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## RISK FACTORS

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*An [REDACTED] in the Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an [REDACTED] in the Shares.*

*The occurrence of any of the following events could materially and adversely affect our business, financial condition and results of operations. If any of these events occurs, the [REDACTED] of the Shares could decline and you may lose all or part of your [REDACTED]. You should seek professional advice from your relevant advisors regarding your prospective [REDACTED] in the context of your particular circumstances.*

### RISKS RELATING TO OUR BUSINESS AND INDUSTRY

**If we fail to continuously develop and innovate our products to meet customers' evolving needs of functionality, performance, reliability, design and security, we may not be able to retain existing customers, attract new customers or increase sales.**

Our business growth relies on our ability to identify and anticipate the needs of our customers and develop products that meet their demands. Our ability to retain existing customers, attract new customers, and increase sales to both new and existing customers will depend on a number of factors. In addition to the effectiveness of our sales and marketing efforts, it also depends, to a large extent, on our ability to provide products that meet our customers' requirements, including more advanced products that address the needs of our customers at competitive prices, the strength of our technology, and our ability to continue improving and enhancing the functionality, performance, reliability, design, security, adaptability and scalability of our products.

The memory product industry in which we operate are characterized by constant changes, including rapid technological evolution, frequent introductions of new products, continual shifts in customer demands and constant emergence of new industry standards and practices. Our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. In addition, we need to develop expertise and adapt our products for different application scenarios and constantly anticipate the emergence of new technologies and assess their market acceptance. We also need to invest significant resources, including financial resources, in research and development to lead technological advances in order to keep our products innovative and competitive in the market.

To the extent we are not able to provide products that meet our customers' requirement, or we are not able to improve and enhance the functionality, performance, reliability, design, security, adaptability and scalability of our products in a manner that responds to our customers' evolving

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needs, our existing customers may not spend more on our products, and we may not be able to attract new customers, under which circumstances our business, financial condition, results of operations, and prospects may be materially and adversely affected.

**The industry in which we operate is highly competitive. If we fail to compete against other market players, our business, results of operations and financial condition may be materially and adversely affected.**

The memory product industry in which we operate is highly competitive. We primarily compete with other companies that focus on developing and commercializing similar products. If we compete with players that offer competitive products at lower prices, or if we do not have or in the future fail to gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond as quickly and effectively to new opportunities, technologies, industry standards, customer demand or regulatory requirements as our competitors.

We may also face competition from new entrants who may offer competitive products at lower prices in the future. Such new entrants may increase industry competition and adversely impact the sales, price, and profit margins of our products and our market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining talents, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such potential competitions, and we cannot assure you that such measures will be effective.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

**New scientific and technological outcomes or trends could make our products uncompetitive and obsolete.**

Our success depends on our ability to develop and integrate our key technologies, including (i) controller chip design and development, (ii) firmware algorithm development, (iii) testing system development and (iv) storage medium characteristic analysis to support our products. To remain competitive, we must maintain and enhance our key technologies to meet the latest downstream market needs, technological advancement and industry standards. The development activities related to our key technologies may involve significant time, risks and uncertainties. For

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example, our R&D team may not be able to coordinate and manage the development projects on schedule. The expenses associated with these investments may affect our margins and operating results and these investments may not generate sufficient revenue to offset related liabilities and expenses.

Technological advancement and new industry standards in the downstream application scenarios of our products may affect the application requirements of our end customers and their products. If we fail to develop new products or refine our technologies to match the different or additional requirements of our end customers, the sale of our products may decrease, and our business, financial condition and results of operations may be adversely affected.

**The markets in which we compete have historically been cyclical and have experienced downturns with declines in average selling prices that have materially adversely affected, and may in the future materially and adversely affect, our business, results of operations and financial condition.**

Historically, the memory product market has experienced cyclical fluctuations, characterized by changes in raw material prices, product demand, and average selling prices. The demand for our products is largely driven by the demand for downstream devices and end applications such as consumer electronics, smart home and smart vehicles industry, edge computing and cloud computing. Sales of our products are dependent on demand in these markets. From time to time, these markets have experienced cyclical downturns, often in connection with, or in anticipation of, declines in general economic conditions, and we may experience substantial period-to-period fluctuations in our operating results due to factors affecting these markets. Changes in end-user demand for our customers’ products could have a material adverse effect on demand for our products, particularly if the customer has accumulated excess inventories of products purchased from us or from competitors selling similar products. Reduced demand for our products could have a material adverse effect on our business, results of operations and financial condition.

Our competitors and customers also impose significant pricing pressures on us. These declines in average selling prices have in the past had, and may again in the future have, a material adverse effect on our business, results of operations and financial condition. Declines in prices also could affect the valuation of our inventory, which could result in inventory write-downs. In addition, our net sales and gross profit may be negatively affected by shifts in our product mix during periods of declining average selling prices.

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In addition, the prices of raw materials for our products, particularly wafer prices, have also experienced cyclical fluctuations. Fluctuations in raw material prices may affect our costs of sales and gross profit margins, potentially having an adverse impact on our business, financial condition, and operating performance. See “— We may be exposed to risks relating to fluctuations of raw material costs.”

**If we fail to manage our growth and expansion effectively, our business, financial condition and results of operations may be materially and adversely affected.**

We recorded revenue of RMB8,780.7 million and RMB8,718.4 million in 2023 and 2024, respectively, and our revenue increased by 14.6% from RMB6,757.9 in the nine months ended September 30, 2024 to RMB7,744.2 million in the nine months ended September 30, 2025. Our gross profit increased significantly from RMB417.2 million in 2023 to RMB1,399.6 million in 2024, and decreased by 36.8% from RMB1,603.8 million in the nine months ended September 30, 2024 to RMB1,014.0 million in the nine months ended September 30, 2025. The success of our business initiatives and strategies depends on various factors, such as economic condition, market condition, competition, regulatory requirements, technological advancement and customer preferences. These factors may be difficult to predict or control. If they do not develop as we expect, our business initiatives and strategies may not be successful in enhancing our business as anticipated.

In addition, the execution of these plans may require significant investment of capital and other resources and management attention, and we may face challenges in implementing them effectively or within the expected time frame. As a result, we may experience delays, cost overruns or other obstacles that may limit our ability to realize the full benefits of these initiatives. If we are unable to successfully execute our business initiatives and strategies, or if the benefits we realize are less than we estimate, our business, financial condition and results of operations may be adversely affected.

Furthermore, we may not be able to continue growing at the same rate as we did during the Track Record Period, or as expected, or at all. Our results of operations depend to a large extent on our ability to execute our growth plan and manage our expansion and growth successfully. The successful growth of our business depends on our ability to:

- produce products that meet customer expectation;
- secure a stable supply of key raw materials at a reasonable cost;
- maintain and expand our sales network;

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- enhance our talent management and recruit additional key personnel; and
- monitor and control expenses and investments in anticipation of expanded operations.

