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

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the [**REDACTED**] *price of the H Shares could decline and you may lose all or part of your* [**REDACTED**]. *This document also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including the risks described below. You should seek professional advice from your relevant advisors regarding your prospective* [**REDACTED**] *in the context of your particular circumstances.*

RISKS RELATING TO OUR BUSINESS

We face intense competition and may face increased competitive pressure in the future. If we fail to compete effectively, our business, revenue growth and results of operations may be materially and adversely affected.

According to CIC, the overall IC industry is expected to grow at a CAGR of 15.1% from 2025 to 2030, driven by demand from automotive and industrial applications. However, there can be no assurance that the industry will continue to expand at the expected rate. If industry growth slows or turns negative, competition may intensify and demand for certain products may decline, which could reduce the revenue and profitability of industry participants, including us.

Against this backdrop, we operate in highly competitive markets. In our custom silicon solution service, we compete with a large number of companies that provide similar design, integration and engineering services. In our IP licensing service, we compete with other providers of IP who design and license their own technologies, including digital signal processing IP and video processing IP. We expect competitive pressures in each of these areas to continue and potentially intensify.

Many of our existing and potential competitors have longer operating histories, more established customer bases and significantly greater financial, sales and marketing, manufacturing and other resources than we do. As a result, they may be able to respond more quickly to changes in customer requirements and industry trends, to devote greater resources to the development, promotion and sale of competing services and to offer more comprehensive services than we can. Our competitors may also develop and introduce new technologies that have lower prices, provide superior performance or functionality or achieve greater market acceptance than our services.

If we are unable to maintain or enhance the competitiveness of our services, respond effectively to technological changes or pricing pressure, or otherwise compete successfully, our revenue growth, financial condition and results of operations could be materially and adversely affected.

Demand for our services primarily depends on trends in the semiconductor industry, which are affected by rapid technological changes and demands of our clients and end customers.

The IC industry is characterized by rapid technological changes, frequent product upgrades and evolving industry standards. As semiconductor process technologies continue to migrate toward more advanced process nodes, market participants must continuously upgrade their technologies to address more complex performance requirements. In addition, downstream demand in the industry is subject to frequent changes, further increasing the need for timely innovation and adaptation. Industry cycles that affect our customers may impact their demand for our services and affect our results of operations.

Our ability to maintain the competitiveness of our services depends on our capability to anticipate and respond to such technological developments and market trends. However, R&D activities involve inherent uncertainties and there can be no assurance that we will be able to successfully develop and commercialize new technologies or that our existing technologies will remain competitive. If we fail to keep pace with technological advancements or if our services do not meet evolving customer requirements, demand for our products and services may decrease.

We rely on our relationships with industry participants, and any inability to develop or maintain such relationships may adversely affect our competitiveness.

We develop custom silicon solution service for use in systems driven by industry participants, particularly in the consumer electronics, automotive electronics, computers and our custom silicon design peripherals, industrial, data processing and IoT sectors. We frequently incorporate certain technologies or IP from such industry leaders. Our relationships with these participants are important to the performance, completeness and competitive value of our custom silicon solution service.

If our relationships with these industry participants were to deteriorate, or if we are unable to establish or maintain new relationships, our business, financial condition and results of operations may be materially and adversely affected. In addition, these relationships, including licenses to applicable IP, may not continue and we may not be able to obtain new or replacement relationships or licenses in the future on commercially reasonable terms.

Our revenue may be subject to pricing pressure, customer concentration and service lifecycle dynamics and may therefore be lower than expected.

Our revenue from custom silicon solution services and IP licensing service may fluctuate significantly from period to period depending on, among other factors, the number, size and timing of agreements executed and project engagements obtained during a financial quarter. Such revenue is inherently difficult to predict. Our ability to increase revenue from these businesses will depend on a number of factors, including the performance, quality, breadth and competitiveness of our IP portfolio and custom silicon capabilities, as well as the effectiveness of our sales and marketing efforts.

Furthermore, our customers often have significant bargaining power in negotiations with us. They may seek to negotiate lower pricing or more favorable commercial terms for both our custom silicon solution service and IP licensing service. Our competitors may also offer lower pricing or more favorable licensing or service terms for comparable technologies or services in order to gain market share, which may require us to lower our pricing or otherwise accept less favorable commercial terms.

As a result of the foregoing factors, as well as other uncertainties that may arise in the future, the pricing and IP royalties rates we are able to obtain and the revenue we generate from our custom silicon solution services and IP licensing service may be lower than we currently anticipate, which could materially and adversely affect our business, financial condition and results of operations.

We are subject to risk in relation to concentration of customers and risks related to customers' demand and their performance of contractual obligations.

We derive a significant portion of our revenue from our top five customers. In 2023, 2024 and 2025, revenue from our five largest customers in aggregate amounted for 46.7%, 44.6% and 45.6% of our total revenue for each respective year. See "Business — Sales and Marketing — Our Customers."

We operate in industries where market players typically have a high concentration of customers. We cannot assure you that our major customers will not change their business scope or model, suspend their operations, or encounter operating or financial difficulties. In particular, our customers may delay or default on payments due to us as a result of, among other things, decreased sales of their products, and we may not be able to collect all, or any, of our trade receivables after meeting agreed project milestones, and may need to write off these assets. Industry cycles that affect our customers may impact their demand for our services and affect our results of operations. Any material adverse change in the business, operations or financial condition of our major customers may in turn have a material adverse effect on us. There is no assurance that we will be able to maintain a good relation with our major customers, or that our major customers will continue to have high demands for our services. Under the aforementioned circumstances, unless we are able to identify suitable new customers within a reasonable period of time, our business, financial condition and results of operation may be adversely affected.

