, as the credit terms granted by suppliers may be influenced by a number of factors that are beyond our control, such as the financial performance of our suppliers, the raw material prices and macro-economic conditions. If our suppliers shorten the credit period granted to us, our liquidity condition may be materially and adversely affected. In addition, if our suppliers impose less favorable commercial terms or increase procurement prices, our operations and financial performance could be adversely affected.

Fluctuations in exchange rates may adversely affect our results of operations.

The value of RMB against the U.S. dollar, the Euros, the Hong Kong dollar, and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends to a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the U.S. dollar, the Euros, the Hong Kong dollar, and other currencies in the future.

During the Track Record Period, we received the majority of payments in U.S. dollars and Euros, and we expect this to continue for the foreseeable future. As a result, any depreciation of the U.S. dollar or Euros against the RMB may result in exchange losses and negatively impact our operating results. Conversely, any depreciation of the RMB against the Hong Kong dollars may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could have a material and adverse impact on our business, financial condition, and results of operations.

We may not be able to adequately protect or enforce our patents, trade secrets and other intellectual property rights throughout the world, and our efforts to do so may be costly.

Our business relies significantly on our ability to protect and defend our IP rights. As of September 30, 2025, we had 41 invention patents, 244 utility patents, 175 design patents, 115 copyrights, as well as 190 trademarks in China and 7 invention patents, 53 design patents, as well as 241 trademarks overseas. We seek to protect the technologies that we consider commercially important by filing patent applications in the PRC and other jurisdictions, relying on patent or trade secrets or employing a combination of these methods. For further information on our patent portfolio, see "Business — Intellectual Property." The patent prosecution process is expensive, time consuming and complex, and we may not be able to file, prosecute, maintain, defend, enforce or license all necessary or desirable patents and patent applications at a reasonable cost or in a timely manner in all desirable jurisdictions. In addition, the laws of some countries do not protect our IP rights as fully as do the laws of other countries, and our ability to protect our IP rights will differ per jurisdiction. As a result, we may not be able to prevent competitors or other third parties from developing and commercializing competitive products and technologies in all such fields and jurisdictions.

Even if our IP applications are granted, the granted protection may not fully shield us from competitive pressures, given the inherent limitations on both the duration of patent protection and the scope of coverage. For instance, in China, the validity periods for invention patents and utility model patents are 20 years and 10 years from the filing date, respectively, and the approved products or solutions face competition after the patent protection expired.

In addition, we face significant risks related to IP rights enforcement and protection. Legal actions initiated by us against third parties IP infringement, while necessary to defend our rights, can be costly, time-intensive, and may ultimately weaken our IP position. Such litigation could result in the invalidation or unenforceability of our IP rights, or create other negative business impacts. Conversely, we may also be targeted by claims alleging our infringement of others' IP rights. Even when we pursue legal action against alleged infringers, these suits can adversely affect our operations. The resolution of such disputes typically demands substantial time and financial resources, diverting management's focus from core business activities.

Additionally, monitoring unauthorized use and disclosures of our proprietary technology, IP, and confidential information can be difficult and expensive. We cannot be sure that the steps we have taken will prevent misappropriation, infringement and violation of our IP or proprietary rights. If we are unable to adequately protect, establish, maintain or enforce our IP or other proprietary rights, our business, financial condition, and results of operations may be adversely affected.

Our commercial success depends significantly on our ability to operate without infringing upon, misappropriating or otherwise violating the IP rights of third parties.

The markets we operate in are subject to rapid technological change and substantial litigation regarding patent and other IP rights. Our competitors may have substantially greater resources to make substantial investments in patent portfolios and competing technologies, and may apply for or obtain patents that could prevent, limit or otherwise interfere with our ability to make, use and sell our solutions or technologies. Numerous third-party patents exist in fields relating to our technologies, and it is difficult for industry participants, including us, to identify all third-party patent rights relevant to our solutions or technologies. Moreover, because some patent applications are maintained as confidential for a certain period of time, we cannot be certain that third parties have not filed patent applications that cover our solutions and technologies.