**If we fail to continuously manage the introductions of new products, we may not remain competitive or be able to stimulate customer demand.**

Due to the highly volatile and competitive nature of the industries in which we compete, we must continually introduce new products, services and technologies, improve existing products, effectively stimulate customer demand for new and upgraded products and successfully manage the transition to these new and upgraded products. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product production ramp-up issues, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction. Accordingly, we cannot determine in advance the ultimate effect of new product introductions and transitions.

**We may not be able to obtain or maintain adequate intellectual property rights protection for our products, or the scope of such intellectual property rights protection may not be sufficiently broad.**

Our success depends in a large part on our ability to protect our proprietary technology as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. As of September 30, 2025, we had 347 granted patents in China and overseas, including 264 invention related patents. As of September 30, 2025, we had 74 copyrights and 35 registered trademarks in China and overseas. See “Business — Intellectual Property.” The intellectual property application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary and desirable intellectual property applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our R&D results before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in any or all such fields.

Our applications may not be granted or our intellectual property may be invalidated for multiple reasons, including known or unknown prior deficiencies in the intellectual property application or the lack of novelty of the underlying technology. As such, we cannot assure you that we will be able to discern the scope of the intellectual property protection or obtain adequate intellectual property protection with respect to our products.

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Our intellectual property may not be approved in a form that will provide us with any meaningful protection from competition or with any competitive advantage. For instance, our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China and other jurisdictions. Further, the life of a patent and the protection it affords is limited. For example, in China, invention patents and utility model patents are valid for 20 years and 10 years from the date of application, respectively. If we fail to extend the life of our patents, we may face competition from any approved products once the patent life has expired for the product.

**If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and penalties and may have to redesign or suspend the sales of products involved.**

The industry in which we operate is patent-intensive. Companies, including us, in this industry routinely seek patent protection for their product designs. Some of our competitors have large patent portfolios with broad rights and may claim that our expected commercial use of our products has infringed their patents. Specifically, these competitors may allege that certain features of our products fall within the coverage of their patents. Therefore, our competitors may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of our products.

We may not be able to identify or avoid intellectual property infringement activities, primarily because whether a product infringes a patent involves an analysis of complex legal and factual issues and the conclusion of such analysis is often uncertain. For example:

- We may hire employees who have previously worked for our competitors and cannot assure that such employees will not use their previous employers' proprietary know-how, technology and other proprietary information in their work for us, which could result in litigation against us; and
- Our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claimed trademark rights that have not been revealed through our searches of relevant public records.

Therefore, our efforts to identify and avoid infringement on third parties' intellectual property rights may not always be successful.

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In January 2024, we received a letter from a third party (“**Enterprise X**”), regarding a licensing portfolio of patents which Enterprise X claimed to be standard-essential patents (“**SEPs**”) in relation to certain storage-related standards. Enterprise X expressed its willingness to engage in discussions with us on fair, reasonable and non-discriminatory (“**FRAND**”) terms. We responded to Enterprise X and expressed our willingness to engage in such negotiations. As of the Latest Practicable Date, Enterprise X and we had remained in ongoing negotiations. As advised by our IP legal adviser, we believe that the negotiations with Enterprise X have not and would not have a material impact on us.

Any claims of patent or other intellectual property infringement, regardless of their merit, could be expensive, time-consuming and may divert management attention and internal resources. These claims and the relevant proceedings could divert management attention and result in substantial financial costs. If our competitors or employees succeed in raising their claims, we may be required to suspend our sales efforts of the relevant products, pay substantial damages to third parties, or enter into royalty or licensing agreements which may not be available on terms favorable to us.

**We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.**

Our operations are subject to deterioration in the political and economic relations among countries and sanctions and export controls administered by government authorities in the countries in which we operate, and other geopolitical challenges, including, but not limited to, economic and labor conditions, increased custom duties, tariffs, taxes and other costs and political instability.

### *Sanctions and Export Control*

In particular, the U.S. government imposed economic and trade sanctions directly or indirectly affecting China-based technology companies. It is possible that the extent and scope of such sanctions may escalate. There is no assurance as to how the U.S.-China trade tensions might develop 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 introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact on our industry and the global economy.

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

During the Track Record Period, our products are offered to our downstream customers in China and overseas. However, we cannot assure you that our downstream customers will not engage in the export of their goods incorporating our products into the U.S. or other countries and regions, and that such export will not be subject to the restrictions introduced by the U.S. or other states and political entities. Furthermore, if we export our products to other countries and regions which are or become subject to sanctions or export controls, our business, financial condition and results of operations may be materially and adversely affected.

Furthermore, we have no control over the countries to which the downstream customers will sell or export their end products. If the export sales of the downstream customers’ end products are restricted, prohibited or made subject to any trade conditions under any international policies or international export controls or economic sanctions imposed by any jurisdictions, the downstream customers’ demand for our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

### *Tariffs*

In early 2025, the United States government announced a series of tariff increases on imports from China, which increased to up to 145% for some imports from China. In November 2025, the U.S. suspended certain tariffs on Chinese imports. As of the Latest Practicable Date, it remained uncertain how the Sino-U.S. and the global trade tension will develop. We do not sell any products to the United States and generate no revenue originating from the U.S. market. However, tariff policies make it difficult for us to predict the magnitude and impact of any future changes in the

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relations between the U.S. and China or new laws or regulations adopted by the U.S. and other countries on our business, and we cannot assure you that our sales in the future will remain unaffected.

### *Final Rule*

On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the “**Final Rule**”) to implement an outbound investment program that restricts investments by U.S. persons and U.S.-controlled entities imposed by Executive Order 14105, “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern”. The Final Rule has become effective on January 2, 2025. The Final Rule targets investments by U.S. persons involving persons and entities associated with “countries of concern,” currently including China, that engaged in activities in certain sectors such as semiconductors and microelectronics, quantum information technologies or artificial intelligence (which the Final Rule defines as “**covered activities**”). The persons and entities from countries of concern engaged in covered activities defined as “**covered foreign persons**”. The Final Rule imposes prohibition or notification requirements on a wide range of investments by U.S. persons subject to the Final Rule, which are defined as “**covered transactions**”, include acquisitions of equity interests (including purchases of shares in an initial public offering or contingent equity), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. See “Regulatory Overview — Final Rule by the U.S. Department of the Treasury” for details of the Final Rule.

We believe that we are deemed to be a covered foreign person engaged in one of the “covered activities” (each as defined in the Final Rule) as we design integrated circuits as described in the definition of “notifiable transactions” in 31 C.F.R. §850.217. We are not directly or indirectly engaged in any “covered activities” as described in the definition of “prohibited transactions” (each as defined in the Final Rule) as we do not design, fabricate or package any integrated circuit described in 31 C.F.R. §850.224(c), (d) or (e) and activities described in the other sections of 31 C.F.R. §850.224.