Furthermore, our order backlog data is based on customer orders and the payment terms of the relevant contracts, and expectations on the conversion of the backlog into revenue are based on customers paying us based on these terms. To the extent customers default on or delay payments, or we are unable to achieve the agreed project milestones, our conversion rates for our backlog would be negatively affected, which could cause our results of operations to be adversely affected.

Our operations in overseas markets expose us to uncertainties in understanding and adapting to local markets, which may adversely affect our business, financial condition and results of operations.

We have established a presence in multiple overseas markets, including the United States, Europe, Japan, Vietnam and Korea, and we have been actively expanding our international business. In 2023, 2024 and 2025, our revenue derived from overseas markets amounted to RMB531.3 million, RMB869.1 million and RMB1,025.0 million, representing 22.8%, 37.5% and 32.6% of our total revenue, respectively. As a result, our business, financial condition and results of operations are increasingly exposed to risks associated with international operations.

Our overseas operations are subject to a wide range of uncertainties and risks arising from differences in legal and regulatory regimes, political and economic conditions and legal systems across jurisdictions. In addition, geopolitical tensions, trade restrictions, tariffs or other protectionist measures may adversely affect our cross-border operations, supply chain and customer demand. See " — We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions." and " — We face risks in relation to inability to obtain and maintain the approvals, licenses and permits required for our operations."

We are also exposed to risks relating to IP protection in overseas markets. The level of protection and enforcement of intellectual property rights varies across jurisdictions and any failure to adequately protect our proprietary technologies, or any infringement or misappropriation of our intellectual property, may harm our competitive position.

Operating and expanding overseas also exposes us to operational and financial risks, including complex legal and regulatory environment, changes in overseas market conditions, challenges in recruiting and retaining qualified personnel in overseas markets, ensuring consistent service quality and internal controls across jurisdictions and exposure to fluctuations in foreign exchange rates and overseas tax risks.

We invest significant resources in research and development and rely on our ability to attract, train and retain qualified R&D personnel, and any failure in these areas may materially and adversely affect our business, financial condition and results of operations.

The IC industry is characterized by continuous technological developments and innovation to address increasingly complex and diverse market needs. In 2023, 2024 and 2025, our R&D expenses amounted to RMB947.2 million, RMB1,247.3 million and RMB1,312.7 million respectively, accounting for 40.7%, 53.8% and 41.7% of our total revenue, in these respective years. However, we cannot assure you that our R&D efforts will be successful, or that we will be able to commercialize the technologies we develop or roll out new services in a timely manner, or at all.

Our ability to carry out effective R&D activities and execute our business strategy also depends on our ability to attract, train and retain qualified technical personnel. Competition for experienced R&D personnel in the IC industry is intense, and if our compensation packages and incentive mechanisms are not competitive, or if we fail to effectively implement our talent management, human resources policies or internal promotion systems, we may not be able to attract or retain qualified personnel. In addition, the loss of key technical personnel could disrupt our R&D activities and delay project execution.

If we are unable to achieve our anticipated R&D outcomes, recover our R&D investments through successful commercialization, or maintain a stable and qualified R&D team, our business, financial condition and results of operations may be materially and adversely affected.

Our custom silicon design services involve long development cycles and technical uncertainties, which may adversely affect our results of operations.

Our custom silicon design solutions are generally characterized by high technical complexity and relatively long development cycles. The successful completion of these projects is subject to various uncertainties, including whether the design can achieve the expected performance, whether wafer fabrication processes are successful, and whether customer requirements or market demand remain stable throughout the development period. As a result, our projects may be exposed to risks such as design failure, unsuccessful tape out, or changes in customer research direction or market conditions.

In addition, due to the customized nature of our design services, we typically enter into service contracts with customers based on specific project requirements. If a project fails to meet the expected technical performance or if there are changes in customer requirements or market demand, our customers may delay payments or terminate the relevant contracts earlier than expected. In such circumstances, we may not be able to recover our development costs in a timely manner, or at all, which could have a material adverse effect on our results of operations; in addition, our conversion rate for our backlog would be negatively affected.

Our historical financial performance may not be indicative of our future results. We may not be able to improve our operating results.

Our revenue increased by 35.9% from RMB2,317.0 million in 2024 to RMB3,148.4 million in 2025. Our historical financial performance, including revenue growth, may not be indicative our future results. Our ability to sustain our historical growth rate and improve our operating results depends on a number of factors, including macroeconomic conditions, industry trends, the level of competition, the stability and pricing of raw material supply, demand from downstream markets and our ability to maintain stable relationships with our key customers and suppliers.

In addition, our gross margin may fluctuate from time to time due to a number of factors, including changes in our service mix, pricing pressure, variations in costs of raw materials and services, the level of competition and our ability to accurately anticipate market demand and technological developments. As the industry continues to evolve and competition intensifies, we are required to continuously upgrade our technologies and enhance our capabilities. If we fail to respond effectively to such changes, our revenue growth may slow or our operating results may decline, which could adversely affect our business, financial condition and results of operations.

Furthermore, we incurred net losses during the Track Record Period. Our loss for the year amounted RMB296.5 million, RMB600.9 million and RMB527.8 million in 2023, 2024 and 2025 respectively. If we do not successfully manage our growth, our ability to increase our revenue and achieve or sustain profitability could be adversely affected. We plan to achieve our business growth by leveraging the economies of scale inherent to the SiPaaS model primarily through scalable custom silicon solution services and scalable IP licensing. There is no assurance that we will be able to implement our growth strategies successfully. If we fail to achieve or sustain profitability, our liquidity and financial condition would be materially and adversely affected.

We rely on third-party foundries and OSAT partners, and any capacity constraints, pricing pressure, supply disruption or manufacturing issues at these vendors could materially and adversely affect our business, financial condition and results of operations.

The manufacturing, packaging and testing of the semiconductor products under our turnkey service are conducted by to third-party wafer foundries and OSAT partners. During periods of constrained capacity, our vendors may reduce supply, delay deliveries or increase prices, which may adversely affect our costs and ability to meet customer demand.

