RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

We believe that there are certain risks involved in our operations, many of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to doing business in jurisdictions where we operate; and (iii) risks relating to the **[REDACTED]**. Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business may be adversely affected if we fail to introduce new products and solutions on a timely basis to adapt to rapidly evolving customer needs and advancements in technology.

We compete in highly competitive spatial intelligence products and solutions markets characterized by iterative technologies, evolving industry standards and protocols, emerging AI models, changing user demands and trends, and continual improvements in performance characteristics and product features. To be able to compete effectively, we must continually introduce new products, services and technologies, enhance existing products and services, and effectively stimulate customer demand for new and upgraded products and services. The success of new product introductions depends on a number of factors, such as timely and successful completion of development efforts, successful production ramp-ups and market acceptance of the products.

Customer demands, preferences and lifestyle trends in the PRC and our overseas markets may change from time to time and depend upon various factors, including global lifestyle trends, consumption patterns, disposable income, customer confidence and other factors beyond our control. Our success in turn also depends on our ability to anticipate, identify and respond to these trends timely.

Advancements in technology, the introduction of new products and changing customer demands, preferences and lifestyle trends typically lead to rapid declines in retail volumes for products made with older technologies and their loss of competitiveness or even obsolescence. If we are unable to compete successfully by introducing competitive new products, our business, results of operations and financial condition would be adversely affected.

We seek to continuously develop and promote new and appealing products and solutions, upgrade existing products, develop new technologies. These developments require significant time and financial and other commitments, and we may need to increase expenditure on research and development. Further, our investments of research and development resources may not yield the desired results. Our business, results of operations and financial condition may be adversely affected if we fail to successfully anticipate and respond to changes in customer preferences timely or if our research and development do not result in successful products and solutions. In addition, if we fail to balance the marketing efforts or optimize the pricing strategies of our existing and new products, we may fail in promoting our new products and increase competition among our own products, which in turn could lead to an overall decrease in sales.

Our growth and profitability depend on economic conditions in the PRC and our other key markets.

Our results of operations depend significantly on economic conditions and non-essential spending in our key markets including, in particular, Chinese mainland, where we derived the majority of our revenue. Customer demand is affected by a number of economic factors, including gross domestic product, the availability of customer credit, customer sentiment and debt levels, retail trends, sales of existing homes, renovation of office buildings, the level of mortgage refinancing and defaults, interest rates, unemployment and inflation. Economic uncertainty and related factors may exacerbate negative trends in business and customer spending and may cause certain customers to postpone, cancel or refrain from placing orders for our products.

Continued instability in the global markets, including geopolitical events and instability in the global political environment has contributed to periods of increased economic uncertainty in recent years and may lead to a general reduction in the level of customers' spending, which could in turn adversely affect our growth and profitability. Any escalation in trade tensions or trade war, or the perception that such escalation or trade war could occur, may have tremendous negative impact on the global economy as a whole, and may jeopardize the economic growth in the markets where we operate, and adversely affect the competitiveness of our products in these markets. See also "— Changes in international trade policies, geopolitics and trade protection measures, export control, and economic or trade sanctions may affect our business, financial condition and results of operations." and "— Risks Relating to Doing Business in jurisdictions where we operate — Changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines of the geographic markets where we operate could materially and adversely affect our business, financial condition, results of operations and prospects."

An economic downturn, lower than expected growth or an otherwise economic uncertainty in the markets where we operate could have a material adverse effect on customer spending and therefore adversely affect our business, results of operations and financial condition.

We operate in a highly competitive environment and failure to compete successfully would adversely affect our market position, business and financial results.

We face significant competition in our spatial intelligence products and solutions both in the PRC and in the overseas markets we operate. Competition in the global spatial intelligence products market is based on a number of factors, including product pricing, product features and design, quality, performance, innovation, reputation, energy efficiency, distribution and financial incentives, such as cooperative advertising, co-marketing funds, salesforce incentives and sales rebates. The individual spatial intelligence products and solutions market is a relatively mature sector characterized by intense price competition, frequent introduction of new products, rapid adoption of technological and product advancements by competitors and the individual preferences of customers. Significant new competitors or increased competition from existing competitors may adversely affect our business, results of operations and financial condition.

Our competitors include large spatial intelligence products and solutions companies. We compete with our competitors in a variety of aspects including market experience, brand recognition, product breadth, manufacturing scale, cost efficiencies, sales and marketing, manufacturing, research and development or technological resources. Furthermore, due to rapid technological advancements, scarce talents in the industry, shortened product life cycles and ease of imitation, it is increasingly difficult for us to take advantage of higher selling prices typically associated with new products, services and technologies.

Some of our competitors may also be willing to reduce prices and accept lower profit margins to compete with us. As a result of this competition, we could lose market share and sales, or be forced to reduce our prices to meet competition, which could adversely impact our margin.

We may not be able to compete successfully and failure to do so would have an adverse effect on our business, results of operations and financial condition.

The majority of our products are manufactured by our OEM suppliers and our products are subject to risks associated with manufacturing outsourcing.

We outsource the production of majority of our products to a number of Original Equipment Manufacturer ("**OEM**") suppliers. Such OEM arrangements carry with them risks associated with the possibility that the relevant OEM suppliers may: (i) have economic or business interests or goals that are inconsistent with ours; (ii) take actions contrary to our instructions or requests or contrary to our policies or objectives; (iii) be unable or unwilling to fulfill their obligations under the relevant manufacturing or contractual arrangements, including obligations to meet our delivery deadlines, quality standards and product specifications; (iv) have financial difficulties; (v) encounter raw material shortage; and (vi) engage in activities or employ practices that may harm our reputation.

For the above reasons, if we experience significant increases in demand, or need to replace an existing OEM supplier, additional manufacturing capacity may not be available when required on terms that are acceptable to us, or at all, or that any supplier would allocate sufficient capacity to us in order to meet our requirements. We would also incur switching cost if we decide to replace our existing OEM suppliers. Manufacturing delays or unexpected demand for our products may adversely affect our business.

We depend on a large number of third-party suppliers for key raw materials, components and manufacturing equipment, and any disruption in their supply or significant increase in their prices will negatively affect our business.

Our business is affected by the price, quality, availability and timely delivery of the various raw materials, electronic components and manufacturing equipment that we use in the manufacture of our products. Raw materials are an important component of our total cost of sales. The raw materials that we mainly use in our products are chips, copper, aluminum, steel, plastic and foam materials for the manufacturing of spatial intelligence products. The prices of these materials and components containing those materials are susceptible to significant fluctuations due to supply/demand trends in the markets, transportation costs, government regulations and tariffs, geopolitical events, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. Similarly, temporary shortages of some of these raw materials or components and delivery delays have occurred in the past and may occur again in the future. Our results of operations could be adversely affected if we were unable to obtain adequate supplies of high quality raw materials or components in a timely manner at reasonable prices or make alternative arrangements for such supplies, or if there were significant increases in the costs of raw materials or components that we could not pass on to our customers in full. Moreover, for some materials and components we rely on a single source of supply, which increases our dependence and may subject us to pricing pressures. We have also purchased, and expect to continue to purchase, a substantial portion of our equipment from qualified suppliers. From time to time, increased demand for new equipment may cause lead times to extend beyond those normally required by equipment vendors. Shortages of equipment, delays in the delivery of equipment or the delivery of equipment that does not meet our specifications could result in a delay in bringing products to market, which consequently could result in loss of market share and revenues and adversely affect our results of operations and financial position.

In addition, an unfavorable change in any of the following could have a material adverse effect on our business, results of operations and financial condition:

- our ability to identify and develop relationships with qualified suppliers;

- the terms and conditions upon which we purchase products from our suppliers, including applicable exchange rates, transport costs and other costs, our suppliers' willingness to extend credit to finance our inventory purchases and other factors beyond our control;

- the financial condition of our suppliers;

- political instability in the countries in which our suppliers are located;

- our suppliers' non-compliance with applicable laws and trade restrictions; or

- our suppliers' ability to manufacture and deliver outsourced products according to our standards of quality on a timely and efficient basis.

If our relationships with any of our key suppliers deteriorate due to the factors set out above, or for any other reason, we may not be able to quickly or effectively replace such supplier, which may have a material adverse effect on our business, results of operations and financial condition.

Xiaomi is our largest customer which purchases products from us. Any deterioration of our relationship with Xiaomi could have a negative impact on our revenues and harm our business.

Through a longstanding and integrated collaboration across Xiaomi-branded product development, manufacturing and sales, we have generated a significant portion of revenue from selling products to Xiaomi. In 2023, 2024 and 2025, revenue contributed by Xiaomi amounted to RMB471.6 million, RMB501.5 million and RMB477.0 million, respectively, accounting for 32.8%, 33.7% and 32.4%, respectively, of our total revenue for the same periods. While the percentage amount demonstrates a decrease during the Track Record Period primarily because we continue to expand our Aqara-branded products and solutions, Xiaomi still accounts for a significant portion of our revenue.

We cannot assure you that Xiaomi will continue to contribute the same level of revenues for us in any subsequent year. Many factors could cause the loss of, or reduction in, business or revenues from Xiaomi, and these factors are not predictable. These factors include, among others, pricing pressure from competitors or a change in Xiaomi's business strategy. Xiaomi may choose to pursue alternative technologies and develop alternative products in addition to, or in lieu of, our products, either on their own or in collaboration with other products suppliers. The loss of Xiaomi, or a significant decrease in the volume of demand or the price at which we sell our ODM products to Xiaomi, could adversely affect our financial condition and results of operations.

Our success depends on our ability to maintain and expand our offline and online sales channels.

Our sales and distribution network in China comprises (i) an extensive sales network, including our distributor sales network; (ii) online e-commerce sales channels. We also sell our products through online channels and offline channels in our overseas markets. To maintain and increase our market share, we actively evaluate the operational performance of our sales and distribution network and we may enter into new distributor arrangements with our distributors or sales and purchase arrangements with our business partners. We may not be successful in any of these respects. Our ability to maintain and expand our offline and online sales channels depend on a number of factors, including among others, our ability to maintain relationships with our distributors and major e-commerce platforms on terms that are commercially acceptable to us and our ability to respond to changes in their needs, including providing network infrastructure and logistics support. If we are unable to effectively maintain or expand our sales and distribution network, our results of operations, growth potential and profitability could be materially and adversely affected.

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

Our business operations and financial performance may be influenced by international trade policies, geopolitics, trade protection measures, export controls, and economic or trade sanctions. International trade policies and geopolitics are subject to frequent changes and uncertainties, often driven by political, economic, and social factors beyond our control. These changes could impact trade agreements, tariffs, customs duties, and other aspects of international trade, potentially increasing our operational costs and affecting our overseas market expansion. Export controls and economic or trade sanctions could limit our ability to export our products or conduct business in certain markets. Any non-compliance with these controls and sanctions could result in legal penalties, reputational damage, and loss of export privileges.