Patents could be issued to third parties and we may ultimately be found to infringe such patents. Third parties may have or obtain valid and enforceable patents or proprietary rights that could block us from using our technologies. Our failure to obtain or maintain a license to any third-party IP rights that we require may materially harm our business, financial condition and results of operations. Furthermore, we would be exposed to risks of litigation.

Third-party IP right holders may also actively bring infringement or other IP-related claims against us, even if we have received patent and other IP protection for our technologies, solutions, and services. Regardless of the merit of third parties claims against us for infringement, misappropriation or violations of their IP rights, such third parties may seek and obtain injunctive or other equitable relief, which could effectively block our ability to continue to offer our technologies and services. Further, if a patent or other IP infringement suit were brought against us, we could be forced to stop or delay our R&D activities and the provision of our technologies and services, the regulatory approval process, the use of the challenged trademarks, or other activities that are the subject of such suit. Defense of these claims, even if such claims are resolved in our favor, could cause us to incur substantial expenses and be a substantial diversion of our resources even if we are ultimately successful. Any adverse ruling or perception of an adverse ruling in defending ourselves could have a material adverse impact on our cash position and Share price. Such litigation or proceedings could substantially increase our operating costs and reduce the resources available for R&D activities, or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed IP portfolios.

Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure requirements during such litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or [**REDACTED**] perceive these results to be negative, it could have a material adverse effect on the price of our Shares. The occurrence of any of these events may have a material adverse effect on our business, financial condition, and results of operation.

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

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. Patent applications may not be granted for a number of reasons, including a later application date, known or unknown prior art, deficiencies in the patent application or the lack of novelty or non-obviousness of the underlying invention or technology. China, the U.S. and Europe have adopted the "first-to-file" system, under which the first inventor to file a patent application will be awarded the patent if all other patentability requirements are met. Moreover, patent applications in China, the U.S., Europe and other jurisdictions are typically not published until an 18-month waiting period after filing, or in some cases, not at all. If another party has filed a patent application covering the same subject matter as we have developed, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business, prospects, financial condition or operating results. Also, the costs associated with enforcing patents, confidentiality and invention agreements, or other intellectual property rights may make aggressive enforcement impracticable.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The National Intellectual Property Administration (the "**NIPA**"), the United States Patent and Trademark Office (the "**USPTO**"), and various patent offices or authorities in other jurisdictions require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application and prosecution process. Periodic maintenance fees, renewal fees, annuity fees, and various other governmental fees on patents and/or applications will be due to be paid to the NIPA, USPTO, and various patent offices or authorities outside of China in several stages over the lifetime of the patents and/or applications. We employ reputable professionals and rely on such third parties to help us comply with these requirements and effect payment of these fees with respect to the patents and patent applications that we own. Noncompliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official communications within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case, which could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

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

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

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

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.

We have invested significant resources in developing our proprietary technology and know-how. While we require employees to sign agreements with confidentiality, non-compete, and intellectual property ownership clauses, we cannot guarantee these agreements will never be breached, that we can secure timely or effective remedies for any violations, or that our proprietary technology, trade secrets, or other IP will not be exposed to third parties through other means. Furthermore, risks remain that other parties might breach confidentiality obligations or that competitors could independently discover or gain access to our trade secrets. Competitors with greater experience and financial resources could exploit this knowledge to advance their own products, methods, or technologies, directly harming our competitive position. Unauthorized use or disclosure of our trade secrets would weaken our market advantage, reducing product demand and undermining our ability to retain or grow our customer base. Enforcing our proprietary rights and defining their scope may require costly, protracted litigation, while failure to secure or maintain trade secret protections could significantly erode our competitive standing.

We may become involved in lawsuits to protect or enforce our patents or other IP, which could be expensive, time consuming and unsuccessful, and any unfavorable outcome from such litigation could limit our R&D activities and/or our ability to commercialize our technologies and services.