If we are unable to obtain sufficient capacity from our existing vendors on commercially acceptable terms, we may not be able to secure alternative sources in a timely manner, including because of the limited number of vendors able to supply these services. Transitioning to new vendors is complex and time-consuming and may require customer requalification, which could result in delays in delivery and loss of revenue. In addition, our suppliers may from time to time tighten commercial terms, including shortening payment periods, which may adversely affect our cash flow.

We also rely on foundries for manufacturing quality and yield. Wafer fabrication is complex and subject to defects and yield fluctuations. If actual yields are lower than expected or do not improve as anticipated, our production costs may increase and our margins may be adversely affected. Manufacturing defects or quality issues may also lead to delays, additional costs and potential customer claims, and may harm our reputation and customer relationships. If any of the foregoing occurs, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to adequately protect our IP rights, which could materially and adversely affect our business, financial condition, and results of operations.

Our business success is reliant on our ability to develop, obtain and maintain adequate protection for our IP. This includes patents, copyrights, trademarks and trade secrets in various jurisdictions where we operate. For a description of our principal IP protection measures, see "Business — Intellectual Property." The process of seeking patent protection is inherently complex, time-consuming and costly, and there is no guarantee that patent applications currently pending or filed in the future will result in the issuance of patents with the desired scope of coverage or at all. We may also be subject to opposition, invalidation, or re-examination proceedings before various national and international patent offices and courts, which could require substantial financial and management resources.

Effective protection of our IP rights may be unavailable, limited or not applied for in certain countries or jurisdictions. Some of our services and technologies are not covered by any patent or patent application, as we do not believe patent protection of these technologies is critical to our business strategy at this time. A failure to timely seek patent protection on technologies generally precludes us from seeking future patent protection for them. We cannot assure you that (i) any of our present or future patents or patent claims will not lapse, be invalidated, circumvented, challenged or abandoned; (ii) our IP rights will provide us with a sustainable competitive advantage; (iii) our ability to assert our IP rights against potential competitors or to settle current or future disputes will not be limited by agreements with third parties; (iv) any of our pending or future patent applications will be issued or achieve the coverage originally sought; (v) our IP rights will be effectively enforced in jurisdictions where competition may be intense or where the legal protection for IP may be less robust; (vi) any of the trademarks, copyrights, trade secrets or other IP rights that we currently employ will not lapse, be invalidated, circumvented, challenged or abandoned; (vii) we will not lose the ability to assert our IP rights against or to license our technology to others and collect IP royalties or other payments; or (viii) our trademarks, copyrights, trade secrets and other IP rights will be of sufficient scope or strength to provide meaningful IP protection or any material commercial advantage to us.

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

Our international operation requires us to seek protection of our intellectual property in various jurisdictions including Chinese mainland, the United States and other countries or regions. The issuance, scope, validity and enforceability of our patents and other intellectual property rights are uncertain and differ in different jurisdiction. Competitors may use our technologies in jurisdictions in which we have not obtained sufficient intellectual property protection and may subsequently export otherwise infringing solutions to territories where we have intellectual property protection. Furthermore, there can be no assurance that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may expect to expand our business. Proceedings to enforce our patent rights in different jurisdictions could result in substantial costs and divert our efforts and attention.

Monitoring unauthorized use of our IP is inherently difficult and costly. Any failure to effectively identify and deter unauthorized use, or otherwise adequately protect our IP, would materially and adversely affect our business, financial condition, and results of operations.

We rely on third-party semiconductor IP and EDA tool licensing, any disruption may adversely affect our business.

Semiconductor IP refers to pre-verified, reusable IC modules with specific functions, while electronic design automation ("**EDA**") tools refers to software tools essential for chip design and development. We license certain IP from third parties, some of which is important to our business and forms a key part of our IP portfolio. In the course of our operations and R&D activities, we rely on licenses of semiconductor IP and EDA tools from third-party suppliers to support our custom silicon solution service.

Our ability to conduct R&D activities and deliver our services is dependent on our continued access to such third-party technologies. If we are unable to renew existing licenses or if there is any termination or renewal limitation of a third-party IP license that is material to us. or obtain necessary licenses from these suppliers on commercially reasonable terms, or at all, our services development and project execution may be adversely affected.

In addition, our access to such third-party technologies may be affected by factors beyond our control, including changes in international political or economic conditions, regulatory restrictions or other force majeure events. If our key suppliers cease to provide us with the required licenses or if there are disruptions in our access to such technologies, our operations and R&D activities may be materially disrupted, which could have a material adverse effect on our business, prospects and results of operations.

Claims of IP infringement could be costly, divert management attention, harm our reputation and business relationships and materially and adversely affect our business, financial condition and results of operations.

Our SiPaaS business model is characterized by extensive patent and other IP portfolios, with companies frequently and vigorously pursuing, protecting and enforcing their IP rights. We and our customers may, from time to time, face assertions by third parties alleging infringement of their patents and other IP rights related to technologies crucial to our business. Furthermore, we may receive notifications from our customers or licensees asserting that we have indemnification or other obligations arising from infringement claims made against them by third parties. We may in the future be involved in legal proceedings or claims pertaining to alleged patent infringement, other IP rights, contractual disputes and other matters.

Irrespective of their merit or eventual resolution, claims alleging that our solutions or technologies infringe third-party IP rights could be costly to defend or settle and would likely divert significant effort and attention from our management and technical personnel. Such infringement claims could also negatively impact our relationships with our existing customers and deter prospective customers from engaging in business with us.