The international trade policies and regulations are uncertain and evolving. Recent developments in international trade relations have led to increased tariffs on multiple product categories across several overseas markets. In April 2025, the U.S. government adopted a two-tier tariff structure: a universal 10% baseline tariff on all imports to the U.S. and individualized reciprocal higher tariffs on imports from certain countries and regions, including China, the European Union, and Japan. On April 10, 2025, the U.S. government suspended reciprocal tariffs for all countries and regions, except China, for a period of 90 days. In April 2025, China and the European Union also announced higher tariff rates on U.S. goods entering their borders. On May 12, 2025, China and the U.S. agreed to a temporary de-escalation of bilateral tariffs. The U.S. reduced additional tariffs on the majority of Chinese exports from 145% to 30%, while China lowered its additional tariffs on U.S. goods from 125% to 10%. Other planned tariff increases have been temporarily suspended. On February 20, 2026, the U.S. Supreme Court held that the International Emergency Economic Power Act does not authorize the President to impose tariffs, including the reciprocal and fentanyl-related tariffs. Effective from February 24, 2026, the U.S. customs authority will cease to collect these tariffs. Meanwhile, President Trump issued a proclamation to impose a temporary import surcharge of 10% on all imports to the U.S. effective from February 24, 2026 for a period of 150 days, and later announced this tariff rate would be 15% (the rate of the actual import surcharge may vary, subject to the modification of the relevant rules to effectuate the collection of such surcharge).There is substantial uncertainty regarding any final tariff rates. Global trade tensions remain elevated and may continue to escalate which may affect global trade and economic conditions. It is possible that additional trade policy measures including new tariffs, import/export restrictions, or technology controls may be implemented. These tariff measures may increase import costs for goods exported from China, which could adversely affect our expansion to overseas markets.

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. For example, in recent years, the United States has increased export control restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce, which includes a list of foreign persons on which certain trade restrictions are imposed (the "**Entity List**"). The export, re-export and/or transfer (in-country) 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 or components that may be critical to our technology infrastructure, products, services and business operations. Any uncertainties and changes in these current or future restrictions or regulations may have a negative impact on our business. If certain of our customers and/or suppliers are listed on the Entity List and subject to restrictions from sourcing or selling technologies, systems or components from or to us, we may not be able to maintain our collaboration with such customers and suppliers.

In addition, our business can be subject to rules and regulations under economic sanctions programs, including, for example, those administered by the European Union and the Office of Foreign Assets Control of the U.S. Department of the Treasury ("**OFAC**") and associated U.S. sanctions laws. We believe that our policies, procedures and controls have enabled us to comply with any applicable OFAC sanctions requirements. However, economic sanctions programs do and will continue to restrict our ability to engage in business dealings with potential sanctioned countries. Sanctions programs moreover evolve over time and it is difficult for us to predict the interpretation, implementation or enforcement of governmental policies or sanctions with respect to our activities, currently or in the future or whether U.S. sanctions in particular will expand in ways that impair and restrict our business. Our policies, procedures and controls may not be able to react timely or comprehensively to such changes. There is no assurance that our activities in any particular country will be in compliance with evolving applicable rules and regulations or that they will not result in negative media attention or reputational damage.

Further, international market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. We have been and may continue to be adversely affected by trade barriers, including tariffs, quotas, antidumping measures, and countervailing duties imposed on imports from jurisdictions in which we manufacture our products or otherwise sources merchandise, parts and components. Changes to trade policies, treaties and tariffs of the jurisdictions in which we operate, or the perception that these changes could occur, could adversely affect the financial and economic conditions of the jurisdictions in which we operate, and subsequently our financial condition and results of operations. However, if such trade tension continues or escalates, the imposition of tariff may increase our cost of sales, and consequently lower our profit margin, or we may have to adjust our product offering in North America which may decrease the desirability of our products to customers in comparison with competing products. Non-tariff trade barriers, such as potential restrictions on transfer of technology or intellectual property rights, may adversely affect the technology know-how we may rely on for the development of and the innovation in our products. If any of such situations happens, our business, results of operations and financial conditions may be adversely affected.

If we fail to develop, maintain and enhance recognition of our brand, our business and results of operations may be adversely affected.

Our business depends significantly on the strength of our brand and its reputation. Developing maintaining and enhancing the recognition, image and acceptance of our brand is critical to our ability to differentiate our products and services from, and to compete effectively with, our competitors. The success of our brand depends on our design and marketing efforts, including advertising and customer campaigns, and on product innovation. Costs associated with the promotion of our brand can be significant, and we may incur substantial expenses to establish our brand in new markets. Expenses related to the promotion of our brand may have an adverse impact on our results if they do not produce the desired outcomes. The involvement of distributors introduces additional complexity, as any misconduct on their part may be attributed to us by end customers, who often cannot differentiate between our actions and those of our distributors.

Our brand, reputation and product sales could be harmed if, for example, our products fail to meet expectations of our customers or contain defects or fail. If we provide poor or ineffective customer services or are subject to product liability claims, our brand and reputation could be adversely affected.

In particular, although we have not experienced any product recalls that materially and adversely affected our business, results of operations and financial conditions during the Track Record Period, our reputation could be adversely impacted in the event of a significant product recall or product-related litigation due to product defects. We are subject to warranty and product liability claims in the ordinary course of our business. We may experience material product liability losses arising from such claims in the future, which could have a negative impact on our reputation and sales. We generally make product warranty provisions with reference to the retail volume and the expected unit costs for warranty services, but such provisions may not be adequate for liability ultimately incurred. In addition, products are becoming increasingly sophisticated and complicated as rapid advancements in technologies occur. This trend may increase our product quality and liability exposure. Given the association of our individual products with our overall brand, an issue with one of our products could negatively affect demand for other products of ours or the reputation of us as a whole, which could have an adverse impact on the business, results of operations and financial condition of us. In addition, we may be exposed to negative publicity and public relations crises arising from a wide variety of sources, including but not limited to online comments and reviews, social media posts and viral content, traditional media reporting, legal actions and regulatory proceedings, customer or partner complaints, employee or contractor conduct, product- or service-related incidents, industry controversies, competitor statements, activist campaigns, and misinformation or disinformation. Any such publicity could damage our reputation and brand image, undermine customer confidence in us and reduce long-term demand for our products.

Further, our success in maintaining and improving our brand image depends on our ability to adapt to a rapidly changing media environment, including our increasing reliance on social media and online dissemination of advertising campaigns through various internet platforms. Negative posts or comments about us on social networking platforms and other websites that spread rapidly through such forums could seriously damage our reputation and brand image. In order to attract and retain customers, we may need to substantially increase our expenditures for creating and maintaining brand loyalty. As a result, our sales and marketing related expenses may increase significantly.

If we are unable to develop, maintain and enhance the recognition of our brand, our business, results of operations and financial condition could be adversely affected.

We recorded losses, net current liabilities and operating cash outflow during the Track Record Period.

In 2023, 2024, and 2025, we incurred losses in the amount of RMB159.5 million, RMB230.8 million and RMB322.4 million, respectively. As of December 31, 2023, 2024 and 2025, we recorded net current liabilities of RMB1,974.6 million, RMB2,231.4 million and RMB2,425.8 million, respectively. We recorded net operating cash inflows of RMB65.1 million in 2023 and RMB288.6 million in 2024. We recorded net operating cash outflows of RMB73.4 million in 2025. See "Financial Information — Discussion of Key Items of our Consolidated Statements of Financial Position".

Our future liquidity, the payment of trade payables and other payables, and the repayment of any potential debt obligations as and when they become due, will primarily depend on our ability to maintain adequate cash inflows. Although we seek to manage our working capital at sufficient levels, we cannot assure you that we will be able to match the timing and amounts of our cash inflows with the timing and amounts of our payment obligations and other cash outflows. Negative operating cash flow requires us to utilize cash reserve or obtain sufficient external financing to finance our business operations, and meet our financing needs and obligations. If we are unable to do so, we may be in default of our payment obligations and our daily business activities may be impacted. Thus, our business, financial position and results of operations may be materially adversely affected. In addition, we may continue to record losses and net current liabilities in the future. These can expose us to further liquidity and financial risks. A net current liabilities position may expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business and prospects may be harmed if we cannot adequately protect our intellectual property rights and litigation to protect our intellectual property rights may be costly and may not be resolved in our favor.

Our success in maintaining our competitive position depends on our ability to obtain and enforce intellectual property rights worldwide. Filing and defending patents on our technologies globally can be expensive and time-consuming. We may also encounter difficulties in protecting and defending such rights in overseas jurisdictions. We seek to protect our intellectual property and proprietary rights primarily through intellectual property laws, relying on a combination of patents, trade secrets, trademarks, copyrights and similar protections, as well as through contractual restrictions in our licensing arrangements. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, we rely on trade secret protections and confidentiality agreements to safeguard its interests.

Steps taken by us to protect our intellectual property and proprietary information may not be adequate to prevent misappropriation of our technology as the existence of laws or contracts prohibiting such actions may not always serve as sufficient deterrents, and policing the unauthorized use of our intellectual property may be expensive and time consuming. Pending patent applications or patents already issued to us or our licensors may become subject to dispute, which could be resolved against us, thereby causing such patents to be invalid or unenforceable. Reverse engineering, unauthorized copying or other misappropriation of our intellectual property and proprietary technologies could enable third parties to benefit from our technologies without paying us for doing so, and we may be unable to determine the extent of any unauthorized use of our intellectual property. Our competitors may also independently develop substantially equivalent technologies, or otherwise gain access to our proprietary technologies, and obtain patents for such intellectual properties in other jurisdictions where our products are sold.

In order to protect our intellectual property rights and maintain our competitive position, we may file suits against parties that we believe infringe our intellectual property. Such litigation may divert management's attention and resources from the operation of our business. We may also have to bring suits in foreign jurisdictions, in which case we would be subject to additional risks as to the result of the proceedings and the amount of damages that we can recover. Proceedings to enforce our patent rights in overseas jurisdictions could result in substantial costs and divert our resources and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of rejection, and could provoke third parties to assert claims against us. We may not prevail in lawsuits that we initiate or be awarded damages or other remedies, if any, that we deem sufficient. Some countries in which we conduct our business may not protect intellectual property rights to the same extent as developed countries, and effective patent, copyright and trade secret protection may be unavailable or limited. In addition, depending on the jurisdiction, statutory differences in patentable subject matter may limit the protection we can obtain under a patent. Our competitive position may be undermined if we do not adequately protect our intellectual property rights, which may have a material adverse effect on our business, results of operations and financial condition.

We are subject to, and may in the future be required to defend against, charges of infringement of patents or other proprietary rights of third parties.

Although we take steps to ensure that our products do not infringe upon third-party rights, the rapid technological changes that characterize the spatial intelligence industry require that we quickly implement new processes and components with respect to many of our products. With respect to recently developed processes and components, a degree of uncertainty often exists as to who may rightfully claim ownership rights in such processes and components. Uncertainty of this type increases the risk that claims that such components or processes infringe upon third-party rights may be brought against us. We may also face malicious and baseless intellectual property related lawsuits from others. In addition, patent holding companies may seek to monetize patents they have purchased or otherwise obtained. As a result, we face the risk of litigation and regulatory proceedings relating to infringement of intellectual property rights in various countries. In particular, we may compete with companies that hold significant patent portfolios. Because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications that relate to our products or processes.

If our products or manufacturing processes are found to infringe upon third-party rights, we may be subject to significant liabilities and be required to seek licenses from third parties, pay ongoing royalties or redesign certain products, or become subject to injunctions prohibiting the manufacture and sale of certain products or the use of intellectual property in certain jurisdictions.

The defense of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. Protracted litigation could also discourage certain of our industrial customers from purchasing our component products until the resolution of such litigation. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We depend on sales to our distributors for a significant portion of our revenue and our arrangement with distributors is subject to a number of risks.