Competitors may infringe our patent rights or misappropriate or otherwise violate our IP rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us, alleging that we infringed their patents. In addition, in a patent infringement proceeding, there is a risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we do not have the right to preclude the other party from using the invention at issue. There is also a risk that, even if the validity of our patents is upheld, the court will construe our patent claims narrowly or decide that we do not have the right to preclude the other party from practicing the invention at issue on the grounds that our patents do not cover the invention. An adverse outcome in litigation or other quasi-judicial proceedings involving our patents could limit our ability to assert our patents against those parties or other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive solutions. Any of these occurrences could adversely affect our competitive business position, business prospects, and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that the marks we have asserted are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of such trademarks.

In any infringement litigation, any award of monetary damages we receive may not be commercially valuable. Furthermore, because of the substantial amount of discovery required in connection with IP litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

There is a risk that our unpatented proprietary technology and trade secrets may be disclosed or independently developed by competitors.

In addition to patented technology, we rely on unpatented proprietary technology, trade secrets, processes, and know-how. While we implement multiple safeguards, including confidentiality agreements with consultants, marketing partners, and contract manufacturers, there is no guarantee these measures will prevent unauthorized disclosure or that third parties won't independently develop substantially equivalent technologies. Inability to protect this unpatented proprietary information could materially and adversely affect our operating results. Furthermore, products incorporating such unpatented proprietary elements may inadvertently infringe on others' rights. Should disputes arise, we could face significant costs defending against infringement claims.

Our reputation and profitability may be adversely affected if our products are counterfeited or imitated in the market.

Counterfeit products, such as unauthorized imitations, design replications, or trademark/label infringements by third parties, pose risks to our brand reputation and profitability. While we currently are not aware of any substantial counterfeiting of our products, we actively monitor unauthorized use of our registered designs, trademarks, and product imitations to safeguard our intellectual property. However, we cannot guarantee that counterfeiting will not occur or that we will detect and address such issues effectively if they arise. A substantial presence of counterfeit goods in the market could degrade our brand value and image, erode consumer trust, and materially and adversely affect our business, financial condition, and results of operations.

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

Our inventories primarily include finished goods or merchandise held for sale in the ordinary course of business, work in progress, and materials or supplies to be consumed in the production process or in the provision of services. As of December 31, 2023, 2024 and September 30, 2025, we had inventories of RMB333.9 million, RMB433.0 million and RMB857.5 million, respectively. Our inventory turnover days were 159.1 days, 124.1 days and 226.1 days in 2023, 2024 and the nine months ended September 30, 2025, respectively. See "Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Current Assets and Liabilities — Inventory."

We are committed to adopting a flexible approach to inventory management, adjusting our inventory levels in response to market demand fluctuations. When market demand increases, we correspondingly raise our inventory levels to ensure supply stability. However, such an approach is inherently uncertain, and the demand for our products could change significantly between the order date and the projected delivery date. We cannot assure you that we are able to always maintain optimal inventory levels in the future. If we fail to accurately assess the demand, we may experience inventory obsolescence and inventory shortage risk. Inventory levels in excess of demand, or substantial decrease in the expected market price of our products, may result in inventory write-downs or write-offs and we may sell the excess inventory at discounted prices, which would have an adverse effect on our profitability.

We recorded negative net operating cash inflows historically and there is no assurance that we will not have negative net operation cash inflow in the future, and our liquidity, financial condition and prospects may be adversely affected if we record net operating outflow in the future.

For the years ended December 31, 2023 and 2024, we recorded net operating cash inflows of RMB369.9 million and RMB373.0 million, respectively. We recorded negative net operating cash inflows of RMB208.8 million in the nine months ended September 30, 2025, primarily attributable to the our strategic inventory stocking in anticipation of the peak season in the fourth quarter of 2025. For a more comprehensive discussion of our liquidity and capital resources, see "Financial Information — Liquidity and Capital Resources — Net Cash Generated from/(Used in) Operating Activities" for further details. We cannot guarantee that prospective business activities of our Group and/or other matter beyond our control, such as market competition and changes to the macroeconomic environment, will not adversely affect our operating cash flows and lead to negative net operating cash inflows in the future.