If any pending or future proceedings result in an adverse outcome, we could be required to (i) cease the the disputed services, processes or technology; (ii) pay substantial damages for infringement, including pursuant to indemnification commitments made to our customers; (iii) expend significant resources to develop non-infringing services, processes or technology, which may not be successful; (iv) license technology from the third party claiming infringement, which license may not be available on commercially reasonable terms, or at all; (v) cross-license our technology to a competitor to resolve an infringement claim, which could weaken our ability to compete with that competitor; or (vi) pay substantial damages to our customers or end users to discontinue their use of or to replace infringing technology sold to them with non-infringing technology, if available.

Any of the foregoing potential outcomes could individually or in combination have a material adverse effect on our business, financial condition, and results of operations. Moreover, any assertion of IP rights by a third party against us could precipitate litigation against our customers, for which we may be bound to indemnify them under the terms of our license agreements. Any litigation targeting our customers could severely disrupt or impede their development, marketing, and sales of products incorporating our services, thereby damaging our commercial relationships and further compounding the material adverse effect on our business, financial condition, and results of operations.

Our services and third-party vendors are subject to customer qualification processes.

Our customers may require our services and our third-party vendors to undergo extensive qualification processes before our services are adopted in their systems. Such qualification generally includes functional testing of our services together with our customers' integrated circuits or systems, as well as reliability and other performance testing.

If we encounter difficulties in qualifying the third-party vendors that we select for our turnkey service or if we experience delays or failures in qualifying our services with our customers, the commencement of sales to such customers may be delayed, reduced or, in some cases, precluded. Even where our services are successfully qualified, our customers may still need to qualify other components sourced for their systems and to qualify their end products with their own customers.

There can be no assurance that we, our third-party vendors or our customers will complete all required qualification processes in a timely manner. Any failure or delay in the qualification of our services, our selected vendors, the other components used by our customers, or our customers' systems as a whole could delay or prevent sales of our services to such customers, impede our ability to secure design wins and ramp up new projects, and as a result could materially and adversely affect our business, growth prospects, financial condition and results of operations.

Issues with the quality of our services may cause us to incur significant warranty and redesign expenses, which may damage our market reputation, decrease our sales or reduce our market share.

The quality of our services is critical to our business and to maintaining long-term customer relationships, as our customers often apply stringent qualification and reliability standards to our deliverables. We rely on third parties for certain testing and validation processes, and our review and testing procedures cannot eliminate all design or process defects. In addition, the quality of our services may be affected by execution-related factors, or defects in our design, specification or validation processes, as well as other factors beyond our control, such as how customers use our deliverables, variations in customers' own process conditions or quality issues in components or tools supplied by third parties.

If our services do not meet customers' quality standards, we may be required to re-perform or redesign part of our deliverables, which could result in significant additional engineering and testing expenses and delay customers' production schedules. We could also be subject to claims, warranty obligations, service credits or legal proceedings. Such issues may lead to customer dissatisfaction, negatively affect our relationships with existing customers, hinder repeat orders and referrals and reduce our share at key accounts, which could materially and adversely affect our sales, market position, business, financial condition and results of operations.

The utilization of open source software in our services may expose us to additional risks and could compromise our proprietary IP.

Certain IP within our IP portfolio incorporates and utilizes software subject to open source licenses. Open source software is typically freely accessible, usable and modifiable. Some open source software licenses stipulate that a user who distributes the open source software as a component of their own software is required to publicly disclose all or part of the source code of such user's software. This could potentially subject previously proprietary software to the terms of an open source license. Additionally, if a third-party software provider has integrated certain types of open source software into software that we license from them, we could, under certain circumstances, be mandated to disclose the source code to our own intellectual property. Any such mandated disclosure could materially and adversely affect our intellectual property position, business, results of operations and financial condition.

We depend on the increased acceptance of custom silicon solution and semiconductor IP licensing services in various verticals to grow our business and increase our revenue.

Our business strategy depends in large part on the continued growth of the various verticals into which we sell our semiconductor solutions. See "Summary — Summary of Historical Financial Information" for the breakdown of our revenue by end application during the Track Record Period. If these verticals do not grow and develop as we anticipate, or our customers fail to market and sell their products as they anticipate in these verticals, we may be unable to sustain or grow the sales of our solutions.

The seasonal and cyclical nature of the growth of the verticals for our solutions could also adversely affect the demand for our solutions and our ability to accurately forecast market demand. In addition, our business and financial condition may be adversely affected if certain new verticals do not emerge or develop as expected.

Our sales may be influenced by seasonality.

Our results of operations are affected by seasonal fluctuations in the demand across the end markets of our customers, which in turn influence their demand for our services. Revenue in the second half of each year is typically higher than the first half, largely reflecting increased demand from certain customers in connection with year-end holiday sales, in particular customers in the consumer electronics sector. Accordingly, various aspects of our operations, including sales, working capital and operating cash flows, are exposed to the risks associated with seasonal fluctuations in the demand for our services, and our quarterly or half year results may not reflect our full year results.

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

We are exposed to the risk of non-compliance or improper conduct by our business partners or other third parties. Our business partners, as well as other third parties who entered into business relationships with us, may also be subject to regulatory penalties or punishments because of their regulatory non-compliance, which may, directly or indirectly, disrupt our business. We cannot assure you that such irregularities or non-compliance will be corrected in a prompt and proper manner, or at all. If any governmental investigations, lawsuits or other actions are instituted against us as a result of the actual or alleged illegal or improper activities by our business partners or other third parties involved in our business, those actions could adversely affect our business and reputation.

We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions.

We operate within a global supply chain, and our services are sold globally as part of various end products. As such, we face risks associated with export and import controls, tariffs, economic sanctions and other trade protection measures.