We sell a significant portion of our products through distributors. In 2023, 2024 and 2025, revenue generated from our distributors was RMB605.9 million, RMB570.7 million and RMB539.8 million, respectively, representing 67.3%, 62.1% and 57.0% of the our total revenue from Aqara-branded spatial intelligence products and solutions respectively, of our total revenue in the corresponding periods. Our business and our future growth are dependent on the ability of our distributors to maintain and expand their distribution coverage. We may not be able to effectively maintain our business relationship with distributors, or may fail to effectively manage our network of distributors, which could adversely affect our brand and results of operations. If we lose our existing distributors and fail to secure new distributors, our business and sales of the relevant products could be adversely affected. In the event of any material interruption to our relationship with distributors, or upon termination of our relationship for whatever reasons, there is no assurance that we may be able to replace a distributor with comparable sales capability in a timely and cost-effective manner, or at all, and our sales may be adversely impaired.

In addition, distributorship model could be subject to a number of uncertainties and risks. We have limited control over the business operation of our distributors. We also do not have direct contractual relationships with sub-distributors and thus have no control over their sales activities. We cannot assure you that the distributors or the sub-distributors will always operate their business in compliance with our distribution agreements, sales policies and the relevant laws and regulations, or will always align with our interests when they make their own business decisions. The distributors may engage in cannibalization activities such as cross-region sales in contravention of their contractual obligations. There is no assurance that our distributors will be able to maintain a stable sales level. The distributors may not be able to find suitable locations for new stores on commercially acceptable terms. In addition, if a distributor receives our products but fails to provide services, we may incur additional costs in handling such disputes and face potential brand damage. We may not be able to identify, attract and retain a sufficient number of distributors with requisite experience and resources.

To enhance the marketability of our brands and the sales performance of our products, we generally allow our distributors to use our brand names in the sales and promotion of our products, but we have limited control over how our distributors promote and market our products. Any wrongdoings (such as corruption, bribery or other illegal acts or actions generally considered detrimental to our brand value) committed by them while selling or promoting our products, or otherwise using our brand names, will subject us to material reputation risks. If our distributors fail to provide proper consultation and guidance during the purchasing process, deliver high quality customer service, provide adequate and quality after-sales services and resolve customer complaints or provide feedback in a timely manner, or if any of their misconduct leads to damages to our brand image and reputation, our business could be adversely affected and we may not be able to successfully operate and expand our sales network as we planned. Moreover, our agreements with most of our distributors are non-exclusive. Distributors may sell products of other brands and dedicate more resources to promoting them, which may reduce their incentive to adequately promote and sell our products, and in turn harm our business, prospects, financial condition and results of operations.

Our business is subject to a variety of local and overseas laws, rules, policies and other obligations regarding cybersecurity, privacy and data protection.

During our business operation, we may possess business information, contract information and personal information from our customers, suppliers and other business partners. As we expand our global presence, we are subject to local and overseas laws relating to cybersecurity and data privacy, including the collection, use, retention, security and transfer of personal information. For instance, our operations in the United States are governed by a range of federal and state laws and regulations on data protection, storing, privacy, and information security. Several jurisdictions have enacted stringent laws governing data protection, and many others are actively considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. For instance, the European Union's General Data Protection Regulation is one of the most comprehensive data protection laws globally. It imposes strict requirements on organizations regarding data processing, storing, transparency, and accountability, while granting individuals extensive rights over their personal data. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices.

Failure to comply with these regulations could expose us to severe penalties, legal liability, and reputational damage. Any failure by us to comply with local or overseas privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data and personal information, including through the use of encryption and authentication technologies. For example, we must implement data storage strategies and compliance measures, which could increase operational costs to meet data storage regulations across different jurisdictions. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. Our failure to safeguard data security and privacy may also harm our market reputation and relations with our customers or business partners.

We conduct operations worldwide and continue to expand globally and are exposed to legal, regulatory, political, economic, commercial and other risks in each country in which we operate.

In the years ended December 31, 2023, 2024 and 2025, 42.2%, 56.3% and 66.5% of our Aqara-branded revenue was generated outside of the PRC. During the Track Record Period, our products were sold in more than 90 countries and regions. In addition, we also have overseas investments in subsidiaries, joint ventures, associates, and other entities. We expect that our international activities will continue to grow over the foreseeable future as we continue to pursue opportunities in existing and new markets, which will require significant management attention and financial resources worldwide. As a result of our global footprint and expansion, we are subject to legal, regulatory, political, economic, commercial and other risks associated with cross-border business, including:

- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as developing and maintaining an effective marketing and distribution presence;
- difficulty in providing efficient customer service and support in markets abroad;
- risks associated with dealing with regulatory regimes, regulatory bodies and government policies with which we might be unfamiliar, in order to obtain overseas permits, licenses and approvals necessary to manufacture or import, market and sell products in or to overseas jurisdictions;
- high costs relating to compliance with the commercial and legal requirements of overseas markets, including those relating to labor, environmental and industry-specific regulations;
- risks associated with local unions and employment disputes, including allegations of discrimination, harassment, violation of collective bargaining agreements, wrongful termination, among others;
- strict foreign exchange controls and cash repatriation restrictions;
- the difficulty of managing and staffing international operations and the increased operations, travel, infrastructure and legal compliance costs associated with numerous international locations;
- foreign ownership restrictions;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- difficulties in understanding, and adapting our products and services to, local end-users' habits and preferences;
- unanticipated changes in prevailing economic conditions and regulatory requirements;
- political instability and civil unrest, cultural and religious conflicts, and acts of terrorism;
- risks associated with compliance with local tax laws and regulations including but not limited to timely filing of tax returns, tax payment, and disputes or disagreements with local tax authorities with respect to matters including but not limited to calculation of tax liabilities and preferential tax treatments;
- risks associated with disputes with local tax authorities on the judgement of transfer pricing arising out of our intragroup transactions, which may result in reallocation or adjustment of our taxable income and a different tax amount payable;
- difficulties in enforcing agreements and collecting overdue receivables through local legal systems; and
- trade barriers such as export requirements, sanctions, tariffs and other restrictions and expenses.

Our overall success as a global business depends, in part, on our ability to succeed in managing such risks. The risks and their potential impact on us or our business partners vary from country to country and are difficult to predict with any degree of accuracy. We may not be able to develop and implement policies and strategies that address these risks effectively in each location in which we conduct business, and our exposure to such risks may become greater as we expand our international operations, thereby adversely affecting our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

We are subject to antitrust and competition laws in the jurisdictions in which we operate, and we may be subject to regulatory scrutiny and investigations by antitrust or competition regulatory authorities relating to claims of infringement of antitrust or competition laws, or civil lawsuits and criminal proceedings with respect to anticompetitive behaviors. Such regulatory procedures and investigations may be carried out by the relevant antitrust or competition regulatory authorities on an individual entity or a group of entities within an industry or a segment of an industry and may relate to a range of activities including acquisitions, pricing and other behaviors. These investigations and regulatory procedures may be carried out by antitrust regulatory authorities in confidence and we may not become aware of the details of such regulatory procedures or investigations until we are formally notified of the outcome. In addition, our competitors may resort to making allegations or complaints against us to regulators without our knowledge which may give rise to further scrutiny and investigations. Such scrutiny, investigations, lawsuits and proceedings may result in fines, civil or criminal liability or may require us to change our operation. Further, our business, results of operations and financial condition may be adversely affected by new antirust or competition laws in the jurisdictions in which we operate, new interpretation of existing antirust or competition laws, related regulatory enforcement or civil antitrust litigation by private parties against us.

A failure to provide high-quality after-sales services for our customers or end users may damage our relationships with them and, consequently, our business.

We believe that the accessibility of high-quality after-sales services is an important consideration behind a customer's purchase decision. As our operation and customer base continue to grow, we need to maintain our customer support that meets our customers' needs at scale. However, we cannot assure you that we are able to respond quickly enough to accommodate short-term increases in customer demand for technical support or maintenance assistance. We may also fail to refine the future scope and delivery of our maintenance services and technical support to compete with changes in the after-sales services provided by our competitors. After a product is discontinued from sale, we may no longer provide software iteration services, resulting in a decline in customer experience.

Our distributors participate significantly in our after-sales support, including installation, training, maintenance, troubleshooting and technical support. We or our distributors may not have sufficient resources to meet customers' demands timely. Additionally, sub-distributors may not have sufficient training on our products and may provide inadequate service, which is beyond our control, and could negatively impact customer satisfaction and our brand reputation. Any failure to provide quality maintenance and support services would damage our relationships with our customers, and, consequently, our business.

Any interruption in the operation throughout our entire operation process for an extended period may have an adverse impact on our business.

Our operation includes research and development through production, storage, logistics, marketing and sales. Operational and other failures in such an extensive process (including through the use of components received from third-party suppliers) could result in quality issues or potential product, labor safety, regulatory or environmental risks. Such risks are particularly present in relation to our production facilities. We also rely on the smooth operation of our distribution centers, warehouses and delivery to provide our distribution services. Our operation process may be vulnerable to damages caused by fire, flood, power outage, telecommunications failure, break-ins, earthquake, human error and other events. If any parts of our operation process were rendered incapable of operations, then we may be unable to fulfill the orders we have received in a timely manner and to the customer's specifications or at all. In addition, our products are manufactured using processes that are increasingly complex and require sophisticated and costly equipment and information technology. The use of advanced technologies increases our exposure to the risk of production difficulties, including as a result of construction delays, difficulties in upgrading or modifying existing production lines, or difficulties in changing production technologies. Interruptions at our production facility could result in failure to achieve acceptable manufacturing yields or an inability to deliver quality products to customers in a timely manner, which may adversely affect our business, results of operations and financial condition.

The materialization of any of the foregoing risks could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are exposed to credit risk of our customers.

Depending on the credit history of our customers and their transaction amounts with us, we allow payment flexibility by offering a credit period of up to 90 days to certain customers. As of December 31, 2025, our trade receivables amounted to RMB99.2 million. In the event that the credit worthiness of our customers deteriorate or a significant number of our customers fail to settle their trade receivables timely or in full for any reason, we may incur impairment losses and our results of operations and financial position could be materially and adversely affected. We may not timely and fully recover our trade receivables from our customers, which could materially and adversely affect our business, financial condition and results of operations.

If our logistics service providers or warehousing service provider fail to provide reliable and timely logistics services, our business, financial condition and results of operations may be materially and adversely affected.

We use third-party logistics service providers to fulfill and deliver our orders. Interruptions to or failures in these third parties' logistics services could prevent the timely or proper delivery of products to customers, which would harm the businesses we operate. These interruptions or failures may be due to events that are beyond our control or the control of any of these logistics service providers and warehousing service provider, such as inclement weather, natural disasters, accidents, transportation disruptions, including special or temporary restrictions or closings of facilities or transportation networks due to regulatory or political reasons, or labor unrest or shortages. These logistics services could also be affected or interrupted by business disputes, industry consolidation, insolvency or government shut-downs. The cost of logistics services could fluctuate. We may not be able to find alternative logistics service providers to provide logistics services in a timely and reliable manner, or at all.

Failure to maintain optimal inventory levels could increase our inventory holding costs or cause us to lose sales.

We are exposed to inventory risks as a result of a variety of factors beyond our control, including changing consumption trends and customer preferences and launches of competing products. Maintaining an optimal level of inventory is critical to the success of our business. We cannot assure you that we can accurately predict these trends and events and maintain appropriate levels of inventory at all times. An unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to offer discounts or conduct promotional activities to dispose of slow-moving inventory, sometimes at prices below cost. On the other hand, inventory under-stock may cause us to lose sales. In 2023, 2024 and 2025, our inventory turnover days were 108 days, 102 days and 106 days, respectively. We manage our inventories and make adjustments based on market conditions, unexpected increases or decreases in orders may greatly reduce our ability to manage our inventories, which could have an adverse effect on our business, results of operations and financial condition.