If we encounter long-term and continuous negative net operating cash inflow in the future, we may not have sufficient working capital to cover our operating costs, and our business, financial position and results of operations may be materially and adversely affected. In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity, financial condition and prospects may be adversely affected. We cannot assure you that we will continue to have sufficient cash from other sources to fund our operations. If we resort to other financing activities to obtain additional cash, we will incur additional financing costs, and we cannot assure you that we will be able to obtain financing to satisfy our needs of cash flow on terms acceptable to us, or at all.

We may fail to recover our trade receivables in a timely manner, which may affect our financial condition and results of operations.

We are exposed to credit risks related to delay in payment of our customers. Our trade receivables represent the amounts due from our customers for the products sold or services performed in our ordinary course of business. As of December 31, 2023, 2024 and September 30, 2025, our trade receivables, net of loss allowance amounted to RMB49.0 million, RMB50.6 million and RMB76.0 million, respectively. We recorded impairment of trade of RMB0.9 million in 2023, RMB1.6 million for the nine months ended September 30, 2025, and reversal of impairment of RMB0.4 million in 2024. Our trade receivables turnover days amounted to 9.4 days, 7.3 days and 9.8 days in 2023, 2024 and nine months ended September 30, 2025. There can be no assurance that we will be able to maintain our trade receivables turnover days at a reasonable level. Should the credit worthiness of our customers deteriorate or should a significant number of our customers fail to settle their trade receivables in full for any reason, we may continue to incur impairment losses in the future and our financial position and results of operations could be materially and adversely affected. In addition, there may be a risk of delay in payment by our customers within their respective credit period, which in turn may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade receivables from the customers or that they will settle our trade receivables in a timely manner. In the event that settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected. For details, see "Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Current Assets and Liabilities — Trade and Other Receivables" for further details."

Fluctuations in changes in fair value of financial assets measured at fair value through profit or loss may adversely affect our financial results.

We recorded financial assets at fair value through profit or loss of RMB11.4 million, RMB30.0 million, and RMB260.3 million as of December 31, 2023 and 2024 and September 30, 2025, respectively. Our financial assets at fair value through profit or loss mainly consist of investment in other company and wealth management products. For details, please see "Financial Information — Discussion of Certain Key Items from our Consolidated Statements of Financial Position — Current Assets and Liabilities — Financial Assets Measured at FVPL."

The fair value change of financial assets measured at fair value through profit or loss may significantly affect our financial position and results of operations. The determination of the fair value of such financial assets requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our financial condition and results of operations.

Historical growth trends may not necessarily be indicative of future trends. Although the revenue and net profit demonstrated strong growth during the reporting period, this may not necessarily translate into sustained rapid growth in the future.

The historical financial information included in this Document is not expected to be indicative of our future financial results. Such financial information is not intended to represent or predict the results of operations of any future periods. Our future growth is, to a significant extent, predicated on our forward-looking assessment of market opportunities and industry trends. However, we cannot guarantee that our projections will consistently prove accurate or that we will be able to execute our growth strategy as intended. Our expansion plans are inherently subject to a variety of risks and uncertainties beyond our control. These include fluctuations in macroeconomic conditions, shifts in the competitive dynamics of the markets we serve, changes in applicable laws, regulations, and government policies, as well as variations in the supply of and demand for our products.

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

RISKS RELATED TO THE JURISDICTIONS IN WHICH WE OPERATE OUR BUSINESS

Changes in economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines could have a material and adverse effect on our business, financial condition, and results of operations.

We operate our business in China and overseas. Our business, financial condition, and results of operations may be influenced by the economic, regulatory, political and social conditions in the country where we operate. Governments worldwide have implemented, and may continue to introduce, among others, various policies and measures to encourage the economic growth and guide the allocation of resources. The tech-enabled personal creative tool industry in general is affected by macro-economic factors, including international, national, regional and local economic conditions, trade relationships, employment levels, customer demand and discretionary spending. Any changes in these factors may have material and adverse effect on our business, financial condition, and results of operations.

The relevant laws and regulations may be subject to further interpretation and enforcement, which may affect the legal protections available to our business and our shareholders.