However, the Final Rule nonetheless may increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital. Even though U.S. persons’ investment of certain publicly traded securities (such as [REDACTED] our H Share in the open market) falls under an exception in the Final Rule, the U.S. laws and regulations could still limit our ability to raise capital or contingent equity capital from U.S. investors after this [REDACTED] given that the relevant laws, regulations and policies continue to evolve.

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**If we are unable to retain our senior management team, key employees, and qualified staff, or attract and compete for talent, our business, financial condition, and results of operations could be adversely affected.**

Our continued success depends and will continue to depend to a significant extent on our efforts and abilities to retain the key members of our management team to make sure each of them is and will continue to be actively engaged in our management and our strategic planning. Our future performance will also depend on their continuing services contributions to formulate and execute our business plan and to identify and pursue new opportunities. The loss of services of any of these individuals or the ineffective management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, results of operations and prospects.

Our long-term development also depends on our ability to attract and retain a large number of qualified staff, especially those engaged in technical research and development. To compete for and retain talent, we may have to offer higher remuneration, more comprehensive training systems, more attractive career development opportunities and benefits, which may lead to a substantial increase in labor costs. In addition, we cannot guarantee to constantly attract, develop and retain qualified personnel to support our future development. Meanwhile, labor disputes between us and our employees, as well as relevant labor-related regulatory or legal proceedings, may divert management and financial resources, negatively affect employee morale, reduce production efficiency or harm our reputation and recruitment capabilities. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

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

We invest in R&D activities to develop and introduce new and enhanced products. In 2023, 2024, and the nine months ended September 30, 2025, our R&D expenses were RMB282.6 million, RMB392.2 million and RMB354.9 million, respectively, accounting for 3.2%, 4.5% and 4.5% of our total revenue for the respective periods. The industry in which we operate is subject to rapid technological innovations. To expand our product portfolio and to remain competitive in the industry, we need to continue investing resources in R&D activities. As a result, we may continue to incur significant R&D expenses in the future.

However, we cannot guarantee that our efforts will be successful or deliver the effects, functions or benefits we expect. R&D activities are inherently uncertain. We may not be able to obtain sufficient resources, including qualified R&D personnel and R&D equipment to support the

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R&D of new or enhanced products. We may still encounter practical difficulties in commercializing our R&D outcomes. R&D activities are time-consuming and by the time our products are due for commercialization, new technologies could render our products obsolete, in which case we may not be able to recover related R&D expenses, which could result in a decline in our revenue, profitability and market share.

Our R&D efforts may not contribute to our future results of operations within our expected timeframe, or at all. The success and profitability of our new products are subject to various factors such as market demand, macroeconomic conditions or the pace of technological advancement, which are beyond our control. Therefore, the contributions from our R&D efforts may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

**We may not be able to fully avoid risks associated with quality control over our products.**

The quality of our products depends on the effectiveness of our quality control and quality assurance protocol, which in turn depend on factors such as the quality of related training programs and our ability to ensure that our employees adhere to our quality control and quality assurance protocol. However, our quality control and quality assurance protocol may not be effective in preventing and resolving deviations from our quality standards. Any failure to execute our quality control and quality assurance protocol could render our products unsuitable for use within their service life or defective, which may adversely impact our market reputation and relationship with business partners.

Our supplier management system may not fully mitigate the risks associated with the quality of products or services provided by our suppliers. We cannot assure you that the products manufactured by our suppliers are safe and free of defects or can meet the relevant quality standards. In the event of any quality issues, we could be subject to indemnity and product liability claims and we may not be able to seek indemnification from our suppliers. See “— Our products may be subject to indemnity and product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial condition, results of operations and prospects.” If we engage in legal proceedings against our suppliers, such proceedings may be time-consuming and costly regardless of the outcome. Any such issues may materially and adversely affect our business, financial condition and results of operations.

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### **We rely on a limited number of suppliers for raw materials and the manufacture of our products.**

We rely on a limited number of suppliers for raw materials and the manufacture of our products. In 2023, 2024 and the nine months ended September 30, 2025, the aggregate purchases from our five largest suppliers in each period were RMB3,808.5 million, RMB4,182.5 million and RMB4,068.4 million, respectively, accounting for 43.5%, 49.4% and 51.5% of our total purchases in the same periods, respectively. For details, see “Business — Our Suppliers — Our Major Suppliers.” We may not be able to maintain our business relationships with our suppliers due to factors such as geopolitical and trade tensions, unsatisfactory quality or significant increase in the prices of the raw materials and services related to the manufacture of our products.

Our cooperation may be terminated by the raw material suppliers for reasons beyond our control. If that happens, we may need to secure alternative sources for the raw materials. Accordingly, if any of our suppliers, especially any of the five largest suppliers, fails to provide raw materials in a timely and satisfactory manner, or terminates their relationship with us during the Track Record Period, and if we are unable to secure alternative sources on a timely basis, our business and results of operations may be adversely affected.

In addition, certain of our suppliers may be subject to various regulations and may be required to obtain and maintain various qualifications, government licenses and approvals in the jurisdictions in which they operate. Their ability to provide sufficient raw materials could be adversely affected by natural disasters, including earthquakes, drought and typhoons, in locations where they operate, disruptions at manufacturing facilities, international trade policies, and geopolitics and trade protection measures, including imposition of trade restrictions and sanctions. See “— We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.” If any of these suppliers loses its qualification eligibility because of its failure to comply with regulatory requirements, recover from natural disasters and operational disruptions, or if any of these suppliers is subject to trade protection measures, we may not be able to find alternative suppliers in a timely manner or at all.

### **We may be exposed to risks relating to fluctuations of raw material costs.**

Our raw material costs represent a substantial portion of our total cost of goods sold. In 2023, 2024, and the nine months ended September 30, 2025, raw material costs accounted for 90.3%, 88.9% and 85.0% of our cost of sales for the respective periods. We may be subject to fluctuations in the prices of raw materials, as well as in transportation and other necessary supplies or services,

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due to factors beyond our control, such as fluctuations in foreign currency exchange rates, changes in the geopolitical environment and economic conditions, natural disasters or changes in the supply and demand for raw materials, transportation and other necessary supplies or services.

For example, the price of wafers, the main raw materials we procure, fluctuated in recent years. We cannot assure you that the price of our raw materials will not increase significantly in the future. If that occurs, we may not be able to offset the price increases of raw material by raising the prices of our products, in which case our profit margin will decrease. On the other hand, if the prices of our products increase significantly, we may lose our competitive advantage in the market. This in turn could result in loss of sales and customers. In both cases, our business, financial condition and results of operations may be materially and adversely affected.