Further, frequent new product introductions in the spatial intelligence industry can result in a decline in the average selling prices of our products and the obsolescence of our existing inventory. This can result in a decrease in the stated value of our inventory. Generally, we periodically assess impairment of inventories and typically recognize write-down of inventories when their cost is lower than their net realizable value. However, due to the volatile nature of the value of some of our inventory, there can be no assurance that actual inventory loss will not exceed our provisions for inventory loss. Differences in the estimation of expected future values and the discount rates used could result in different asset valuations. Such differences and any inventory or asset related write-downs or provision could affect our business, results of operations and financial condition.

We may face increasing leasing costs with respect to our properties, and may not be able to find suitable locations on commercially acceptable terms, if at all.

Our properties are primarily on lease terms. The supply of suitable locations for properties is limited, and competition for these locations is intense. Therefore, we may face increasing cost in leasing these prime locations for our properties. In addition, there can be no assurance that we will be able to identify and lease suitable locations on terms commercially acceptable to us or at all. In the event that we encounter difficulties in securing suitable largescale property sites in regions where we operate or plan to expand, our business, financial conditions and results of operations could be adversely affected.

We may not be able to sustain our historical growth and margin, and our historical growth and margin may not be indicative of our future growth, margin or financial results.

Our revenue increased from RMB1,439.4 million in 2023 to RMB1,471.6 million in 2025. Our gross profit margin has increased from 29.7% in 2023 to 38.4% in 2025. See "Financial Information" in this document for details.

We may not be able to maintain our historical growth in the future. Our revenue and gross profit margin may decline for a number of reasons, including the overall global economic growth, the ongoing worldwide digitalization of economy, technology development of the spatial intelligence industry, development in spatial intelligence technologies, our ability to attract and retain our customers and our ability to manage our costs and enhance operating leverage.

We may not be able to effectively manage our growth or implement our business strategies. We need to continuously enhance and upgrade our infrastructure and technology, improve control over our operational, financial and management aspects, strengthen our supplier and sales network management, refine our reporting systems and procedures, and expand, train and manage our growing employee base. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth, that our current infrastructure, systems, procedures and controls or any new measures to enhance them will be adequate and successful to support our expanding operations or that our strategies and new business initiatives will be executed successfully. The management of our growth may place significant demands on our managerial, administrative, operational, financial and other resources. Moreover, growth could strain our ability to maintain stable manufacturing capacity and reliable service levels for our customers. Our efforts to grow our business may be more costly than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. If the market for our products does not develop as we expect or if we fail to address the needs of this dynamic market, our business, results of operations and financial condition will be materially and adversely affected.

We may undertake acquisitions, investments, partnerships and new business lines, which may not be successful.

We may undertake acquisitions, investments, partnership and we may enter into new business line. Such transactions and initiatives may require significant attention from our management, and the diversion of our management's attention and resources could have a material adverse effect on our ability to manage our business. In addition, we may incur significant acquisition, administrative and other costs in connection with such transactions, including costs related to the integration of acquired or restructured businesses. These costs may include unanticipated costs or expenses, including post-closing asset impairment charges, legal, regulatory and contractual costs, and expenses associated with eliminating duplicate facilities.

We may also experience difficulties integrating any investments, acquisitions, distribution arrangements and/or partnerships into our existing business and operations. There is no assurance that we will be able to successfully implement these initiatives or that we will be able to identify successful initiatives in the future. These acquisitions and business initiatives may also expose us to potential risks.

We may not be able to successfully integrate any businesses we acquire into existing operations or that such businesses will perform according to expectations once integrated. When we acquire new businesses and companies, we will assume the outstanding liabilities and risks of such business and companies, including any ongoing and potential lawsuits, legal proceedings, regulatory investigations, among other risks. Accordingly, there can be no assurance that our business, results of operations and financial conditions will not be adversely affected by any of the potential lawsuits, legal proceedings, regulatory sanctions such as antitrust penalties, or other unforeseen liabilities that may result from such acquisitions. Similarly, disposals of certain non-core assets may prove not profitable than anticipated and may affect our net sales and results of operations.

There can be no assurance that we will be able to identify and acquire, on reasonable terms, if at all, suitable acquisition candidates or investment opportunities. Compliance with antitrust or any other regulations may delay proposed acquisitions or prevent us from closing such acquisitions or investments in the manner proposed, if at all. Such delay or failure to close proposed acquisitions could impair our ability to achieve our strategic objectives. Failure to successfully identify or undertake future investments, acquisitions, partnerships and new business lines and strategies may have a material adverse effect on our business, financial condition and results of operations.

Significant return and exchange may adversely affect our results of operations.

We generally allow end users to return and exchange defective products within certain periods in compliance with regulatory requirements. Our distributors may also have their product replaced for certain defects or quality issues. We may be required by law to adopt new or amend existing product return, exchange and warranty policies from time to time. While these policies improve customer experience of our products and help retain and acquire customers, we will incur higher costs associated with return, exchange and warranties if we experience any deterioration in the quality of our products, and we may be subject to additional costs and expenses which we may not recoup. Generally, our distributors in China will arrange for product return and repairment if needed. In cases where we are liable for any of such cost, our suppliers generally indemnify us for losses due to their handling of the products. If after all these arrangements, we are still responsible for the costs of delivery, return and exchange of products, our results of operations may be materially and adversely affected. In addition, in the United States and other markets where it is customary to allow customers to return products for any reason within a specified timeframe, our results of operations may be materially and adversely affected if we sell products that do not meet users expectations, whether related to a product defect or quality issue or not. If we revise these policies to reduce our costs and expenses, our users may be dissatisfied, which may result in loss of existing users or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

We depend on our senior management and other important staff members and our ability to attract and retain qualified management personnel.

We depend on the efforts and skill of our senior management and other important staff members. As a result, our future success depends to a significant extent on the continuing service and coordination of these individuals, who are not obligated to remain employed with us. Our success also depends on our ability to identify, hire, train and retain suitably skilled and qualified employees with requisite industry expertise. The loss of any member of our senior management team or our other key employees could have a material adverse effect on our business if we are unable to find suitable replacements in a timely manner. Competition for such personnel is intense and any failure to recruit and retain the necessary personnel or the loss of a significant number of employees at any time could harm our business and prospects.

We rely on researchers and engineers, and the loss of the services of such personnel or the inability to attract and retain them may negatively affect our business.

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel and on our ability to continue to attract, retain and motivate qualified researchers and engineers, especially during periods of rapid growth or technical change. In particular, our focus on introducing new products and advanced manufacturing processes means that we must aggressively recruit engineers with expertise in cutting-edge technologies. There is substantial competition for top research and development and engineering personnel in the spatial intelligence industry, both in the PRC and in the overseas jurisdictions in which we operate, and there can be no assurance that we will be able to attract or retain such personnel. The loss of the services of our research and development and engineering personnel without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on our business, results of operations and financial condition.

We are subject to a broad range of regulations and may be subject to fines or restrictions that could cause our operations to be interrupted.

We are subject to a broad range of increasingly strict laws and regulations relating to, among other areas, the environment, occupational health and safety and labor practices, both in China and in other jurisdictions in which we operate.

In order to operate our businesses and in response to our expanded international markets, we are required to obtain and comply with various permits, licenses, certificates, consents and other approvals from administrative authorities. We are also subject to inspections, examinations, inquiries and audits by governmental authorities as part of the process of maintaining or renewing our permits, licenses or certificates. There can be no assurance that we will be able to fulfill the pre-conditions necessary to obtain the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations.

In the area of environmental regulation, we are required to comply with laws and regulations relating to air emissions, wastewater discharge, noise pollution, toxic chemicals, waste treatment, and the energy efficiency of certain products, among other things. In addition, new environmental regulations could require us to acquire costly equipment or to incur other significant compliance expenses that may adversely affect our business, results of operations and financial condition.

In addition, we may in the future be subject to potentially material liability relating to the investigation and clean-up of contaminated areas, including groundwater, at properties owned or formerly owned, operated or used by us and to claims alleging personal injury or damage to natural resources.

Further, we may be required to make additional investments and change our product design and manufacturing processes to meet energy efficiency standards necessary to market such products in certain jurisdictions, including the United States and Europe.

Finally, there is a growing focus on the labor and environmental practices of manufacturers. Additionally, more stringent social responsibility laws and regulations may be adopted in the future, which may result in an increase in our cost of compliance. In addition, if we fail to comply with such laws and regulations, we may be subject to fines, penalties, legal judgments or other costs, which may adversely affect our operating results and financial condition. In addition, a finding of noncompliance, or the perception that we have not responded appropriately to growing customer concern for issues relating to social responsibility, whether or not we are legally required to do so, may adversely affect our reputation, and consequently our operating results and financial condition.

Our compliance, internal control and risk management systems may not be sufficient or effective.

In connection with our worldwide business operations, we must comply with a broad range of legal and regulatory requirements in numerous jurisdictions and local operational business processes. While we have established compliance, internal control and risk management systems that support our operational business processes, help address compliance with legislative provisions and, where necessary, initiate appropriate countermeasures to misconduct, there can be no assurance that our internal controls and risk management systems are adequate to address all applicable risks in every jurisdiction. Similarly, we can provide no assurance that such controls and systems of joint ventures and other partnering arrangements can be aligned with our own, and we may have to rely on their controls and systems for compliance with respect to their business practices.

The policies we have put in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, breaches of sanctions, fraud, deception, tax evasion and other criminal or otherwise unacceptable conduct may be insufficient to prevent all non-compliance in these areas.

Our internal control and risk management systems depend on effective implementation by our employees. We cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes.

The materialization of any of these risks may result in reputational loss and materially adverse legal consequences, such as debarment, the imposition of fines or sanctions and penalties on us or the members of our governing bodies or employees and could lead to the assertion of damages claims by third parties or to other detrimental legal consequences, including civil and criminal penalties. If any of these risks were to materialize, this could also have a material adverse effect on our business, financial condition and results of operations, reputation or prospects.

Our business may suffer as a result of adverse outcomes of current or future litigation and regulatory actions, including with respect to anti-competitive practices.

We face the risk of litigation and regulatory proceedings in various countries in the ordinary course of our business. Legal proceedings, including regulatory actions, may seek to recover large indeterminate amounts or to limit our operations, and the possibility that they may arise, and their magnitude may remain unknown for substantial periods of time. In particular, legal proceedings, including regulatory actions, may result from product defects and antitrust scrutiny of market practices for anti-competitive conduct both in the PRC and in other jurisdictions. Further, the nature of our business and operations is such that we are subject to product liability claims or claims arising from defects in our products from time to time. Such claims, including the damages being sought, whether or not they have any basis, may be substantial and could extend beyond the direct losses suffered by our counterparties. A substantial legal liability or adverse regulatory outcome and the substantial cost of defending litigation or regulatory proceedings may have an adverse effect on our business, results of operations, financial condition, cash flows and reputation. Further, such lawsuits, regulatory proceedings and investigations could also divert significant resources from our normal operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers, partners, distributors or other third parties.

We may be exposed to fraud or other misconduct committed by our employees, representatives, agents, customers, partners, distributors or other third parties that could affect our reputation and subject us to litigation, financial losses and sanctions imposed by governmental authorities. Such misconduct could include:

- hiding unauthorized or unlawful activities, resulting in unknown and unmanaged risks or losses;
- intentionally concealing material facts or failing to perform necessary due diligence procedures designed to identify potential risks that are material to our decision to make or dispose of investments and to engage in certain projects;
- improperly using or disclosing confidential information;
- engaging in improper activities such as offering bribes to, or receiving bribes from, counterparties in return for any type of benefit or gain;
- misappropriating funds;
- conducting transactions that exceed authorized limits, engaging in misrepresentation or fraudulent, deceptive or otherwise improper activities, engaging in unauthorized or excessive transactions to the detriment of our customers; or
- otherwise failing to comply with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all instances of non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct and the precautions we take to prevent and detect such activities may not be effective. Fraud or other misconduct may occur in the future and may result in negative publicity for us.