Our subsidiaries are subject to various laws and regulations generally applicable to companies in China. The PRC legal system is a civil law system based on written statutes. There is a limited volume of published court decisions, which may be cited for reference but are not binding on subsequent cases and have limited precedential value unless the Supreme People's Court otherwise provides. However, since some of these laws and regulations are relatively new, the relevant laws, regulations and rules may be subject to further interpretation and enforcement, which may materially affect our business and our ability to continue our operations, and may further affect the legal remedies and protections available to [**REDACTED**], which may, in turn, affect the value of your [**REDACTED**].

The laws and regulations concerning the tech-enabled personal creative tool industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations, and to avoid conducting any noncompliant activities under the applicable laws and regulations, the relevant government authorities may promulgate new laws and regulations regulating the tech-enabled personal creative tool industry in the future. As these laws and regulations are continually evolving in response to changing economic and other conditions, these laws and regulations may be subject to further interpretation and enforcement. Changes in current laws or regulations, or the imposition of new laws and regulations regarding our industries in our geographic markets may adversely affect our industries and our financial condition and results of operations. In addition, we cannot assure you that our practice would not be deemed to violate any new laws or regulations relating to internet information service. Moreover, developments in the tech-enabled personal creative tool industry may lead to further legal or regulatory scrutiny on the industries where we operate in the future, or in the interpretation and application of existing laws, regulations and policies that may affect tech-enabled personal creative tool, which could materially affect our business and operations.

The M&A Rules and certain other PRC regulations establish certain procedures for some acquisitions of Chinese companies by foreign investors, which may affect us to pursue growth through acquisitions in China

The M&A Rules and some other established regulations and rules concerning mergers and acquisitions, set some procedures and requirements for merger and acquisition activities by foreign investors, including requirements, in some instances, that the Ministry of Commerce ("**MOFCOM**") be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, to complete such transactions may take some time, which may affect our ability to expand our business or maintain our market share.

We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in relevant tax consequences to us and our shareholders, and have a material adverse effect on our results of operations and the value of your [REDACTED].

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise, and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over, and overall management of, the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the STA issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC, (ii) decisions relating to the enterprise's financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC, (iii) the enterprise's primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC, and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC. We currently take the position that we and our subsidiaries outside of China are not regarded as a PRC resident enterprise. However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and the term "de facto management body" may be subject to further interpretation and implementation. As substantially all of our management members are based in China, if the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our Shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals, if such gains or dividends are deemed to be from PRC sources. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements. However, whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise may be subject to further interpretation and implementation. Any such tax may reduce the returns on your [**REDACTED**] in our Shares.

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

We operate in countries and regions overseas and are subject to various taxes. See "Financial Information — Description of Major Components of Our Results of Operations — Income Tax (Expenses)/Credit." Due to the fact that the tax environment can be different in different jurisdictions and that the regulations regarding various taxes, including but not limited to corporate income tax, are complex, our overseas operations may expose us to risks associated with the overseas tax policy changes. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rate could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. The tax treatments of our transaction arrangements may be subject to interpretation by the respective tax authorities, and there can be no assurance as to the outcome of these examinations. If our weighted average effective tax rate was to increase, or if the ultimate determination of our taxes owed is for an amount in excess of amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

Our foreign exchange transactions may be subject to the regulations on foreign currency conversion, including dividend payments from our PRC subsidiaries.

Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If we fail to comply with such laws, regulations and procedures, we may not be able to obtain sufficient foreign currencies to satisfy our foreign currency demands, and we may not be able to pay dividends in foreign currencies to our shareholders.

Our use of the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries may be subject to the PRC regulations governing loans to, and direct investments in, PRC entities by offshore holding companies, which may materially affect our liquidity and our ability to fund and expand our business.

According to the relevant PRC laws and regulations, any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by, filing with, or registration with relevant governmental authorities in Chinese Mainland and, capital contributions to our PRC subsidiaries are subject to registration with designated banks. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated banks, and (ii) each of our PRC subsidiaries may not procure loans that exceed the difference between its registered capital and its total investment amount or do not meet certain criteria relating to its net asset. Any medium- or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by the NDRC and the SAFE or its local branches. We may not be able to complete such filing or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such filing or registration, our ability to use the [**REDACTED**] of this [**REDACTED**], and to capitalize our PRC operations, may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to penalties, including restrictions affecting on our ability to inject capital into our PRC subsidiaries, and on our PRC subsidiaries' ability to distribute profits to us, if our PRC resident shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the "**SAFE Circular 37**"), was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future. Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies, are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as a change of PRC shareholders, the name of a company, terms of operation, an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or to update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing its profits and the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal, and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal. Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE on February 13, 2015, the power to accept SAFE registration was delegated from local SAFE to designated local banks where the assets or interests in the domestic entity are located.