**We may become involved in lawsuits to protect or enforce our intellectual property and our patent rights could be found invalid or unenforceable if being challenged in court or before any related intellectual property agency in any jurisdiction.**

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, litigation may be necessary to enforce or defend our intellectual property rights, to protect our trade secrets or to determine the validity and scope of our own intellectual property rights or the proprietary rights of others. This can be expensive and time-consuming, and may divert our management attention and focus on business development. Any claims that we assert against perceived infringers could also result in these parties asserting counterclaims against us alleging that we infringe their intellectual property rights. Many of our current and potential competitors could dedicate substantially greater resources to enforce and/or defend their intellectual property rights than we do. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may be issued in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly.

Furthermore, depending on the scope of discovery required in connection with intellectual property litigation, some of our confidential information could be compromised by disclosure. Defendant counterclaims alleging invalidity or unenforceability are common, and can be asserted on numerous grounds. Third parties may also raise similar claims before the relevant administrative bodies in China or other jurisdictions. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our products or the respective candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable.

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### **We depend on third-party service providers to manufacture our products.**

The manufacturing process of memory products mainly include (i) wafer processing, (ii) assembly and testing and (iii) SMT and testing. We outsource these processes to service providers. See “Business — Our Suppliers — Service Providers.” We cannot assure that our service providers will not increase their service prices, deliver defective products, experience delays or shortages in product delivery, or cease operations due to factors such as, natural disasters, including earthquakes, drought and typhoons, in locations where our service providers operate, disruptions at manufacturing facilities, international trade policies, and geopolitics and trade protection measures, including imposition of trade restrictions and sanctions. See “— We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.” Given the complex and proprietary nature of our products, any disruption at the facilities of our service providers could significantly impact our operations. Transitioning to alternative service providers would require a substantial amount of time and resources, which could adversely affect our results of operations.

Moreover, increased regulation or stakeholder expectations regarding responsible business practices could increase our compliance costs. Any failure by our service providers to comply with such regulations or meet such expectations could result in negative publicity that adversely affects our reputation. Given that we do not directly control the procurement or employment practices of our service providers, we could be subject to financial or reputational risks as a result of their conducts. To the extent we are unable to manage these risks, our ability to timely supply competitive products may be hindered, our costs may increase, and our business, financial condition and results of operations may be adversely affected.

### **If we fail to acquire new customers or retain existing customers, our business, financial condition and results of operations may be materially and adversely affected.**

At the core of our growth strategy is our commitment to reinforcing relationships with existing, large-scale global customers while continuously broadening our customer base by bringing in new leading enterprise across different industries for our products and enhancing our recognition. We have invested in sales and marketing to acquire and retain customers since our inception. There is no guarantee that customers will stick with us or that the net profits from customers will cover the expenses of acquiring them.

In 2023, 2024 and the nine months ended September 30, 2025, revenue generated from our five largest customers accounted for 59.4%, 65.7% and 50.0% of our total revenue, respectively. In 2023, 2024 and the nine months ended September 30, 2025, revenue generated from our largest customers accounted for 20.9%, 33.4% and 19.2% of our total revenue, respectively. For details,

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see “Business — Our Customers.” Any significant reduction in sales to our top customers could have a significant negative impact on our business, financial condition and operating results. Furthermore, changes in forecasts or the timing of orders from our top customers, which may be outside of our control, could cause our operating results to fluctuate. Our existing customers may decline materially or their demand may fluctuate as a result of many factors, including dissatisfaction with the performance, quality or price of our products, negative publicity, or alternative products offered by our competitors. If we are unable to retain our existing customers or to acquire new customers in a cost-effective manner, our business, financial condition and results of operations may be adversely affected.

**Our distributors may have performance that does not meet expectations, which is beyond our control and their improper conduct or any changes in their business relationships with us may adversely affect our business, financial condition and results of operations.**

In 2023, 2024, and the nine months ended September 30, 2025, approximately 42.2%, 26.5% and 35.3% of our revenue was generated from our distributors, respectively. As of December 31, 2023 and 2024, and September 30, 2025, we had 102, 106 and 85 distributors, respectively. See “Business — Sales and Marketing.”

We have limited control over the operations and actions of our distributors. We cannot guarantee that we will be able to effectively manage our distributors, or that our distributors would not breach our agreements and policies. We cannot assure you that our distributors will be successful in marketing, selling and supporting our products. Furthermore, we cannot assure you that our distributors will always be compliant with relevant laws, regulations or our distributorship agreements. If our distributors breach the distribution agreements, fail to maintain the requisite licenses, permits or approvals or comply with applicable regulatory requirements when selling our products, improperly use our brands, products or intellectual property rights, it could damage our reputation, undermine customers’ confidence in us and reduce their long-term demands for our products.

Our distributors may also subject us to lawsuits, potential liability and reputational harm if they misrepresent the functionality of our products and services to customers or violate laws or our corporate policies. In addition, it cannot be certain that we will retain our existing distributors or that we will be able to secure additional products or substitutes for them. Our distributors may also devote more resources to the marketing, sales and support of competitive products and services. All these could adversely affect our business, financial condition and results of operations.

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## RISK FACTORS

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**Our products may be subject to indemnity and product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial condition, results of operations and prospects.**

Our products are complex and may contain defects that affect their quality or performance. Any compromise in product quality, whether due to manufacturing defects, supply chain issues, or inadequate quality control measures, could result in product returns or recalls and significantly impact our image, customer loyalty and market position.

Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our R&D and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems that cannot be resolved, we may lose existing customers and fail to attract potential customers. Furthermore, our reputation could be adversely impacted in the event of a significant product defect. Any issue with one of our products could negatively affect the demand for other products of ours or our reputation as a whole, which could have an adverse impact on our business, results of operations and financial condition.

In addition, certain product liability claims may be the result of defects from raw material provided by our raw material suppliers or through the manufacturing process of our service providers. Attempting to enforce our rights against such suppliers may be expensive, time-consuming and ultimately futile. Such suppliers may not be able to indemnify us for the losses resulting from such defects and product liability claims in full or at all. Further, our insurance coverage might be insufficient to fully cover all damages sought and the claiming process might be prolonged. As a result, any material product liability claim or litigation could result in expenses and managerial efforts in defending them and could have a negative impact on our reputation.

**Product recall costs and significant return or exchange could adversely affect our business and financial performance.**

We cannot assure you that we will not encounter material product recall, cancellation of orders or become subject to warranty claims due to product defects. If this happens, our business, financial condition and results of operations may be adversely affected. Furthermore, our reputation could be adversely impacted in the event of a material product recall. For example, if we recall one type of our products, such action could negatively affect the demand for other products of ours or our reputation as a whole, which could have an adverse impact on our business, financial condition and results of our operations.