We will have significant capital requirements in connection with our business strategy and if capital resources are not available on a timely, adequate and matched basis, we may not be able to implement our strategy and future plans.

We may incur substantial capital expenditures in the future. In the event of adverse market conditions, or if our actual expenditures significantly exceed our planned expenditures, our external financing activities combined with our internal sources of liquidity may not be sufficient to implement our current and future operational plans.

To the extent that our existing sources of capital are not sufficient to satisfy our needs, we may have to seek external sources, including through the issuance of additional equity or debt securities in the domestic or international capital markets or additional bank borrowings. Our ability to obtain additional capital from external sources in the future is subject to a variety of uncertainties, including:

- the liquidity and volatility of the Chinese and international capital markets;
- the PRC government's policies regarding Renminbi and foreign currency borrowings;
- our future financial condition, results of operations and cash flows;
- our ability to obtain the necessary regulatory approvals on a timely basis;
- any tightening of credit markets and general market conditions for debt and equity raising activities by financial institutions;
- foreign exchange controls; and
- economic, political and social conditions in the geographical markets in which we operate and elsewhere.

We may not be able to obtain additional capital in a timely manner or on acceptable terms, or at all. A failure to do so could delay or impact our business strategy, which could adversely affect our product development, business and results of operations. Future debt financing could include terms that restrict our financial flexibility or restrict our ability to manage our business. If we are not able to issue Shares, we may need to explore other avenues of raising capital.

Our operations may be restricted by our future debt covenants, failure to comply with the terms of our indebtedness could result in acceleration of debt.

We have and will continue to have outstanding debt. Our total interest-bearing bank and other borrowings as of February 28, 2026 amounted to RMB281.2 million. The outstanding debt could have important consequences for our business and operations.

Under the terms of our principal bank loans and under any debt financing arrangement that we may enter into in the future, and may in the future be, subject to covenants that could, among other things, restrict the business and operations of our Group and/or one or more of our subsidiaries. If we breach any of these covenants, our lenders and the holders of our debt securities will be entitled to accelerate our debt obligations. Any default under our debt obligations could require that we repay these debts prior to maturity as well as limit our ability to obtain additional financing, which in turn may have a material adverse effect on our cash flow and liquidity. In addition, our loan agreements with certain banks may contain cross-default clauses which state that if we breach the provisions of another loan agreement, we will also be in breach of the first loan agreement. If any cross-default occurs, such banks are entitled under these agreements to accelerate the repayment of all or part of the relevant loans and to recover against the security for such indebtedness. Furthermore, our indebtedness may be accelerated if our lenders conclude that we are at risk of not being able to repay the indebtedness. If our indebtedness is accelerated or declared default, it could be difficult for us to refinance our debt or obtain additional financing.

Our distributors may accumulate excess or obsolete inventory and any excessive build-up of inventory could affect the volume of future orders from our distributors.

We sell a significant portion of our products to distributors who in turn distribute our products to sub-distributors or end customers. We may not be able to accurately track the inventory level of our distributors or to identify any excessive inventory build-up at various levels of our distribution network. Our distributors may be unable to sell an adequate amount of their inventories of our products in a given period, which may result in a build-up of inventory at our distributors. In such an event, these distributors likely would reduce future orders until their inventory levels realign with demand. As such, any excessive build-up of inventory by our distributors could reduce the volume of future orders that we receive from our distributors and thus may have a material adverse impact on our sales to them and, accordingly, our business, financial condition, results of operations and prospects.

We are subject to various risks relating to third-party payments.

During the Track Record Period, certain of our customers settled their payments with us through third-party payors (the "**Third-Party Payment Arrangement(s)**"). We have been managing and rectifying the Third-Party Payment Arrangements. For details, see "Business — Legal Proceedings and Compliance — Third Party Payment Agreements" in this document.

We are subject to various risks relating to such Third-Party Payment Arrangements during the Track Record Period, 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 of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us in respect of third-party payments, we will have to spend financial and managerial resources to defend against such claims and legal proceedings, and our financial condition and results of operations may, as a result, be adversely affected.

We may not be able to effectively manage any overlap or potential competition among our various sales channels.

During the Track Record Period, we sold our products through our online and offline sales network, which covers various offline and online channels. Although we have implemented measures to manage overlap or potential competition among our sales channels, we cannot assure you that these measures will be effective. As a result, the expansion of our sales network may not lead to proportionate expansion of our sales revenue. Furthermore, adverse competition or cannibalization among our sales channels may have a negative impact on the stability of our sales network, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

We have investments in associates, joint ventures and other entities which we do not fully own or over which we do not have full control.

We have investments in associates, joint ventures and other entities which we do not fully own or control. Such investments involve risks, including the possibility that partners or co-investors may become bankrupt, fail to fund their required capital contributions or perform their obligations poorly or not at all. Our co-investors may have objectives that are inconsistent or that conflict with our business interests or goals and may be in a position to block or impede action with respect to our investments or take actions contrary to our policies, objectives or interests. In some joint ventures we are bound by shareholders' and other agreements which further limit our control over the relevant joint venture vehicle. Disputes between us and our co-investors may result in litigation or arbitration that may consume significant financial and other resources and result in the loss of business opportunities and growth. Furthermore, actions by our co-investors, of which we may be unaware, or which we may be unable to control, such as political affiliations, illegal or corrupt practices and other activities, may cause reputational damage to us or result in adverse consequences for our investments, including incurring costs, damages, fines or penalties, construction delays, reputational losses or the loss of key customer relationships. In addition, since our investment would sometimes involve commitment over a certain period of time, in the event there is no dividend declared by those entities, the cash flow and financial positions of our Group could be adversely affected. Furthermore, since investments in associates and joint ventures are not as liquid as other investment products, even if profits are reported under equity accounting methods for such investments, there will be no cash flow until we receive dividends, which may subject us to liquidity risks. The above risks could have a material adverse effect on our business, financial condition and results of operations.

The U.S. government's new China-focused Outbound Investment Program may adversely affect our business, financial condition, and results of operations.

On August 9, 2023, the Biden administration released an executive order and an advanced notice of proposed rule-making (the "**ANPRM**") providing a conceptual framework for outbound investment controls focused on China, including Hong Kong and Macau. Further to this ANPRM, on June 21, 2024, the U.S. Department of the Treasury issued a proposed rule on outbound U.S. investments involving China that generally follows the ANPRM. On October 28, 2024, the U.S. Department of the Treasury issued a final rule to implement the executive order of August 9, 2023 (the "**Final Rule**"). The Final Rule became effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. Persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, collectively defined as "**Covered Foreign Persons**." U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in Covered Foreign Persons, which are defined as "covered transactions," and include acquisitions of equity interests that are not yet publicly traded, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule excludes some investments from the scope of covered transactions, including those in publicly traded securities. The Final Rule is aimed at exerting greater U.S. government oversight over U.S. direct and indirect investments involving China, and may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us.

We do not believe we would be deemed a Covered Foreign Person under the Final Rule, because we do not engage in a "covered activity" (as defined in the Final Rule) or otherwise meet the definition of a Covered Foreign Person provided in the Final Rule. In addition, U.S. persons' acquisitions of certain publicly traded securities, including the purchase of our Shares in the **[REDACTED]**, may be exempted from the scope of covered transactions under the Final Rule. However, there is no assurance that the U.S. Department of the Treasury will take the same view as ours. After the **[REDACTED]**, the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. investors as relevant laws, regulations, and policies continue to evolve, and we cannot rule out the possibility of being deemed a Covered Foreign Person in the future due to different views taken by the U.S. Department of the Treasury, potential amendments to the Final Rule or the introduction of similar regulations. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. In such case, the value of our Shares may significantly decline, or in extreme cases, become worthless.

We are subject to risks relating to fluctuations in foreign exchange rates.

We are exposed to foreign exchange risk primarily through sales and purchases, capital expenditures and expenses that are denominated in a currency other than the functional currency of the relevant subsidiary. We are also subject to currency conversion risks as our consolidated financial statements are denominated in Renminbi while the financial statements of our subsidiaries are measured and presented in the currency of the primary economic environment in which the entity operates. Our foreign currency exposure mainly arises from the exposure of Renminbi against the U.S. dollar and Euro. There may be limited hedging instruments we can use to reduce our exposure to exchange rate fluctuation, and the hedging instrument we use to reduce our foreign exchange risk exposure may not be effective. Also, the cost of such foreign exchange rate hedging instruments may fluctuate significantly over time and may outweigh the potential benefit from the reduced currency volatility.

Any volatility of the Renminbi exchange rate in the future may materially affect our businesses, financial condition, operating results and future prospects and any devaluation of the Renminbi against the U.S. dollar and other foreign currencies will increase the amount of Renminbi we would need to service our obligations denominated in these currencies.

Our current preferential tax treatment may be amended or abolished, and we may not always be eligible for government grants.

During the Track Record Period, we and certain of our subsidiaries enjoyed preferential tax treatment such as immediate refund of value-added tax upon collection for software products, additional deduction for research and development expenses and 15% corporate income tax rate for national high-tech enterprise. There can be no assurance that the amount of preferential tax treatment granted to us and these subsidiaries in the past will continue to be granted in the future. Our eligibility to receive such preferential tax treatment requires that we continue to qualify for such treatment, and there can be no assurance that our determination regarding our qualification to enjoy the preferential tax treatment in the future will not be challenged by the relevant PRC tax authority.

In 2023, 2024 and 2025, we received government grants of RMB8.1 million, RMB9.6 million and RMB7.6 million, respectively. Our government grants primarily include fiscal grants from the government for our contribution to local economy, the amounts of which were determined and paid at the sole discretion of the respective local government authorities. We cannot assure you that we will continue to be eligible for such government grants in the same amount, or at all.

Since our receipt of such preferential tax treatment and government grants may be subject to changing governmental practice, as long as we continue to receive these preferential tax treatment and government grants, our results of operations in a particular period may be better or worse relative to other period depending on the potential changes in these financial incentives in addition to any business or operational factors that we may otherwise experience. In the event that such preferential tax treatment or government grants is amended, abolished or otherwise no longer granted to us, our financial results, particularly the after-tax financial results, could be adversely affected.

Our leased property interests may be defective, and our right to lease the properties could be challenged due to such defects. Additionally, failure to renew our current leases or locate desirable alternatives could adversely affect our business.

We lease properties for our offices, research and development and manufacturing facilities. As of the Latest Practicable Date, we have not been provided by certain lessors with the applicable certificates, approvals, consents or other similar documents proving their right to lease or sublease these leased properties or provide registered address to us. We also carried out renovation work on one of our leased premises, without obtaining the requisite construction work permit prior to the commencement of the renovation and without completing the filing for completion inspection. With respect to the existence of other office premises outside our registered address, we may be required to rectify the relevant issues by the competent authorities in the event of failure to complete the registration procedures. Failure to complete such rectification in a timely manner may result in the imposition of fines, and in serious cases, we may be ordered to suspend business or cease operations. In addition, we had not maintained valid lease agreements in respect of the registered addresses of some branches, and some of our subsidiaries and branches operate outside their registered addresses, which may subject the relevant subsidiaries and branches to being listed as enterprises with abnormal operations. Moreover, some of our lease agreements for our leased properties in China have not been registered with the relevant authorities. With respect to the unregistered leases in China, we may be subject to a fine ranging from RMB1,000 to RMB10,000 per unregistered lease agreement if we fail to make such registration within a given timeframe put forward by the Chinese government. As of the Latest Practicable Date, we were not aware of any ownership controversy or dispute or third-party claims, nor had we been imposed any administrative penalties.