Recent trade tensions, such as the ongoing U.S.-China trade disputes, have led to broader and substantially higher tariffs, export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. Regarding tariffs, in February 2025, the United States imposed a 20% tariff on certain categories of Chinese goods (the "**Fentanyl Tariff**"). Subsequently, on April 2, 2025, the United States imposed a 10% baseline tariff on all imports from its trading partners, along with additional country-specific tariffs for various countries, as adjusted from time to time (the "**Reciprocal Tariff**"). Both Fentanyl Tariff and Reciprocal Tariff were imposed under the International Economic Emergency Powers Act ("**IEEPA**"). These actions led to a series of retaliatory measures by other countries, including China, and further countermeasures by the United States. After a brief escalation of tariffs on Chinese goods to a baseline of 145% in April and May 2025, the parties agreed to suspend heightened tariffs as negotiations continued. On November 4, 2025, the President of the United States issued executive orders that, among other things, reduced the Fentanyl Tariff from 20% to 10%, effective November 10, 2025, and continued the suspension of heightened China-specific Reciprocal Tariff rates through November 10, 2026, thereby maintaining the 10% Reciprocal Tariff baseline on imports from China during that period. On February 20, 2026, the U.S. Supreme Court ruled that the President lacked authority to impose tariffs under IEEPA. As a result of this ruling, the Fentanyl Tariff and the Reciprocal Tariff imposed on goods imported from China are thus *void ab initio*, and the Group's goods imported into the U.S. are no longer subject to IEEPA tariffs. The Trump Administration replaced the IEEPA tariffs with a 10% tariff under Section 122 of the Trade Act, effective February 24, 2026 for a period of no more than 150 days. The Trump Administration may seek to impose additional tariffs under other statutory authorities, including Section 301 of the Trade Act, when the Section 122 tariffs lapse after 150 days. The United States and China are engaged in ongoing trade discussions, but there is no assurance that the higher tariffs will be suspended further or that a long-term agreement will be reached, and there is no assurance that the U.S. tariff policy will remain in its current form.

International tariff policies are rapidly evolving, and the final outcome, including whether the tariff level can be implemented as proposed, is highly uncertain. Any additional tariff may increase the price of our end products exported to the U.S. market and reduce their competitiveness. Our customers who import our products into the United States may wish to pass on the additional tariff on us, their other suppliers or their customers. Even if the tariff is not passed on to us, the reduced competitiveness of our customers' end products could lead to the reduction or cancelation of their purchase from us, and tariffs could generally negatively affect economic conditions in the United States, China and other countries, which could adversely affect our business.

Exports, re-exports and transfers of our services must be made in compliance with various economic sanctions and export controls laws in different jurisdictions. Regarding economic sanctions, the most significant controls are those administered by OFAC, which prohibit the provision of services to certain countries, regions, governments, entities and persons targeted by U.S. sanctions. Regarding U.S. export controls, the U.S. Export Administration Regulations (the "**EAR**") have broad jurisdiction, covering both U.S.-origin items and certain foreign-produced items, such as those containing more than a de minimis level of controlled U.S. content and those subject to the applicable foreign direct product rules (the "**FDPR**"). The expansion of the FDPR under the EAR first came into broader effect in May 2020 when BIS amended General Prohibition Three of the EAR to apply to foreign-produced direct product when destined for or used by certain entities on the Entity List. Since then, the FDPR have been further extended to cover advanced computing integrated circuits, supercomputers and advanced semiconductor manufacturing equipment for certain jurisdictions, including China. In October 2022, the BIS issued an interim final rule (the "**BIS October 2022 IFR**") to limit China's access to advanced computing integrated circuits, supercomputers and advanced semiconductor manufacturing. In October 2023, the BIS released another interim final rule (the "**BIS October 2023 IFR**") that updated and expanded the restrictions from the BIS October 2022 IFR (together with the BIS's April 2024 interim final rule, the "**BIS 2022/23 IFRs**"). Among other measures, the BIS 2022/23 IFRs added certain advanced and AI computing integrated circuits and related computer commodities to the Commerce Control List, imposing new or expanded license requirements for items subject to the EAR intended for use in developing or producing supercomputers, advanced node integrated circuits, and advanced semiconductor manufacturing equipment in certain jurisdictions, including China. On January 15, 2025, BIS issued an Interim Final Rule implementing new due diligence measures for advanced computing ICs ("**DD IFR**"). The DD IFR targets ICs with advanced-node capabilities (e.g., 16/14nm process nodes or smaller, or non-planar transistor architecture) and their associated design and manufacturing services. These measures affect exports, re-exports, and in-country transfers of ICs, as well as the licensing and vetting processes for fabless companies, foundries, and OSAT partners. The United States may introduce additional controls, licensing and/or classification requirements and restrictions applicable to IC designers, and their products, customers and suppliers, or expand or otherwise change the scope of current regulation. These new or expanded controls could subject certain products to additional licensing requirements, or impose restrictions on their ability to import, export and transfer certain products. Given that potential regulatory changes could be sudden and hard to foresee, we may be unable to predict developments in this area and we may have no or very limited ability to influence such regulatory developments. As these export controls laws and regulations continue to evolve, future export controls may affect our operations, customers or suppliers.

In addition to the restrictions discussed above, the BIS also maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed. In recent years, the United States has placed an increasing number of entities, including hundreds of entities in China, including certain of our customers and a supplier, on the Entity List and other restricted or prohibited party lists. We believe that none of the items we sold to Entity List-designated customers, which accounted for less than 0.5% of our total revenue annually, involved any transfer, export or reexports of items subject to the EAR, including, where applicable, through the applicable FDPR. In addition, on September 29, 2025, the BIS issued an interim final rule that extended Entity List and MEU List restrictions to foreign entities not directly designated on these lists that are 50% or more owned, directly or indirectly and in the aggregate, by parties on the Entity List or certain other restricted party lists (the "**Affiliates Rule**"). However, following the U.S.–China summit meeting on October 30, 2025, the United States suspended implementation of the Affiliates Rule for one year beginning November 10, 2025. As a result, this extension of Entity List restrictions is not expected to apply during the suspension period unless BIS issues implementing rules to the contrary or the suspension is modified or revoked. We have adopted an export control compliance program, which includes customer screening, steps to analyze the EAR's application to our products and services purchaser certifications regarding their compliance with relevant laws and regulations; however, the EAR is complex, and there is no assurance that the measures we have adopted will be sufficient to prevent all violations (including possible breaches of contractual provisions by our customers) or that we will not be subject to challenge or investigation by BIS or other relevant authorities. If we are found to have violated the EAR, we could be subject to penalties including fines, and we could be placed on the Entity List, which would severely limit our access to U.S.-controlled technology and products and damage our reputation.