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, the regulatory requirements of such registration may be subject to further interpretation and implementation. In addition, we may not always be able to compel them to comply with SAFE rules and regulations. Failure by any such Shareholders to comply with SAFE rules and regulations could subject us to fines or legal sanctions, affect our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update any applicable registrations, or comply with other requirements under SAFE rules and regulations in a timely manner. The foreign exchange regulations and other regulations concerning offshore or cross border transactions may be subject to further interpretation, amendments and implementation. For example, we may be subject to further review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we, or the owners of such company, as the case may be, will be able to obtain the necessary approvals, or complete the necessary filings and registrations, required by the foreign exchange regulations. This may affect our ability to implement our acquisition strategy, and could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year, participate in any stock incentive plan of an overseas [**REDACTED**] company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such [**REDACTED**] company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our Company becomes an [**REDACTED**] company upon the completion of this [**REDACTED**]. Failure to complete SAFE registrations may subject them to fines and administration penalties and may also limit their ability to make payment under our incentive plan or receive dividends or sales proceeds related thereto, or limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. As a result, our ability to adopt additional incentive plans for our directors, executive officers and employees under PRC laws and regulations may be restricted. The STA has issued relevant rules and regulations concerning employee share incentives. Under these rules and regulations, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted shares. Our PRC subsidiaries have obligations to file documents with respect to the granted share options or restricted shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may be subject to fines and penalties imposed by the competent governmental authorities.

Failure to comply with evolving PRC cybersecurity and data security regulations could materially and adversely affect our business, operating results, and reputation, as well as the [REDACTED] price of our Shares.

According to the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "**Review Measures**"), in the following cases, applications for cybersecurity review shall be submitted to the Cybersecurity Review Office (《網絡安全審查辦公室》): (i) if a critical information infrastructure operator ("**CIIO**") purchases network products and services, it shall anticipate the potential national security risks that may arise from the use of such products and services. Those that affect or may affect national security shall be reported to the Cybersecurity Review Office for cybersecurity review; and (ii) an internet platform operator holding more than 1 million users' personal information must apply to the Cybersecurity Review Office for cybersecurity review when seeking to be listed in a foreign country.

Moreover, the relevant PRC governmental authorities may initiate cybersecurity review if they determine certain network products, services, or data processing activities affect or may affect national security. On September 24, 2024, the State Council promulgated the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the "**Data Security Regulations**"), which is applicable to network data processing activities and the security supervision and administration thereof conducted within the territory of the PRC and took effect on January 1, 2025. The Data Security Regulations stipulate that data processors engaging in data processing activities that affect or may affect national security shall be subject to cybersecurity review in accordance with relevant laws and regulations.

Our PRC data compliance adviser conducted consultation via the hotline published by the Cyberspace Administration of China (the "**CAC**") on a named basis on behalf of us on November 25, 2025 with the staff of the China Cybersecurity Review Technology and Certification Center (《中國網絡安全審查技術與認證中心》) (the "**CCRC**", which is currently known as China Cybersecurity Review, Certification and Market Regulation Big Data Center (《中國網絡安全審查認證和市場監管大數據中心》)). The CCRC is a competent authority on this consultation, as it is entrusted with acceptance and review of application materials by the Cybersecurity Review Office under the CAC and to set up a hotline for consultation regarding the cybersecurity review, according to the official announcement by the CAC. Based on such consultation, the enterprises seeking listing in Hong Kong are not required to take the initiative to apply for a cybersecurity review, as Hong Kong is a part of the PRC and does not belong to the "foreign country" as stipulated in the Review Measures. However, the Review Measures and the Data Security Regulations are subject to further interpretation, application and enforcement. We will closely monitor the legislative process and seek guidance from relevant regulatory authorities in a timely manner to ensure our compliance with relevant laws and regulations applicable to us.