We believe that these defects in our leased property interests will not individually or collectively have a material adverse effect on our business, financial condition or results of operations. However, we cannot assure you that any of the above events will not affect our operations or result in relocation expenses and administrative penalties.

Our limited insurance coverage may not cover all losses, which may increase our operational costs.

We currently have insurance coverage for our properties and fixed assets, plant and equipment and inventories, which we consider to be exposed to major business risks. We also maintain third-party insurance policies covering certain potential risks and liabilities including product liability and property liability. We do not, however, carry business interruption insurance and insurance in respect of certain risks that we believe are not insured under customary industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism and civil disorder. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. Although we carry insurance on our properties with respect to specified catastrophic events such as certain natural disasters or outbreaks of certain types contagious diseases and in amounts and with deductibles that we believe to be in line with coverage customarily obtained by owners of similar properties, we cannot guarantee that our insurance coverage is sufficient to cover potential losses.

Any risk that is not adequately covered by insurance may have an adverse effect on our business, results of operations and financial condition.

The fair value measurements of certain financial assets and liabilities require the use of estimates that are based on unobservable inputs, which inherently involves a certain degree of uncertainty, and our financial position and results of operations may be adversely affected by fair value changes in our financial assets and liabilities measured at fair value through profit or loss.

Some of our financial assets and liabilities are measured at fair value, which include our structured deposits and wealth management products. For financial reporting purposes, fair value measurements of these financial assets and liabilities are categorized into level 1, 2 or 3, based on, among other things, the degree to which the inputs to the fair value measurements are "observable". A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of these assets and liabilities. These factors include but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Many of these factors, as well as others, could cause our estimates to vary from actual results and cause the fair value of our financial assets and liabilities to fluctuate substantially. We are also subject to credit risks of our counterparties for our financial assets and liabilities measured at fair value. A substantial decrease in the fair value of our financial assets may have an adverse effect on our financial position and may cause us to recognize a significant fair value change in financial assets at fair value through profit or loss which may in turn adversely affect our results of operations.

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

Legal systems of the geographic markets where we operate vary significantly from jurisdiction to jurisdiction. We are subject to the uncertainties in the legal systems of the markets where we operate. For relevant discussion, see "— Risks Relating to Doing Business in jurisdictions where we operate — There may be changes from time to time with respect to the legal systems of the markets in which we operate, and any failure to comply with laws and regulations could adversely affect us." Some jurisdictions have a civil law system based on written statutes and others are based on common law. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving. Laws and regulations that are recently enacted may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in many of the geographic markets where we operate. Local courts may have discretion to reject enforcement of foreign awards or arbitration awards. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or claims. In addition, regulatory uncertainties may be exploited through unmerited or frivolous legal actions, claims concerning the conduct of third parties, or threats in attempt to extract payments or benefits from us.

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

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

Any lack of requisite approvals, licenses, or permits applicable to our business or any failure to comply with applicable laws or regulations may materially and adversely affect our business, financial condition, and results of operations.

Our business operations are subject to various PRC laws and regulations that require us to obtain and maintain certain approvals, licenses, and permits. Any failure to obtain or maintain such requisite approvals, licenses, or permits, or any failure to comply with the applicable laws and regulations, could result in administrative penalties, fines, or orders to cease operations, which may materially and adversely affect our business.

Certain of our services may require value-added telecommunication services licenses under relevant PRC laws or regulations. We have outsourced all such services to Shenzhen Ankasa which holds valid value-added telecommunication services licenses. Under relevant PRC laws or regulations, any entity conducting unauthorized operation of telecommunications business shall be ordered by the competent authorities, in accordance with its purview to make correction, confiscate the illegal income, and impose a fine ranging from three to five times the amount of the illegal income; where there is no illegal income, or the illegal income is less than RMB50,000, a fine ranging from RMB100,000 to RMB1 million shall be imposed Any deemed violation against such regulations under the outsourcing arrangement could have an adverse impact on our related services. Otherwise, as of the Last Practicable Date, our PRC subsidiaries have not been subject to any legal or regulatory penalties for failure to obtain such licenses under its own name.

In addition, Chinese regulations impose filing, disclosure and reporting requirements in relation to commercial franchising, and failure to comply with these regulations in our cooperation with our distributors may result in penalties for us. Shenzhen Lumi has made such filings, disclosures and reporting with its competent authority and its distributors in cooperation, each as required by the aforementioned regulations, excluding specific addresses and contact numbers of company-owned stores, the operational status of existing franchisees, and summaries of the franchisor's financial accounting reports and audit reports for the past two years. As of the Latest Practicable Date, our PRC subsidiaries have not been subject to any legal or regulatory penalties for violation of regulations on commercial franchising.

Our operations rely on complex information technology systems and networks, and any disruptions in such systems or networks, including as a result of cybercrime, could have a material adverse effect on our business.

We rely heavily on information technology systems and networks to support research, procurement, manufacturing, sales, logistics, services and business processes as well as internal and external communications. The consistent, efficient and secure operation of our IT systems, including computer hardware, software, platforms and networks, is critical to the successful performance of our operations and its reputation. Instability or failure of third-party servers may lead to the disruption of our operation and loss of users' data. Computer systems are important to, among other business-critical processes, our manufacturing processes, production planning, inventory management, sales, customer service, order fulfillment and logistics processes.

Despite IT maintenance and security measures, our internal IT systems and networks are exposed to the risk of malfunctions and interruptions from a variety of sources, including due to unauthorized access, cyberattacks, equipment damage, deficient database design, power outages, computer viruses and a range of other hardware, software and network problems, and we have in the past experienced malfunctions and interruptions. Our IT personnel may not be able to resolve such issues in a timely manner or at all. Some potential causes that can lead to a malfunction or interruption of our IT systems or networks are difficult to detect and may only be detected once the risk has already materialized. A significant or large-scale malfunction or interruption, whether malicious or otherwise, of one or more of our IT systems or networks could adversely affect our ability to keep our operations running efficiently and affect manufacturing processes, production planning, inventory management, customer service and order fulfillment, particularly in the country or region in which the malfunction occurs. Moreover, an extended outage of a telecommunication network utilized by our IT systems or networks or a similar event outside our control could lead to an extended unanticipated interruption of our IT systems or networks, which could have an adverse effect on our business. Furthermore, any data leaks resulting from information technology security breaches may result in the disclosure or misuse of proprietary or confidential information, including customer and employee data, which may subject us to fines, claims for damages, and reputational damage.

In addition, certain information about customers and processes may be stored on shared services centers provided by third parties. The concentration of information and processes in shared services centers means that any technology disruption could impact a large portion of our business within the operating regions served. Any transitions of processes to, from or within shared services centers as well as other transformational projects could lead to business disruptions.

We have granted, and may continue to grant, share-based awards, which may increase our share-based compensation and may have an adverse effect on our results of operations.

We have adopted a number of share incentive plans. We have granted, and may continue to grant share-based awards. For details of the plan, see "Appendix IV – Statutory and General Information – **[REDACTED]** Employee Share Option Plan." We believe the granting of stock-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant stock-based awards in the future. As a result, our expenses associated with stock-based compensation may increase, which may have an adverse effect on our results of operations and may cause dilution to our shareholders.

We may need additional capital, and the sale and issue of additional Shares or other equity or debt securities could result in additional dilution to our Shareholders.

We intend to continue to make investments to the long-term operating and development of our business and may require additional capital. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our Shareholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to holders of our Ordinary Shares.

We may suffer losses caused by the occurrence of extraordinary events, including natural disasters or outbreaks of contagious diseases.

Our business may be adversely affected by the occurrence of typhoons, severe storms, earthquakes, floods, wildfires or other natural disasters or similar events in China and other areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations in terms of our global supply chain, production, delivery as well as sales. Such events could decrease demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to make and deliver products to our customers, or to receive components or products from our suppliers, and create delays and inefficiencies in our supply chain. While our suppliers are required to maintain safe working environments and operations, an industrial accident could occur and could result in disruption to our business and harm to our reputation. Should major public health issues, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional limitations in freight services, governmental actions limiting the movement of products between regions, delays in production ramps of new products and disruptions in the operations of our suppliers and logistics providers. In the event of a natural disaster, we could incur significant losses, require substantial recovery time and experience significant expenditures in order to resume operations.

We may incur additional costs to mitigate any ESG risks, which may materially and adversely affect our financial performance.

To identify, manage, and mitigate ESG risks, we may incur additional costs and expenses which could impact our financial performance. We monitor environmental and climate-related risks that may impact on our business, strategy and financial performance and evaluate the magnitude of the resulting impact over the short-, medium- and long-term horizons. We monitor a wide range of indicators to manage our environmental and climate-related risks arising from our operations and are committed to providing adequate support to our employees to nurture a friendly and inspirational corporate culture. This commitment may entail incurring substantial additional costs and would potentially impact our profitability. See "Business — Environmental, Social and Governance Matters."

In addition, the increasing ESG-related regulatory requirements, including various ESG disclosure mandates in jurisdictions where we operate, may lead to rising compliance costs and cost of sales may rise. Failure to adapt to new regulations or meet evolving industry expectations and standards could result in consumers choosing products from other companies, which may materially and adversely affect our results of operations and financial conditions.

RISKS RELATING TO DOING BUSINESS IN JURISDICTIONS WHERE WE OPERATE

Changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines of the geographic markets where we operate could materially and adversely affect our business, financial condition, results of operations and prospects.

We operate our business in Chinese mainland and other regions. Our business, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in these markets. Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets and the level and volatility of debt and equity prices have been and will continue to affect the markets where we operate. In some of these markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Recent relevant policies from governments in the US and other countries has created significant uncertainty among global markets, which could have a material impact on us. Any changes in the global or local economy in the markets in which we operate may materially and adversely affect our business, results of operations and financial condition.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. On February 17, 2023, the CSRC promulgated the Overseas Listing Trial Measures, which became effective on March 31, 2023. The Overseas Listing Trial Measures require, among others, that PRC domestic companies that seek to initially offer and list securities in overseas markets, either directly or indirectly, file the required documents with the CSRC within three business days after its application for overseas listing is submitted. See "Regulations — Material Laws and Regulations Relevant to Our Business Operations in the PRC — Regulations Relating to Overseas Listing and M&A". We will file with CSRC within a specific time limit as required by the Overseas Listing Trial Measures. However, we cannot assure you that we could complete such filing in a timely manner or at all, the failure of which may restrict our ability to complete the proposed **[REDACTED]** and have a material and adverse effect on our financial performance and business prospects.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may keep evolving, failure to comply with which may materially affect our business, results of operations or financial conditions.

Given that the interpretation, application, and enforcement of the Overseas Listing Trial Measures and the Archives Rules are still evolving and subject to change. We are closely monitoring how they will affect our operations and our future financing. Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from or filing with the CSRC or other regulatory authorities or other procedures are required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions by the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this **[REDACTED]** or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the proceeds from the **[REDACTED]** into the PRC or take other actions to restrict our financing activities, which could have a material adverse effect on our business.