These regulatory policies have introduced uncertainties to global supply chains, limited access to critical raw materials and components and increased production and compliance costs and uncertainties for companies operating in affected industries. For instance, restrictions on the export of specific technologies or materials to certain regions could disrupt our ability to procure key inputs or supply services to customers in affected markets, causing operational delays or interruptions. If these trade restrictions or geopolitical tensions escalate, we may face additional risks such as reduced access to key markets, strained customer relationships and loss of market opportunities.

Sanctions laws and regulations are complex and constantly evolving, and new persons and entities are regularly added to the list of "Sanctioned Persons," which refers to persons and identities listed on the Specially Designated Nationals and Blocked Persons List maintained by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") or other restricted parties lists maintained by the U.S., EU, UK, UN or Australia. Further, new requirements or restrictions could come into effect which might increase the scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions or export controls. We expect to need to devote increasing resources to complying with these types of laws and regulations. Even with our compliance measures, we cannot provide any assurance that our future business will be free of sanctions risks or that our business will conform to the expectations and requirements of the authorities of U.S. or any other jurisdictions. Our business and reputation could be adversely affected if the authorities of U.S., the EU, the U.K., the UN, Australia or any other jurisdictions were to determine that any of our future activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of us.

Increased compliance costs and operational challenges arising from adhering to complex export control regulations and sanctions could strain our resources. Tariffs, quotas and local content rules may further raise production costs, impacting the profitability and competitiveness of our services. As the Entity List and other sanctions and export control laws and regulations continue to evolve, future sanctions and export controls may significantly impact our business relationships with our customers or the suppliers necessary for our operations, or some of our customers and suppliers may be listed on the Entity List or otherwise restricted in supplying products, technologies or services to us, in which event our business may be affected if we fail to promptly secure alternative customers or sources of supply on terms acceptable to us. These types of export controls and sanctions risks could adversely affect us and/or our supply chain, business partners, or customers, and our business, financial condition, and results of operations may be affected by the continued international trade and political tensions.

In addition, dealing with customers or suppliers that are subject to export control or sanctions may pose significant risks to our business. These risks include potential disruptions in our supply chain, legal and regulatory compliance challenges and the possibility of civil and criminal penalties. We have no control over the countries, regions or destinations to which the customers will sell and/or export their end products. If the export sales of the customers' end solutions are restricted, prohibited or made subject to any export controls or economic sanctions imposed by any jurisdictions, the customers' demand for our services may decline, and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to risks associated with U.S. outbound investment restrictions that prohibit certain investments by U.S. persons and impose notification requirements on other such investments.

On October 28, 2024, the U.S. Department of the Treasury (the "**Treasury**") issued a final rule, codified in the United States Code of Federal Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023 (the "**Final Rule**"), which became effective on January 2, 2025. The Final Rule imposes investment prohibitions 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 certain activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems, these investment targets 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," including certain acquisitions of an equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule contains exceptions from the prohibitions and notification requirements for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. The Final Rule may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers, including us. On February 21, 2025, U.S. President issued a memo entitled the "America First Investment Policy" (the "**America First Memo**"), indicating that Executive Order 14105 is under review and that the Trump Administration will consider new or expanded restrictions, such as broadening the sectors subject to the Final Rule. Separately, on December 18, 2025, the President of the United States signed into law the Fiscal Year 2026 National Defense Authorization Act, which includes the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"). The COINS Act largely codifies the core of the current Final Rule while making certain modifications, including an expansion of the scope of outbound investment restrictions to additional sectors. While the COINS Act was effective on December 18, 2025, it is not self-executing and it does not replace or amend the Final Rule until implementing regulations for it are adopted. The COINS Act requires the Treasury to, within 450 days from passage, promulgate new or amended regulations (which may differ from the Final Rule) to implement the law; the timing and the content of these implementing regulations are uncertain.

We believe that we are a "Covered Foreign Person" defined under the Final Rule since we engage in certain integrated circuit design activities as described in the definition of "notifiable transaction" under 31 C.F.R. §850.217(a). Accordingly, unless an exception is available, if a U.S. persons acquires an equity interest in us, such U.S. person may need to make a notification pursuant to the Final Rule. In respect of whether an exception would be available for such an acquisition, on December 23, 2025, the Treasury published additional frequently asked questions (the "**FAQ**") on the Final Rule. One of these FAQ (X. 4) provides that absent additional facts, when a U.S. person acquires an equity interest in a "Covered Foreign Person," and at the time of such acquisition the equity interest is publicly traded, such security falls under the description of a "publicly traded security" in 31 C.F.R. §850.501(a)(1)(i), regardless of when an agreement to make its investments is entered into. At the time U.S. persons acquire our H shares in this [**REDACTED**], these shares would be publicly [**REDACTED**] and tradable. In light of the FAQ guidance above, we are of the view that a U.S. person's acquisition of our H shares in this [**REDACTED**] would constitute an "excepted transaction" so long as the U.S. person would not also be afforded rights beyond "standard minority shareholder protections," meaning that the Final Rule's notification requirements would not be applicable. To the extent that this exception is not available, U.S. persons that purchase our H Shares in this [**REDACTED**] may be required to file notifications with the Treasury. The notification obligations under the Final Rule rest with any U.S. person investing in the Company, and not the Company. Investors that are U.S. persons (as defined in the Final Rule) should consult their own legal counsel regarding the applicable compliance requirements, including their notification obligation and any applicable exception, under the Final Rule in connection with this [**REDACTED**]. In addition, even though U.S. persons' acquisitions of certain publicly traded securities (such as trades in our H shares on the Exchange following the completion of the [**REDACTED**]) will be exempted from the scope of covered transactions under the Final Rule, the Final Rule could still limit our ability to raise capital or contingent equity capital from U.S. investors after this [**REDACTED**] given that relevant laws, regulations, and policies continue to evolve. In addition, the application and implication of the Final Rule and possible changes to it, including pursuant to the America First Memo, the implementing regulations for the COINS Act, and any related policies, laws and regulations are complex, which may be changed and updated from time to time. Future changes in the Final Rule, the COINS Act, and any related policies, laws and regulations or their interpretations, or any similar or more expansive restrictions imposed by the U.S. or other jurisdictions, may limit our ability to raise capital or contingent equity capital from U.S. investors and other sources that may otherwise be beneficial to us, which could adversely affect our performance, financial condition and prospects, and the market prices of our securities, including the H Shares.