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## RISK FACTORS

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### **We may not be able to protect our trade secrets.**

We rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and thus maintain our competitive position. However, we cannot guarantee you that an employee or a third party will not intentionally or inadvertently make an unauthorized use or disclose our proprietary confidential information. If a competitor gains access to and makes use of such information, our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Furthermore, enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Potential litigation could result in substantial financial and human resource costs.

### **We have recorded net operation cash outflow in the past, and our liquidity, financial condition and prospects may be adversely affected if we continue to record net operation cash outflow in the future.**

For the years ended December 31, 2023 and 2024 and the nine months ended September 30, 2025, we had net cash outflow used in operating activities of RMB1,048.2 million, RMB1,122.0 million and RMB38.8 million, respectively. For details, see “Financial Information — Liquidity and Capital Resources — Cash Flow Analysis” in this document. There is no assurance that we will not experience net cash outflows from our operating activities in the future. 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 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 the financing on terms acceptable to us, or at all.

### **We are subject to credit risk due to delay in payment and defaults of customers.**

We are exposed to credit risks related to delays and defaults of our trade, bills and other receivables due from our customers or related parties in the ordinary course of our business. We typically grant credit terms up to four months to our customers. As of December 31, 2023 and 2024, and September 30, 2025 our trade receivables were RMB1,704.9 million, RMB2,017.1

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million and RMB2,054.3 million, respectively. In 2023, 2024 and the nine months ended September 30, 2025, our average trade receivables turnover days were 43 days, 78 days and 72 days, respectively. Fluctuations and extension of trade and bills receivables turnover may adversely affect our cash flow and liquidity. See “Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Trade Receivables” for details. We make periodic collective and individual assessment on the recoverability of trade and other receivables based on historical settlement records and past experience as well as current external information, and may provide for impairment when there is no reasonable expectation of recovery. If the credit-worthiness of our customers deteriorates or if our customers fail to settle their trade and bills receivables for any reason, we may incur additional impairment loss. We may not be able to recover our trade receivables in a timely manner, or at all. As a result, our financial condition and results of operations may be adversely affected

**Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.**

We may make acquisitions of, or investments in, businesses or technologies that are complementary to our business in the future. The process of identifying and consummating acquisitions, investments, and the subsequent integration of new assets and businesses into our existing business, requires attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our operations. Investments, acquired assets or businesses may not generate the expected financial results, strengthen our competitive position or achieve our goals and business strategy. Acquisitions or investments could require significant cash and result in dilutive issuances of equity securities, goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business or investment. For detailed information on our impairment of goodwill, see Note 16 to the Accountants’ Report in Appendix I to this document. We may also incur costs and management time on transactions that are ultimately not completed.

In addition, our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product, technology or investment, including issues related to intellectual property, product quality or product architecture, regulatory compliance practices, revenue recognition or other accounting practices or issues with employees or customers. Additionally, we may be subject to litigation or other claims in connection with the acquired company, including claims from terminated employees, former shareholders or other third parties, which may differ from or be more significant than the risks its business faces. We may

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also face retention or cultural challenges associated with integrating employees from the acquired company into our organization. If we fail to identify, consummate, and integrate our acquisitions or investments, our business, financial condition and results of operations may be adversely affected.

**Failure to obtain or maintain any of the preferential tax treatments or government subsidies could adversely affect our business, results of operations and financial condition.**

We cannot assure you that the policies on preferential tax treatment will not change or that any preferential tax treatment we enjoy or are entitled to enjoy will not be terminated. According to the applicable PRC tax regulations, the statutory corporate income tax rate in the PRC is 25%. We and certain of our subsidiaries enjoy a preferential income tax treatment during the Track Record Period. For details, see Note 11 to the Accountants’ Report in Appendix I to this document. If we are ineligible to enjoy any of the preferential tax treatments or if the calculation of our tax liability is successfully challenged by PRC tax authorities, our business, results of operations and financial condition could be adversely affected.

In addition, during the Track Record Period, we benefited from government grants. Some of such government grants are non-recurring in nature. We recorded government grants under other income and gains of RMB25.3 million, RMB14.3 million and RMB14.9 million in 2023, 2024, and the nine months ended September 30, 2025, respectively. For details, see Note 6 to the Accountants’ Report in Appendix I to this document. Any discontinuation, reduction or delay of any government subsidies would have an adverse impact on our business, financial condition and results of operations.

**We may be subject to inventory obsolescence risk.**

Our inventories primarily consist of raw materials, finished goods, goods shipped in transit, contract performance cost and materials consigned for processing. As of December 31, 2023 and 2024, and September 30, 2025, we had inventories of RMB2,548.2 million, RMB3,949.8 million and RMB5,147.5 million, respectively. Failure to adequately manage inventory risks may lead to inventory obsolescence, decline in inventory value or inventory write-offs. In 2023, 2024 and the nine months ended September 30, 2025, our average inventory turnover days were 101 days, 162 days and 185 days, respectively. Any fluctuation and extension of inventory turnover may adversely affect our cash flow and liquidity. See “Financial Information — Selected Balance Sheet Items — Current Assets/Liabilities — Inventories” for details.

In addition, we manage our inventory levels based on market forecast and a first-in, first-out policy and maintain a safety stock level. It may be difficult to accurately forecast demand and determine the appropriate levels of inventory we should maintain. Any change in customer demand

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for our products or the occurrences of catastrophic events may have an adverse impact on our product sales and business prospects. If the actual demand is lower than our forecast demand, we may be subject to overstock, resale of the inventories at less favorable terms, or even write-downs of inventories. If we are required to lower sale prices to increase the demand for our product sales to reduce inventory level, our profit margins might be adversely affected. If the actual demand is higher than our forecast demand, we may not be able to fulfill all the orders we receive to maximize our revenue. As a result, the market share of our products may be adversely affected. Any of the above may adversely affect our business, financial condition and results of operations.

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

Under the applicable laws and regulations in the jurisdictions in which we operate, arrangements and transactions among related parties may be subject to audit or challenge by the relevant tax authorities. We could face material and adverse tax consequences if the relevant tax authorities determine that the certain intra-group transactions of us do not represent arm’s length negotiations and consequently adjust any of those entities’ income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operations may therefore be materially and adversely affected.

**We face risks relating to third-party payments.**

During the Track Record Period, certain of our customers settled payments with us through third-party payors (the “**Third-Party Payment Arrangement(s)**”). The aggregate third-party payment amount was RMB8.3 million, RMB7.4 million and RMB3.4 million in 2023, 2024 and the nine months ended September 30, 2025, respectively, representing less than 0.1% of our total revenue during the Track Record Period. As of the Latest Practicable Date, we had terminated all Third-party Payment Arrangements.