There may be changes from time to time with respect to the legal systems of the markets in which we operate, and any failure to comply with laws and regulations could adversely affect us.

The legal systems where we operate vary significantly. Some jurisdictions follow civil law based on statutes, while others follow common law. Many markets have not fully developed their legal systems, and recently enacted laws may not cover all aspects of economic activity. The interpretation and enforcement of these laws are evolving, and their application to our business is often unsettled. Local authorities have discretion in implementing statutory provisions and contractual terms, making the outcome of legal proceedings unpredictable. Local courts may reject enforcement of foreign or arbitration awards. These uncertainties may affect our ability to enforce contractual rights and may be exploited through frivolous legal actions or threats to extract payments from us. Legal proceedings in our markets may result in substantial costs and diversion of management attention.

Our operations in China are governed by PRC laws and regulations. Our PRC subsidiary, Eigenstone Technology Co., Ltd. (愛根斯通科技有限公司), is a foreign-invested enterprise subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises.

New laws and regulations may be adopted or construed to apply to us, increasing regulatory scrutiny and requiring additional legal resources. Changes in laws or the imposition of new regulations may slow industry growth and adversely affect our financial condition and results of operations.

The PRC legal system is evolving, and failure to respond to such evolvement could affect us.

We conduct our business primarily through our PRC subsidiaries entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiary, Eigenstone Technology Co., Ltd. (愛根斯通科技有限公司), is a foreign-invested enterprise subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises.

The PRC laws and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China for the past decades. However, many laws, regulations, and rules are relatively new and we may need to take certain corresponding measures to maintain our regulatory compliance, such as adjusting the relevant business or transactions and introducing compliance experts and talents, which may incur additional related costs and adverse impact on our business.

In addition, the PRC regulatory authorities may be authorized by laws or regulations to exercise oversight and discretion over the conduct of our business, and the regulations to which we are subject may change from time to time. Like many other jurisdictions, new laws, regulations, and other government directives in China may also be costly for us to comply with, and such compliance or any associated inquiries or investigations or any other government actions may delay or impede our development.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of our debt and equity offerings to make loans or additional capital contributions to our PRC subsidiaries in China.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration or filing with the government authorities in China. According to the PRC regulations on foreign-invested enterprises, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System and registration with a local bank authorized by SAFE. Any foreign loan procured by our PRC subsidiaries is required to be registered or filed with SAFE or its local branches or satisfy the requirements as provided in the Circular on Further Promoting the Facilitation of Cross-border Trade and Investment (《國家外匯管理局關于進一步促進跨境貿易投資便利化的通知》) ("**SAFE Circular 28**"). We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans that we may provide to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of our debt and equity offerings and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business. There is no statutory limit in effect on the amount of capital contribution that we can make to our PRC subsidiaries, provided that the PRC subsidiaries complete the filing and registration procedures. With respect to loans that we may provide to the PRC subsidiaries, (i) if the PRC subsidiaries adopt the traditional foreign exchange administration mechanism, the outstanding amount of the loans should not exceed the difference between the total investment and the registered capital of the PRC subsidiaries; and (ii) if the PRC subsidiaries adopt the mechanism as provided in the Notice of the People's Bank of China on Matters concerning the Macro-prudential Management of Full-covered Cross-border Financing (《中國人民銀行關于全口徑跨境融資宏觀審慎管理有關事宜的通知》) issued by the People's Bank of China on January 12, 2017 ("**PBOC Notice No. 9**"), and apply the latest macro-prudential adjustment parameter adopted by the People's Bank of China and SAFE on January 13, 2025, the outstanding amount of the loans should not exceed 350% (which may be varied due to the change of PRC's national macro-control policy) of the net asset of the relevant PRC subsidiary.

Furthermore, pursuant to PBOC Notice No. 9, after an one-year transition period following its promulgation, SAFE and the People's Bank of China will determine the cross-border financing regulatory regime for foreign-invested enterprises after evaluating the overall implementation of PBOC Notice No. 9. As of the Latest Practicable Date, neither SAFE nor the People's Bank of China had promulgated and made public any legislations in this regard. There are uncertainties relating to the future regime to be adopted and any limitation to be imposed on us when providing loans to our PRC subsidiaries. If a more stringent foreign debt regulatory regime would be imposed, our ability to provide loans to our PRC subsidiaries may be significantly limited, and our business, financial condition, and results of operations may be adversely affected.

Under the current rules of SAFE as of the Latest Practicable Date, we are required to apply Renminbi funds converted from the **[REDACTED]** we received from our **[REDACTED]** of equity securities within the business scopes of our PRC subsidiaries. Although SAFE launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of foreign-invested enterprises in 2015 to allow foreign-invested enterprises to settle their foreign exchange capital at their discretion and further relaxed its rules in 2016 to allow foreign-invested enterprises (excluding financial institutions) to go through foreign exchange settlement formalities for their foreign debts at their discretion, the current rules of SAFE continue to prohibit foreign-invested enterprises from using Renminbi converted from their foreign exchange capitals for expenditure beyond their business scopes as approved by the PRC government authorities. Moreover, the current rules of SAFE continue to prohibit foreign-invested enterprises from using Renminbi converted from their registered capitals to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Any violations of such rules of SAFE may result in severe monetary or other penalties. There can be no assurance that SAFE would further relax its rules on the settlement of foreign exchange capitals of foreign-invested enterprises, and our ability to transfer to and use in China the **[REDACTED]** from our **[REDACTED]** of equity securities may continue to be significantly limited, which may adversely affect our business, financial condition, and results of operations. On October 23, 2019, SAFE promulgated SAFE Circular 28. SAFE Circular 28 allows all foreign-invested enterprises (including those without an investment business scope) to utilize and convert their foreign exchange capital for making equity investment in China if certain requirements prescribed therein are satisfied. However, uncertainties exist in relation to the interpretation and implementation of SAFE Circular 28.

Failure by our Shareholders who are Chinese individual residents to make required applications and filings pursuant to regulations relating to offshore investments by Chinese residents may prevent us from distributing dividends and expose us and our Shareholders who are Chinese residents to liability under Chinese law.

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (《國家外匯管理局關於境內居民透過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "**SAFE Circular 37**"), which was promulgated by SAFE and replaced SAFE circular No.75 and became effective on July 4, 2014, requires a Chinese individual resident ("**Chinese Resident**") to register with the local SAFE branch before contributing legitimate onshore or offshore assets in an overseas special purpose vehicles for the purpose of offshore equity financing or investment. They must also make filings with SAFE thereafter upon the occurrence of certain changes in the capital structure.

On February 13, 2015, the Circular of Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**SAFE Circular 13**") was promulgated by the SAFE and took effect on June 1, 2015. Pursuant to the SAFE Circular 13, the administrative examination and approval procedures relating to the foreign exchange registration approval under domestic direct investment and the foreign exchange registration approval under overseas direct investment are canceled and direct investment-related foreign exchange registration including registrations under the SAFE Circular 37 is directly reviewed and handled by banks.

We cannot assure you that the Chinese Resident Shareholders and beneficial owners fulfill the requirement to complete the registration with the SAFE in a timely manner and obey the regulations on foreign exchange. If Chinese Resident Shareholders or beneficial owners contribute capital to an offshore special purpose vehicle without completing SAFE Circular 37 registration, the Chinese Resident Shareholders or beneficial owners shall be ordered by the foreign exchange control authorities to recover the foreign exchange within a stipulated period and be subject to a fine of not more than 30% of the amount of evaded foreign exchange; where the case is serious, a fine ranging from 30% of the amount of evaded foreign exchange to the equivalent value shall be imposed; where the case constitutes a criminal offense, criminal liability shall be pursued in accordance with the law. In addition, we may not at all times be fully aware of the identities of all of our Shareholders and beneficial owners who are Chinese Residents, and we may not always be able to timely compel our Shareholders to comply with the requirements of SAFE Circular 37.

We are subject to the currency exchange regulatory system.

In the PRC, the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC are subject to PRC foreign exchange regulations. Under 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 approval of SAFE, by complying with certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiaries in China may be used to pay dividends to our Company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currencies and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use cash generated from the operations of our PRC subsidiaries to pay off their respective debt in a currency other than Renminbi owed to entities outside of the PRC, or to make other capital expenditure payments outside mainland China in a currency other than Renminbi. If we fail to meet the regulatory requirements for the currency conversion, we may not be able to pay dividends in foreign currencies to our Shareholders, including holders of our Ordinary Shares. As a result, the funds in our PRC subsidiaries in the PRC may not be available to fund operations or for other use outside of the PRC due to interventions in, or the imposition of restrictions and limitations on, the ability of our holding company, our subsidiaries by the PRC government on currency conversion.

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

In China, the PRC Enterprise Income Tax Law imposes a tax rate of 25% on PRC resident business enterprises. Some of our subsidiaries are entitled to preferential tax treatment. For example, certain of our subsidiaries in the PRC were approved as high-tech enterprises, and they were subject to a preferential corporate income tax rate of 15% during the Track Record Period. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the PRC authorities may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with the tax laws and regulations in the PRC may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations and tax penalties or fines in the PRC could affect our businesses, financial condition and results of operations.

We also operate in countries and regions overseas and are subject to various taxes. Due to the fact that the tax environment and legal framework can vary significantly across jurisdictions and that regulations regarding various taxes, including but not limited to corporate income tax and import duties, are highly complex, our overseas operations and expansion may expose us to risks associated with overseas tax laws, regulations and policies. Additionally, as we sell our products to various non-domestic markets, the intricacies of import duty regulations can lead to disputes when exporting products, as interpretations and applications of such rules may differ between countries. In such cases, we will be subject to fines or other penalties, which may not always have merit. Due to economic and political conditions, tax rates in various jurisdictions may be subject to significant change. Our effective tax rates could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities, or changes in tax laws or their interpretation. Dealing with such regulatory complexities and changes may require us to divert more managerial and financial resources, which in turn could affect our results of operations.

We are also subject to the examination of our tax returns and other tax matters by local and overseas tax authorities and governmental bodies. We regularly assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. If our effective tax rates were to increase, or if the ultimate determination of our taxes owed is for an amount in excess of the amounts previously accrued, our financial condition, operating results and cash flows could be adversely affected.

Discontinuation of any government grants or preferential tax treatments could affect our business, financial condition and results of operations.

The provision for corporate income tax in the PRC is based on the statutory rate of 25% of the taxable profits determined in accordance with the PRC Enterprise Income Tax Law. Our PRC subsidiaries are qualified as high-tech enterprise and were entitled to a preferential income tax rate of 15% during the Track Record Period. See "Financial Information — Description of Major Components of Our Results of

Operations — Income Tax Expenses" for details. We cannot assure you that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that our PRC subsidiaries will be able to renew the same preferential tax treatments upon expiration. If any such change, cancelation or discontinuation of preferential tax treatment occurs, the relevant PRC subsidiaries will be subject to the PRC enterprise income tax at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

On February 3, 2015, the State Taxation Administration issued a Public Notice Regarding Certain Enterprise Income Tax Matters on Indirect Transfer of Properties by Non-resident Enterprises (《國家稅務總局關于非居民企業間接轉讓財產企業所得稅若干問題的公告》), ("**STA Public Notice 7**"). Using a "substance over form" principle, the PRC tax authority may disregard the existence of the offshore holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from the transfer of properties and assets (including equity interests) of a PRC resident enterprise indirectly held by a non-PRC residential enterprise may be subject to enterprise income tax in China, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold applicable taxes currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties as to the reporting and other implications of past and future private equity transactions, share exchange or other transactions involving transfer of shares in our Company by investors that are non-PRC resident enterprises, or our sale or purchase of shares in other non-PRC resident companies or other taxable assets. Our Company may be subject to filing obligations or taxed if our Company is transferor in such transactions, and may be subject to withholding obligations if our Company is transferee in such transactions, under STA Public Notice 7. For transfer of shares in our Company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under STA Public Notice 7. As a result, we may be required to expend valuable resources to comply with STA Public Notice 7 or to request the transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Payment of dividends is subject to restrictions under PRC laws.