We may require additional capital in the future. However, we may be unable to raise capital or unable to raise capital on terms acceptable to us, which would have a material adverse effect on our business.

We may require additional external capital in the future to, among other things, finance our working capital, capital expenditures or other cash needs or to finance all or a portion of the cost of any acquisitions or investments we may make in the future. If that occurs, we may seek external financing through the issuance of equity or debt securities or through additional borrowings. If we raise funds or finance acquisitions or investments by issuing equity or debt securities, our shareholders may experience dilution. Debt financing, if available, may involve burdensome financial and other covenants, may require that we pledge collateral to secure the debt and will require us to use cash to pay interest and principal. Additional debt or equity financing may not be available in amounts, at times or on terms acceptable to us, or at all. If we are unable to obtain additional financing as and when needed, it would likely have a material and adverse effect on our business, results of operations and financial condition and could require, among other things, that we curtail our operations, sell assets, reduce research and development and other expenses and take other measures that could have a material adverse effect on our business.

We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful.

To further expand our business and strengthen our market-leading position, we may form strategic cooperation or make strategic investments and acquisitions to fuel business growth. However, the availability of appropriate acquisition or investment targets may be limited due to intense competition in the market. As a result, we may not be able to identify or secure appropriate targets on commercially acceptable terms or within our desired time frame, or at all. In addition, acquisitions involve numerous risks, including difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing our existing operations, difficulties in executing new business initiatives, entering markets or lines of business in which we have no or limited direct prior experience, the possible loss of key employees and customers and difficulties in achieving the synergies we anticipated or levels of revenue, profitability, productivity or other benefits we expected.

These transactions may result in higher interest expense, leverage and debt service if funded by additional debt, may dilute existing Shareholders' ownership if paid for with newly issued equity securities, and may lead to asset, including good will, write-offs, restructuring charges and other related expenses. Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or investee companies and restrictions under regulations relating to competition policies. There can be no assurance that our acquisitions, joint ventures and other strategic investments will be successful and will not have a material and adverse impact on our business, results of operations and financial condition.

Our operations and our supply chain are susceptible to natural disasters and other events beyond our control, which may materially and adversely affect our business and operating results.

Our corporate headquarters and a significant portion of the wafer foundries and OSAT partners utilized by us are located in Asia, many of which are situated in or near seismically active regions. Consequently, these locations are inherently exposed to the risk of periodic earthquakes and tsunamis. Furthermore, our operations and supply chain may be disrupted by other unforeseen events, including but not limited to, political unrest, war, labor strikes, work stoppages, epidemics, pandemics, or other public health crises. In the event of the occurrence of any such natural disasters or other unforeseen events, we or one or more of our critical vendors may experience an inability to continue operations for an extended period, or may be rendered permanently unable to resume operations altogether. Such disruptions could lead to significant and prolonged delays in the shipment of our services, pending our ability to successfully transfer manufacturing, packaging, or testing activities from an affected contractor to an alternative third-party vendor. There can be no assurance that alternative capacity would be available or could be secured on commercially reasonable terms, if at all, to mitigate such delays. Any such disruptions or problems within our operations or supply chain could severely impair our ability to market and sell our services, thereby materially and adversely impacting our business, financial condition, and results of operations.

If we experience increases in labor costs, shortages of labor, deterioration in labor relations, or the loss of key personnel, our business, operating costs and results of operations may be materially and adversely affected.

Labor costs have been fluctuating and may continue to rise in the future. Our staff costs amounted to RMB1,151.1 million, RMB1,331.7 million and RMB1,466.2 million in 2023, 2024 and 2025, respectively. Any increase in labor costs may lead to higher operating costs and we may not be able to pass such increases on to our customers. In addition, we cannot assure you that we will not experience labor shortages, particularly of skilled personnel with critical project management and strategic decision-making capabilities required to oversee complex projects and implement new technologies.

We also seek to maintain favorable labor relations with our employees, as our long-term growth depends on their expertise, experience and development. However, we cannot assure you that we will not experience labor disputes in the future. Any deterioration in labor relations may result in disputes, strikes, claims, legal proceedings and reputational damage, as well as labor shortages that could disrupt our operations and lead to the loss of experience, know-how and trade secrets.

Our business operations also depend on the continued services of our key personnel, particularly members of our senior management team. If one or more of such personnel are unable or unwilling to continue their employment with us, we may not be able to replace them in a timely manner, or at all, and may incur additional costs in recruiting and retaining suitable replacements. In addition, such personnel may join competitors or establish competing businesses, and we cannot assure you that we will be able to effectively enforce our contractual rights under their employment agreements. The loss of any key personnel could adversely affect our operations and strategic execution.