We are subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities with respect to the [REDACTED] and [REDACTED].

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Overseas Listing Trial Measures**"), which came into effect on March 31, 2023, and relevant supporting guidelines. The Overseas Listing Trial Measures have comprehensively improved and reformed the previous regulatory regime for overseas [**REDACTED**] and [**REDACTED**] of PRC domestic companies' securities and will regulate both direct and indirect overseas [**REDACTED**] and [**REDACTED**] of PRC domestic companies' securities. Any such domestic company that is deemed to conduct overseas [**REDACTED**] and [**REDACTED**] activities, including both the [**REDACTED**] and any further capital raising, shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

We will file with the CSRC within the specific time limit as required by the Overseas Listing Trial Measures. In addition, it is uncertain whether we can or how long it will take us to complete the CSRC filing. Any failure to complete the CSRC filing and other breach of the Overseas Listing Trial Measures may affect the [**REDACTED**] and may subject us to sanctions by the CSRC. Furthermore, such failure may adversely affect our ability to finance the development of our business and may have a material adverse effect on our business and financial condition.

Our failure to fully comply with PRC labor-related laws may expose us to potential penalties and potential employee claims.

We are subject to various laws and regulations in the PRC and other jurisdictions in which we operate and are required to comply with all relevant requirements and standards. For example, we are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in Chinese Mainland. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), a Chinese Mainland enterprise is required to set up housing provident fund accounts and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), a Chinese Mainland enterprise is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for our employees, as required by relevant laws and regulations. Our Directors are of the view that the amount of shortfall was immaterial, and will not have a material adverse impact on our operations or financial performance. As of the Latest Practicable Date, we had not received any notice or been subject to any administrative penalties or other disciplinary actions from the relevant governmental authorities in relation to the above-mentioned arrangements as to our social insurance and housing provident funds contribution. However, we cannot assure you that the relevant governmental authorities will not require us to pay the shortfall amount and impose late fees or fines, pecuniary penalties or other administrative actions on us. If the relevant PRC authorities determine that we shall make supplemental social insurance and housing fund contributions or that we are subject to fines, penalties, and compulsory execution in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

In addition to the above, if we fail to comply with any other relevant labor laws and regulations in Chinese Mainland, we may be exposed to penalties or be required to compensate employees.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in Chinese Mainland or to enforce against them in Chinese Mainland any judgments obtained from non-Chinese courts.

The majority of our Directors and senior management reside in Chinese Mainland. The assets of these Directors and senior management also may be located within Chinese Mainland. As a result, it may not be possible to affect service of process upon most of our Directors and senior management outside the Chinese Mainland. Chinese Mainland does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom or Japan. However, judgments rendered by Hong Kong courts may be recognized and enforced in Chinese Mainland if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met. Therefore, recognition and enforcement in Chinese Mainland of judgments of a court in any of these jurisdictions other than Hong Kong in relation to any matter not subject to binding arbitration provisions may be difficult or impossible.

Although we will be subject to the Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong upon the [**REDACTED**] of our Shares on the Stock Exchange, the holders of Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Codes on Takeovers and Mergers and Share Repurchases of Hong Kong do not have the force of law in Hong Kong.

RISKS RELATED TO THE [REDACTED]

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

There was no public market for our Shares prior to the [**REDACTED**]. There can be no guarantee that a public market for our Shares with adequate liquidity and [**REDACTED**] will develop and be sustained following the completion of the [**REDACTED**]. In addition, the initial [**REDACTED**] of our Shares is expected to be fixed by agreement between the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and us, which may not be indicative of the [**REDACTED**] of our Shares following the completion of the [**REDACTED**]. If an active [**REDACTED**] for our Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our Shares may be materially and adversely affected.

You will incur immediate and significant dilution and may face further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of our [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution. Existing Shareholders will receive an increase in the [**REDACTED**] adjusted consolidated net tangible assets value per share of their shares. See Unaudited [**REDACTED**] Financial Information in Appendix II to this Document.