We may be subject to risks relating to such Third-Party Payment Arrangements, including possible claims from third-party payors for return of funds, as they were not contractually indebted to us, and possible claims from liquidators of third-party payors. In the event that any such claims or legal proceedings were initiated against us in respect of third-party payments, we may need to allocate significant financial and managerial resources to defend against them, which could materially and adversely affect our financial condition and results of operations.

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**Any failure to comply with the PRC regulations regarding mandatory social insurance may subject us to fines and other legal or administrative sanctions.**

According to the Social Insurance Law (中華人民共和國社會保險法), the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例) and other applicable PRC regulations, any employer operating in China must contribute social insurance premium and housing provident funds for its employees. Any failure to make timely and adequate contribution of social insurance premium or housing provident funds for its employees may trigger an order of correction from the competent authority requiring the employer to make up the full contribution of such overdue social insurance premium or housing provident funds within a specified period of time, and the competent authority may further impose fines or penalties. During the Track Record Period, we have made contribution of social insurance premium and housing provident funds for employees. As of the Latest Practicable Date, we have not received any order of correction or any fines or penalties from the competent authority. However, we cannot assure you that we may not involve in any issues relating to the social insurance in the future.

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

We have established share incentive plans to grant shares to selected participants. The fair value of shares granted to participants under the share incentive plan is recognized as an expense over the vesting period, being the period over which all of the vesting conditions are satisfied. The fair value is determined based on the market price of our shares at the respective grant date. We have also established share option schemes to grant options to our employees for the purpose of attracting and retaining talents. All share options will be settled in equity. See Note 36 to Accountants’ Report in Appendix I to this document.

We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. As a result, our financial performance and ownership interests of our Shareholders may be affected by the share-based compensation as the expenses associated with share-based compensation will decrease our net profit and the establishment of a new share incentive plan may potentially dilute the ownership interests of our Shareholders. On the other hand, if we reduce the amount of shares or other share-based compensation awards, we may not be able to attract or retain key personnel by offering them incentives linked to the value of our Shares

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**If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.**

As of December 31, 2023 and 2024, and September 30, 2025, our intangible assets were RMB462.2 million, RMB372.5 million and RMB323.6 million, respectively, which primarily consist of software, patent and IP licenses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortized on straight-line basis over their estimated useful lives. The amortization period and the amortization method for intangible assets with a finite useful life are reviewed at the end of each reporting period. See Note 17 to the Accountants’ Report in Appendix I to this document. If we determine our intangible assets to be impaired, our results of operations and financial condition may be adversely affected.

**The recoverability of our deferred tax assets is subject to accounting uncertainties.**

According to our accounting policies, our management is required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are based on historical experience and other relevant factors. Therefore, actual results may differ from these accounting estimates. As of December 31, 2023 and 2024, and September 30, 2025, we recorded deferred tax assets of RMB179.2 million, RMB154.4 million and RMB117.7 million, respectively.

Based on our accounting policies, deferred tax assets are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the historical financial information. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition, other than in a business combination, of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill. The realization of deferred tax assets mainly depends on our management’s judgment as to whether future taxable amounts will be available to utilize those temporary differences and losses. If sufficient profits or taxable temporary differences are not expected to be generated or are less than expected, a material reversal of deferred income tax assets may arise in future period.

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## RISK FACTORS

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

We face various operational risks in connection with our operations, including but not limited to, operation errors, power outages, equipment failure, cargo transportation, legal proceedings, limitations imposed by environmental or other regulatory requirement, and environmental or industrial accidents and catastrophic events. These risks can result in damage to our assets, personal injury or fatalities, monetary losses and legal liability. In addition, we may face risk of exposure to claims when our products malfunction, resulting in property damage and personal injury. Product liability claims against us could require us to pay substantial monetary compensation. Any of these events may result in the interruption of our operations and subject us to significant loss or liabilities.

We may not have adequate or any insurance to cover such operational risks and risks relating to product liability claims. We cannot assure you that our insurance will be adequate to cover the abovementioned material accidents. If we are held liable for amounts and claims exceeding the limits of our insurance coverage or outside the scope of our insurance coverage, our business, financial condition and results of operations may be materially and adversely affected. Additionally, the insurance provider may not be able to make the compensation payment to us in a timely manner.

**We may not be able to obtain additional capital when desired, on favorable terms or at all.**

We may need to raise additional capital in the future to further expand our business and sustain our growth. We may raise additional funds through the issuance of equity or debt related securities, or through obtaining credit from financial institutions. Our ability to obtain additional capital is impacted by factors including, but not limited to, our market position, future profitability, financial position, and the general macroeconomic condition in China. We may not be able to raise additional funds on favorable terms, or at all. If additional funds cannot be obtained when needed and on favorable terms, our business, financial condition and results of operations may be adversely affected. Fundraising through the issuance of debt securities or through loan arrangements may contain terms that require significant interest payments, covenants that restrict our business, or other terms unfavorable to us. In addition, to the extent we raise funds through the sale of additional equity securities, our shares will experience additional dilution.

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## RISK FACTORS

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

We rely on information technology systems to conduct and monitor our daily operations, such as internal communication, customer data management, product development and project management. In addition, we store various proprietary information and customer data in these systems. See "Business — Information Technology System" for details. Therefore, our business is dependent upon the continued maintenance and enhancement of our information technology systems.

These information technology systems are subject to certain risks, such as malfunction, natural disasters and malware attacks. Our cybersecurity measures may not timely detect or prevent all attempts to compromise our systems, including distributed denial-of-service attacks, viruses, malicious software, break-ins, phishing attacks, social engineering, security breaches or other attacks that may disrupt the operation of the information technology systems. Any breach of our cybersecurity measure, or malfunction, damages, disruptions or shut down of our information technology systems may result in unauthorized access to our systems, misappropriation of information or data, deletion or modification of customer information, or a denial-of-service or other interruption to our business operations. In cases of malware attacks, we may also be asked to make a lump-sum payment in order to resume the operation of our systems. There is no assurance that we will not be subject to any of these cyber security issues in the future. If we cannot effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be adversely affected.

Furthermore, we need to constantly upgrade and improve our information technology systems to keep up with the continuous growth of our operations and business. We may not always be successful in installing, running or implementing new software or advanced information technology systems as required by our business development. All of the above may have an adverse impact on our business, financial condition and results of operations.

**Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, direct customers and distributors or other third parties may materially and adversely affect our business.**

We may be exposed to unethical or unlawful behaviors by our employees, consultants, agents, suppliers, which include our raw materials suppliers, service providers, or any other third parties. Such misconducts may include non-compliance with applicable laws and regulations pertinent to mishandling of funds or unlawful kickbacks during our procurement of raw materials or selection of suppliers. We also have little control over third parties involved in unlawful, unethical or anticompetitive conducts targeted at or in connection with our logistics network, operations and

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other activities, such as non-compliance with laws, or third-party sabotage or allegations intended to harm us. We may incur substantial monetary losses, suffer reputational damage, be subject to administrative penalties and fines, have our licenses and permits revoked, or even be ordered by regulatory authorities to suspend our operations due to misconduct. We may also be required by regulatory authorities in the relevant jurisdictions to allocate significant resources and incur additional costs to prevent or screen any unlawful, unethical or anticompetitive conducts by our employees or third parties

In May 2024, we exported integrated circuits provided by our supplier (“**Relevant Supplier**”) from Shenzhen Pingshan Comprehensive Bonded Zone (深圳坪山綜合保稅區) to overseas area. In the customs inspection process, the Chinese customs determined that the integrated circuits infringed upon the trademark rights of a third-party entity. Consequently, the Chinese customs imposed a penalty of approximately RMB120.0 thousand on us for the export of these goods and confiscated the relevant integrated circuits, which were valued at approximately RMB2.0 million. We had no subjective intent or negligence for the trademark infringement of the involved goods. The direct cause of this infringement incident was that the Relevant Supplier failed to truthfully inform us of the intellectual property defects of the products. This incident had no material adverse impact on us, primarily because: (i) as advised by our PRC Legal Advisor, the penalty imposed by the customs does not constitute a material penalty and the incident does not constitute a material in-compliance with the applicable PRC laws and regulations; and (ii) we have been fully indemnified by the Relevant Supplier for both the penalty we paid and the value of the confiscated integrated circuits, given that the integrated circuits were provided by our suppliers, and we had no prior knowledge of the trade mark infringement. We terminated our cooperation with the Relevant Supplier as of the Latest Practicable Date.

### **Our risk management and internal control systems may not be adequate or effective.**

We have designed and implemented risk management and internal control systems in relation to our business operations, financial reporting and general compliance which we believe are appropriate for our business operations. See “Business — Internal Control and Risk Management” for details. We cannot assure you that these systems are sufficiently effective in ensuring accurate report of our financial results and prevention of fraud. Since our risk management and internal control systems depend on the implementation by our employees, we cannot assure you that our employees or other related third parties are sufficiently or fully trained to implement these systems, or that their implementation will be free from human error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected

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**We may be involved in legal proceedings, commercial or contractual disputes and administrative penalty, which could materially and adversely affect our reputation, business, financial condition and results of operations.**

We may be subject to claims, litigation, disputes and administrative penalty, various legal and administrative proceedings, and any resulting damages. In addition, agreements we entered into may include indemnification provisions which may subject us to costs and damages in the event of a claim against an indemnified third party. Regardless of the merit of particular claims, legal and administrative proceedings may be costly and time consuming and may divert our management attention.

We may be affected by legal or administrative proceedings, claims and penalty in the future. If one or more legal or administrative matters were resolved against us or an indemnified third party, we may incur additional expenses to cover compensatory or punitive monetary damages, disgorge any relevant profits, establish remedial measures or comply with injunctions or specific performance. As a result, our business, financial condition and results of operations may be materially and adversely affected.

In addition, as we develop and expand our business scope and engage in different business activities, we may be required to comply with additional licenses, approvals, and other regulations. We may fail to meet these requirements in a timely manner or at all, in which case we may be subject to administrative penalties, and our ability to expand our business and sustain growth could be adversely affected.

**Our business growth and results of operations may be adversely affected by changes in natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.**

Our business could be adversely affected by natural disasters and outbreaks of infectious diseases. In any of the markets in which we operate, natural disasters, outbreaks of infectious diseases and other adverse public health events may materially disrupt our business operations, for example by damaging our technology infrastructure or information technology systems or affecting the productivity of our employees. Any such disruptions may in turn adversely affect our financial condition and results of operations.

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## RISK FACTORS

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### **RISKS RELATING TO CONDUCTING BUSINESS IN JURISDICTIONS WHERE WE OPERATE**

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

Our operations are subject to a number of market, business and financial risks and uncertainties, including those related to geopolitical and economic instability, foreign currency exchange and interest rate fluctuations, competitive product offerings, local product preferences and requirements. Such risks and uncertainties may adversely impact our ability to implement our growth strategy in these jurisdictions. Additionally, if we fail to comply with the changing government policies, laws and regulations, or industry practice guidelines in the jurisdictions where we operate, our business, financial condition and results of operations could be materially and adversely affected.

In addition, factors such as consumer, corporate and government spending, business investment, volatility of the capital markets and inflation all affect the business and economic environment, the growth of the memory product industry and ultimately, the profitability of our business. Any future catastrophes, such as natural disasters or outbreak of contagious diseases, may cause a decrease in the level of economic activities in the respective jurisdictions where we operate. As a result, our business, financial condition, results of operations and prospects may be adversely affected.

**Our business is primarily based in China and failure to comply with any policy changes in China affecting the industry and the end markets of our products could materially and adversely affect our business.**

Our failure to navigate any changes in the regulatory requirements concerning the memory product industry may affect our business, financial condition, results of operations and prospects.

For example, the PRC government has promulgated, amended and updated legislation in relation to data security, safety standards, environmental impact, consumer protection, social insurance and housing provident fund. Navigating this changing regulatory environment may require significant adjustments to our products to meet new standards, lead to increased compliance costs, or result in operational delays. Additionally, any failure to comply with these regulations could expose us to legal penalties and reputational damage and hinder our ability to

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operate or expand within the Chinese market. To comply with the changes in regulations may add a layer of complexity to our strategic planning and affect our business operations, financial condition, and overall growth prospects.

**Our failure to keep up with any development in the legal system of certain geographic markets in which we operate could materially and adversely affect us. The legal systems in these geographic markets vary significantly from one jurisdiction to another.**

We conduct business in multiple geographic markets that adopt different legal systems. These jurisdictions in which we operate adopt either the civil law system or the common law system. In the civil law system, prior court decisions may be cited for reference and may have limited precedential value. Certain of the laws and regulations in the jurisdictions in which we operate are relatively new. Therefore, you may need to assess the level of legal protection we have in many of the geographic markets in which we operate. Any failure to comply with these laws and regulations may result in substantial costs and the diversion of resources and management attention, thereby adversely affecting our business, financial condition and results of operations.

**Any failure by us or our business partners to comply with applicable anti-money laundering, anti-terrorism, anti-bribery and similar laws could lead to significant penalties and damages to our reputations, adversely affecting our operating performance, financial condition and results of operations.**

Any failure by us or our business partners who work with us to comply with applicable anti-money laundering ("AML"), anti-terrorism, anti-bribery laws and regulations could lead to significant penalties and damage to our reputation. We and our business partners who work with us are often required to comply with certain AML requirements set out by regulators in the jurisdictions where we and our business partners operate. We are also subject to various AML, anti-terrorism, anti-bribery, export controls and economic and trade sanctions laws and regulations that prohibit, among other things, any involvement in transferring the proceeds of criminal activities and the import and export of controlled products and technologies. To comply effectively with such laws and regulations, we and our business partners must establish sound internal control policies and procedures with respect to AML, anti-terrorism, anti-bribery, export controls, economic and trade sanctions, which can require significant resources and expenditures.