Under PRC laws, dividends may be paid only out of distributable profit, for which the PRC laws do not specify the applicable accounting principles. Distributable profit is our profit as determined under the PRC Generally Accepted Accounting Principles ("**PRC GAAP**") or IFRS Accounting Standards, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. We may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entities in China may further set aside a portion of its after-tax profits to fund the employee welfare fund and for other purposes at the discretion of its board of directors.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS Accounting Standards in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS Accounting Standards, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

It is unclear whether we will be considered a PRC "resident enterprise" under the PRC Enterprise Income Tax Law and, depending on the determination of our PRC "resident enterprise" status, our global income may be subject to the 25% PRC enterprise income tax, which could materially and adversely affect our results of operations.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), which came into effect in January 2008 and was amended on February 24, 2017 and December 29, 2018, and its implementation rules, an enterprise established outside of China with a "de facto management body" within China is considered a PRC resident enterprise and will be subject to enterprise income tax at the rate of 25% on its global income. The implementation rules of the PRC Enterprise Income Tax Law define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, and properties, among others, of an enterprise."

On April 22, 2009, the State Taxation Administration issued the Notice Regarding the Determination of Chinese-controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關于境外注冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) ("**STA Circular 82**"), which was partially amended by Announcement on Issues concerning the Determination of Resident Enterprises Based on the Standards of Actual Management Institutions (《關于依據實際管理機構標準實施居民企業認定有關問題的公告》) issued by the State Taxation Administration on January 29, 2014, and further partially amended by Decision on Issuing the Lists of Invalid and Abolished Tax Departmental Rules and Taxation Normative Documents (《國家稅務總局關于公布失效廢止的稅務部門規章和稅收規範性文件目錄的决定》) issued by the State Taxation Administration on December 29, 2017. STA Circular 82, as amended, provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Further, STA Circular 82 states that certain Chinese-controlled enterprises will be classified as "resident enterprises" if the following are located or resident in China: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights.

In addition, the State Taxation Administration issued the Bulletin on Promulgation of the Administrative Measures for Income Tax of Chinese-controlled Offshore-incorporated Resident Enterprises (Trial Implementation) (《境外注冊中資控股居民企業所得稅管理辦法(試行)》) on July 27, 2011, effective from September 1, 2011 and partially amended on April 17, 2015, June 28, 2016, and June 15, 2018, ("**STA Bulletin 45**"), providing more guidance on the implementation of STA Circular 82. STA Bulletin 45 clarifies matters including resident status determination, post-determination administration and competent tax authorities. See "Regulations — Material Laws and Regulations Relevant to Our Business Operations in the PRC — Regulations Relating to Tax — Enterprise Income Law."

Although both STA Circular 82 and STA Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the determining criteria set forth in STA Circular 82 and STA Bulletin 45 may reflect the general position of State Taxation Administration on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals.

In addition to the uncertainty regarding how the new resident enterprise classification may apply, it is also possible that the rules may change in the future, possibly with retroactive effect. Although we do not believe that our legal entities organized outside of China constitute PRC resident enterprises, it is possible that the PRC tax authorities could reach a different conclusion. In such case, we may be considered a PRC resident enterprise and may therefore be subject to enterprise income tax at 25% on our global income as well as PRC enterprise income tax reporting obligations. If we are considered a PRC resident enterprise and earn income, a 25% enterprise income tax on our global income could significantly increase our tax burden and materially and adversely affect our cash flow and profitability.

Dividends or interest payable to our foreign investors and gains on the sale of our Shares by our foreign investors may become subject to taxes under PRC tax laws.

Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends or interest payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China or which have such establishment or place of business but the dividends or interest are not effectively connected with such establishment or place of business, to the extent such dividends or interest are derived from sources within China. Similarly, any gain realized on the transfer of Ordinary Shares by such investors is also subject to PRC tax at a rate of 10%, subject to any reduction or exemption set forth in the tax treaties, if such gain is regarded as PRC-sourced income. If we are deemed a PRC resident enterprise, dividends or interest paid on our Ordinary Shares, and any gain realized from the transfer of our Ordinary Shares, would be treated as PRC-sourced income and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends or interest payable to investors that are non-PRC individual investors and any gain realized on the transfer of Ordinary Shares by investors may be subject to PRC tax at a rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties. It is unclear whether, if we are considered a PRC resident enterprise, holders of our Ordinary Shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends or interest payable to our non-PRC investors, or gains from the transfer of our Ordinary Shares by such investors are subject to PRC tax, the value of your investment in our Ordinary Shares may be adversely affected.

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

In December 2006, the People's Bank of China promulgated the Administrative Measures for Individuals Foreign Exchange (《個人外匯管理辦法》), which set forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account. In January 2007, SAFE issued the Detailed Rules on the Implementation of the Administrative Measures for Individuals Foreign Exchange (《個人外匯管理辦法實施細則》), which, among other things, specified approval requirements for certain capital account transactions such as a PRC citizen's participation in the employee stock ownership plans or stock option plans of an overseas publicly-listed company. In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-listed Companies (《國家外匯管理局關于境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Under these rules, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct registration with SAFE and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfer. In addition, the PRC agent is required to amend registration with SAFE with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who participate in the employee stock incentive plans, which we adopted, shall be subject to these regulations. If we or our PRC option grantees fail to comply with these regulations, we or our PRC option grantees may be subject to fines and other legal or administrative sanctions.

Laws and regulations regarding PRC cybersecurity, data security laws and personal information protection are subject to rapid and evolving changes. Any failure or perceived failure to comply with such laws and regulations could materially and adversely affect our business, financial condition, reputation and results of operations.

On December 28, 2021, the Cyberspace Administration of China ("**CAC**"), the NDRC, the Ministry of Industry and Information Technology of the PRC ("**MIIT**"), and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》, the "**Cybersecurity Review Measures**"), effective on February 15, 2022, which provides that entities meeting certain standards shall be subject to a cybersecurity review.

On October 22, 2025, we and our PRC Data Compliance Legal Adviser conducted a consultation through telephone on a namely basis with the China Cybersecurity Review, Certification and Market Regulation Big Data Center (中國網絡安全審查認證和市場監管大數據中心) (the "**CCRC**"), which is delegated by the CAC to accept applications for cybersecurity review and therefore the competent organization for such consultation. During the consultation, the staff of CCRC confirmed that a listing in Hong Kong does not fall within the scope of the term of "listing abroad (國外上市)" under the Cybersecurity Review Measures. Given that (i) CCRC has confirmed that listing in Hong Kong does not constitute a listing abroad; (ii) as of the Latest Practicable Date, we have not received any official notification from relevant regulatory authorities designating our network facilities and information systems as Critical Information Infrastructure ("**CII**"), and therefore we are not deemed as a CII operator; and (iii) as of the Latest Practicable Date, we had not received any notice that we are required to conduct a cybersecurity review or our data processing activity affects or may affect national security, therefore, our PRC Data Compliance Legal Adviser is of the view that as of the Latest Practicable Date, we were not required to file cybersecurity review under the Measures for Cybersecurity Review for our proposed **[REDACTED]**.

Although we are not obliged to apply for a cybersecurity review pursuant to the Cybersecurity Review Measures with respect to our proposed **[REDACTED]**, since the interpretation and implementation of these laws and regulations with respect to the cybersecurity review keep evolving, therefore, we cannot assure you that there will not be any additional regulatory requirements regarding the cybersecurity review relating to the new laws and regulations.

Further, the Measures on Security Assessment of Cross-border Data Transfer (《數據出境安全評估辦法》), promulgated on July 7, 2022 and effective since September 1, 2022, the Provisions on Promoting and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》), promulgated and effective on March 22, 2024, have provided that the transfer of personal information and important data by data handler meeting certain volume thresholds or other standards as provided therein shall apply for security assessment, file with a standard contract for cross-border data transfer or obtain a personal information protection certification. As of the Latest Practicable Date, we had not conducted any cross-border data transferring of personal information or important data. As our business continues to grow, there may be circumstances where we engage in such cross-border data transfers. In such case, in order to satisfy the legal and regulatory requirements, we may need to comply with the foregoing requirements as well as any other limitations under PRC laws then applicable. Complying with these laws and requirements could cause us to incur substantial expenses or require us to alter or change our practices in ways that could adversely affect our business.

In recent years, cybersecurity, data security and personal information protection has become an increasing regulatory focus of government authorities across the world. The PRC government has enacted a series of laws, regulations and governmental policies for the protection of cybersecurity, data security and personal information protection in the past few years. The regulatory developments relevant to cybersecurity, data security and personal information protection could generally impact the data collection, use, storage and other data processing activities conducted by the enterprises in technology industry, including us. We have adopted various measures to ensure legal compliance. See "Business — Data Privacy and Security" for more information. However, the laws and regulations regarding cybersecurity, data security and personal information protection in China are generally complex and evolving, with uncertainty as to the interpretation and application thereof, which may lead to uncertainty about the scope of our responsibility in this regard. As such, we cannot assure you that our cybersecurity, data security and personal information protection measures are, and will be, always considered sufficient under applicable laws and regulations. Additionally, the effectiveness of our protection measures is also subject to system failure, interruption, inadequacy, security breaches or cyberattacks. If we are unable to comply with the then-applicable laws and regulations, or to address any cybersecurity, data security and personal information protection concerns, such actual or alleged failure could damage our reputation, deter current and potential users from using our solutions and could subject us to significant legal, financial and operational consequences.

We expect that there will continue to be new proposed laws and regulations concerning cybersecurity, data security and personal information protection, and we cannot yet determine the impact such future laws, regulations and standards may have on our business. If we cannot meet relevant requirements under the evolving applicable laws or regulations relating to cybersecurity, data security and personal information protection, or any compromise of security that results in unauthorized access, use or leakage of personal information of our customers, suppliers and other business partners, we could face damage in our reputation or other negative consequences, such as investigations, fines, or suspension of our business, any of which could materially and adversely affect our business, financial condition and results of operations. In addition, complying with various laws and regulations on cybersecurity, data security and personal information protection could cause us to incur additional costs or require us to change our business practices, including our data practices, which may significantly distract our management's attention and adversely affect our business.

The enforcement of PRC Labor Contract Law and other labor related regulations may affect our business, financial condition and results of operations.

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and its implementation rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, overtime working hours limitations, determining the term of employees' probation and unilaterally terminating labor contracts. The Labor Contract Law of the PRC and its implementation rules may limit our ability to terminate employments or to make other labor adjustments at will. During the Track Record Period, we engaged third-party employment agencies to dispatch contract workers. On December 28, 2012, the Labor Contract Law of the PRC was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) promulgated by the Ministry of Human Resources and Social Security on January 24, 2014, which became effective on March 1, 2014, the number of dispatched contract workers hired by an employer shall not exceed 10% of the total number of its employees (including both directly hired employees and dispatched contract workers). If we are deemed to have violated relevant labor-related laws and regulations, we could be required to provide additional compensation to our employees and may be subject to administrative penalties, and our business, financial condition and results of operations could be adversely affected.

[REDACTED]

[REDACTED]