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

The [**REDACTED**] and [**REDACTED**] of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong and elsewhere in the world. The 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. It is possible that our Shares may be subject to changes in price not directly related to our business performance. The business and performance and the [**REDACTED**] of the shares of other companies engaging in similar business may also affect the price and [**REDACTED**] of our Shares. In addition to market and industry factors, the price and [**REDACTED**] of our Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, results of operations, cash flows, investments, expenditures, relationships with our business partners, movements or activities of key personnel, actions taken by competitors or regulatory developments. In addition, the volatility in the [**REDACTED**] and [**REDACTED**] of our Shares may negatively impact our ability to raise capital in the future through the issuance of additional equity securities.

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

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and substantial Shareholders, or the perception or anticipation that such sales might occur, could negatively impact the [**REDACTED**] of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. A certain amount of the Shares controlled by our existing Shareholders are subject to certain lock-up periods beginning on the date on which [**REDACTED**] in our Shares commences on the 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 they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [**REDACTED**] of our Shares.

We cannot assure you that we will declare and distribute any dividends in the future. If we do not pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of our Shares for a return on your [REDACTED].

There is no assurance that dividends of any amount will be declared or distributed by us in the future after the [**REDACTED**]. The declaration and distribution of dividends is at the complete discretion of the Board, and our ability to pay dividends or make other distributions to our Shareholders is subject to various factors, including our business and financial performance, capital and regulatory requirements and general business conditions. We may not be able to have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. As a result of the above, we cannot assure you that we will make/can make dividend payments on our Shares in the future. For details, see "Financial Information — Dividends."

Even if our Board decides to declare and pay dividends, the timing, number and form of future dividends, if any, will depend on our future results of operations and cash flow, our financial condition, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your [**REDACTED**] in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your [**REDACTED**] in our Shares and you may even lose your entire [**REDACTED**] in our Shares.

A future or perceived significant increase in the supply of our Shares in [REDACTED] could cause the [REDACTED] of our Shares to decrease significantly, and dilute shareholdings of our Shares holders.

The [**REDACTED**] of our Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

Our future financing may cause dilution of your shareholding or impose restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional shares or other securities convertible into or exchangeable for our shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the equity interest of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our business operations, which may further limit our ability or discretion to pay dividends, increase our risks in adverse economic conditions, adversely affect our cash flows or limit our flexibility in business development and strategic plans.

We are a Cayman Islands exempted company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.

Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority shareholders may be located.

As a result of all of the above, minority shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or our majority shareholder, which may provide different remedies to minority shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

Certain facts, forecasts and statistics derived from official government sources contained in this Document have not been independently verified and the market opportunity estimates may not be accurate.

We have derived certain facts and other statistics in this Document, particularly those relating to the general economy and the industry, from information provided by official government sources and other third-party sources. We have not independently verified information and statistics from official government sources, and there can be no assurance as to the accuracy and reliability of such facts and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other data problems, the statistics herein may be inaccurate. You should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Market opportunity estimates included in this Document, including our ability to capture a meaningful share of the relevant markets, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there can be no assurance that our market opportunity estimates will materialize as anticipated. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted in this Document, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is inherently subject to certain risks and uncertainties.

[REDACTED] should read the entire Document carefully and should not consider any particular statements in this Document or in published media reports without carefully considering the risks and other information contained in this Document.

The [**REDACTED**] is being made solely on the basis of the information and representations contained in this Document, which are true and accurate to the best of our knowledge and belief. Any information not contained in this Document should not be relied upon in making an [**REDACTED**] decision with respect to the securities being [**REDACTED**]. Prior to the publication of this Document, there has been coverage in the media regarding us and the [**REDACTED**], which may have contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. [**REDACTED**] should be aware that information and opinions published by third-party sources may have been based on outdated, incomplete, or inaccurate information. These sources may also have conflicts of interest, and their opinions may not be independent or objective. The media's coverage of our Company and the [**REDACTED**] may be influenced by a wide range of factors, including the bias of individual journalists, the preferences of media outlets, and the demand of advertisers.

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

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