The policies and procedures we and our business partners have adopted may not be effectively implemented in protecting our products from being exploited for money laundering, terrorist financing, bribery and corruption, terrorism, economic and trade sanctions and other illegal purposes. If we fail to comply with AML, anti-terrorism, anti-bribery, export controls and economic and trade sanction laws and regulations, we could be subject to fines, enforcement actions, regulatory sanctions, additional compliance requirements, increased regulatory scrutiny of

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our business, or other penalties levied by government authorities, and damages to our reputation, all of which may adversely affect our business, results of operations and financial condition. Similarly, if any of our subsidiaries, employees, business partners or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

**Any failure to comply with regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your [REDACTED].**

Conversion of RMB into foreign currency and remittance of foreign currency out of the PRC under certain circumstances are subject to Chinese foreign exchange regulations. If there are unfavorable changes in exchange rates, or if PRC government implements regulatory policies that limit our ability to convert RMB into foreign currency, we may not have sufficient foreign exchange to meet our foreign exchange needs. Under current PRC foreign exchange regulations, certain current account transactions such as profit distributions, interest payments and trade-related expenses can be conducted in foreign currency without prior approval from the SAFE, as long as certain procedural requirements are met. However, capital account transactions such as capital transfers, direct investments, securities investments and repayment of borrowings are subject to foreign exchange policies and require prior approval from the SAFE or registration with the SAFE or authorized banks. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation. If we fail to obtain approvals from the SAFE to convert RMB into any foreign exchange for any of the above purposes, our potential offshore capital expenditure plans and even our business may be materially and adversely affected.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

Fluctuations in exchange rates between Renminbi, US dollar and other currencies are unpredictable and may be affected by a number of factors, such as economic and political developments. There can be no assurance that Renminbi will not appreciate or depreciate significantly in value against the US dollar in the future. It is difficult to predict how market forces may impact the exchange rates between Renminbi and foreign currencies in the future.

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Revaluation of Renminbi may have an adverse effect on your [REDACTED]. For example, to the extent that we need to convert Hong Kong dollars we receive from this [REDACTED] into Renminbi for our operations, appreciation of Renminbi against Hong Kong dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for any dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us. As a result, fluctuations in exchange rates may have an adverse effect on your [REDACTED] in our Shares.

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

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. According to the Notice of the Ministry of Finance and the State Administration of Taxation on Several Policy Issues Concerning Individual Income Tax (《財政部國家稅務總局關於個人所得稅若干政策問題的通知》) issued on May 13, 1994, foreign individuals are exempt from individual income tax on dividends received from foreign-invested enterprises. Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region (“HKSAR”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) issued by the State Taxation Administration effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

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For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by the State Taxation Administration, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your [REDACTED] in our H Shares may be materially affected.

**There may be uncertainties in effecting service of legal process and enforcing judgments against us, our Directors and senior management.**

We are a company incorporated under the laws of the PRC and a majority of our assets and subsidiaries are located in the PRC. The majority of our directors and senior management reside within the PRC. The assets of these directors and senior management also may be located within the PRC. It may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts in the United States, the United Kingdom, Japan or other countries. On January 18, 2019, the Supreme People’s Court and the Hong Kong Special Administrative Region Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “New Arrangement”). The New Arrangement was issued on January 25, 2024 and came into effect on January 29, 2024, seeking to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and Chinese Mainland. The New Arrangement

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does not include the requirement for a choice of court agreement in writing by the parties. There may be uncertainties in the enforcement of a judgment rendered by a Hong Kong court in Chinese Mainland if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, there would be uncertainty for [REDACTED] to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of judgments by non-PRC courts, including a Hong Kong court, in Chinese Mainland.

**Any failure to comply with relevant regulations regarding the registration requirements for employee share incentive plans may subject our share incentive plan participants or us to fines and other legal or administrative sanctions.**

Under SAFE regulations, PRC residents who participate in a share incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. See “Regulatory Overview — The PRC Laws, Regulations and Policies — Laws and Regulations Relating to Company.” We and our PRC resident employees who participate in our share incentive plans are subject to these regulations as we are publicly [REDACTED] in Hong Kong. We are in the process of registration with the local counterparts of SAFE for our PRC resident employees who participate in our share incentive plans as required under the relevant rules. If we or any of these PRC resident employees fail to comply with these regulations, we or such employees may be subject to fines and other legal or administrative sanctions. Any changes in laws and regulations regarding requirements for employee incentive plans may affect our ability to adopt addition incentive plans for our Directors, executive officers and employees.

### RISKS RELATING TO THE [REDACTED]

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

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

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

The [REDACTED] of our H 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, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese Mainland that have listed their securities in Hong Kong may affect the volatility in the [REDACTED] of and [REDACTED] for our H Shares. A number of Chinese Mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards Chinese Mainland-based companies listed in Hong Kong and consequently may impact the [REDACTED] of our H Shares.

**Future sales or perceived sales of substantial amounts of our H Shares or the issuance of new shares in the public market could have a material adverse impact on the prevailing [REDACTED] of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholding.**

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

In addition, while [REDACTED] shares in the [REDACTED] are not subject to any restrictions on the disposal of the H Shares they [REDACTED], they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [REDACTED] for legal and regulatory, business and

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market, or other reasons. Such disposal may occur within a short period or any time or period after the [REDACTED]. Any sale of the H Shares [REDACTED] by such [REDACTED] pursuant to such arrangement or agreement could adversely affect the [REDACTED] of our H Shares and any sizeable sale could have a material and adverse effect on the [REDACTED] of our H Shares and could cause substantial volatility in the [REDACTED] of our H Shares

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

Immediately upon the completion of the [REDACTED], without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED], our Controlling Shareholders will control approximately [REDACTED]% of the voting rights at our general meetings. Our Controlling Shareholders will, through their voting power at the Shareholders’ meetings and their delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the [REDACTED] of our H Shares.

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

There is no assurance that we will be able to declare or distribute dividends of any amount in any year in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the applicable PRC laws and regulations. See “Financial Information — Dividends” for further details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

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Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where Renminbi 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 cannot obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

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

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

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

Certain facts, forecast and other statistics in this document are derived from various government and official resources. We believe that information from official government sources is an appropriate source for such facts, forecast and statistics and have taken reasonable care in extracting and reproducing such facts, forecast and statistics. We have no reason to believe that such facts, forecast and statistics are false or misleading or that any fact has been omitted that would render such facts, forecast and statistics to be false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, [REDACTED], [REDACTED], [REDACTED], [REDACTED] and [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecast and statistics.