Any negative publicity or unfavorable results of legal or regulatory proceedings may materially and adversely affect our reputation, business, financial condition and results of operations.

We, our shareholders, Directors, senior management, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation and incur substantial costs in response to allegations and negative publicity.

In addition, we, our Directors and senior management may become subject to a variety of litigation and legal compliance risks. Unfavorable outcomes regarding these assessments could have a material adverse effect on our financial statements in any particular reporting period. Results of legal and regulatory proceedings cannot be predicted with certainty. Regardless of merit, legal and regulatory proceedings may be both time-consuming and disruptive to our operations and could divert the attention of our management and key personnel.

We face risks in relation to inability to obtain and maintain the approvals, licenses and permits required for our operations.

We are required to maintain various approvals, licenses and permits in order to operate our business. These approvals, licenses and permits are granted upon satisfactory compliance with, among other things, the applicable laws and regulations. Also, they may be valid only for a fixed period of time and subject to renewal and accreditation.

We may experience difficulties, delays, or failures in obtaining the necessary approvals, licenses and permits for our businesses. In addition, there can be no assurance that we will be able to obtain or renew all of the approvals, licenses and permits required for our existing business operations in a timely manner, or at all. If we fail to obtain and/or maintain required approvals, licenses, or permits, our ongoing business could be interrupted, and our expansion plan may be delayed. For example, our Taiwan branch is in the process of obtaining the approval from the Investment Commission of the Ministry of Economic Affairs of Taiwan in relation to the change of registration of PRC investor status. There can be no assurance that such approval will be obtained in a timely manner, or at all, and failure to obtain such approval may subject us to regulatory penalties, including fines, orders to unwind the investment, or revocation of registration or recognition of the relevant foreign entity.

Complying with government regulations may require substantial expenses, and any non-compliance may expose us to liability. In case of any non-compliance, we may have to incur significant expenses, and divert substantial management time and resources to resolving any deficiencies. We may also experience negative publicity arising from such deficiencies, which could have a material and adverse impact on our business, results of operations and financial condition.

Our goodwill may be subject to impairment, which could adversely affect our results of operations.

As of December 31, 2025, our goodwill amounted to RMB177.7 million. We test the goodwill and intangible assets for impairment on an annual basis and when events occur or circumstances change that indicate that the fair value of the reporting unit may be below its carrying amount. Fair value determinations require considerable judgment and are sensitive to inherent uncertainties and changes in estimates and assumptions regarding revenue growth rates, capital expenditures, working capital requirements, tax rates, benefits associated with a taxable transaction and synergies. See "— We may make acquisitions, establish joint ventures and conduct other strategic investments, which may not be successful." Declines in market conditions, a trend of weaker than anticipated financial performance of our reporting units, or an increase in the market-based weighted average cost of capital, among other factors, are indicators that the carrying value of our goodwill may be impaired. Any impairment of our goodwill could have a material adverse effect on our results of operations.

The preferential tax treatments granted by the PRC government may become unavailable.

While PRC corporate income tax has a standard rate of 25% on a company's taxable income, the Company and certain of our subsidiaries were entitled to a preferential income tax rate of 15% during the Track Record Period. Continued eligibility for preferential tax treatment is subject to certain requirements and recognition and evaluation by the relevant government authorities in the PRC. Also the standards for and continued maintenance of these preferential tax treatments could change at any time. We cannot assure you that we will continue to receive such preferential tax treatment at historical levels, or at all. The Company and the relevant PRC subsidiaries might 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 lead to a material and adverse impact on our results of operations and financial condition.

Fluctuations in foreign currency exchange rates could adversely affect our business.

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

During the Track Record Period, we received a part of payments in foreign currencies, and we expect this to continue for the foreseeable future. As a result, any fluctuations in exchange rates between such foreign currencies and RMB may result in exchange gains or losses and may adversely affect our operating results. In 2023 and 2024, we recorded net foreign exchange gains of RMB16.5 million and RMB13.6 million. In 2025, we recorded net foreign exchange losses of RMB22.5 million. Furthermore, the [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars, and we expect a substantial portion of which to be spent in RMB. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of RMB against the Hong Kong dollars may adversely affect the value of, and any dividends payable on, the Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. All of these factors could have a material and adverse impact on our business, results of operations and financial condition.

We may not be able to timely fulfill our obligations in respect of contract liabilities to our customers or at all.

Our contract liabilities comprise advances received from our customers. We may require our customers to pay the consideration for their purchases from us upon or prior to the delivery of the services. As of December 31, 2023, 2024 and 2025, we had contract liabilities of RMB486.7 million, RMB606.8 million and RMB1,258.5 million, respectively. See "Financial Information — Selected Balance Sheet Items — Contract Liabilities." Our recognition of contract liabilities as revenue is subject to future performance of contract obligations and may not be representative of revenue for future periods. If disruption to any of our suppliers occurs, we may fail to fulfill our contract obligations or meet market demand for our services, and our business, results of operations, liquidity and financial condition could be adversely affected.

We are subject to credit risk in collecting trade and other receivables and prepayment due from customers.

Our trade and other receivables and prepayment primarily consisted of trade receivables from third parties and related parties. As of December 31, 2023, 2024, and 2025, the net carrying amount of our trade and bill receivables was RMB1,230.1 million, RMB1,055.9 million and RMB1,721.9 million, respectively; the impairment of our trade receivables was RMB161.1 million, RMB201.1 million and RMB221.0 million, respectively; and our trade receivables turnover days amounted to 179 days, 195 days and 162 days in 2023, 2024 and 2025, respectively. See "Financial Information — Selected Items of Consolidated Statements of Financial Position — Trade, Bills and Other Receivables and Prepayment."

There can be no assurance that we will be able to maintain our trade and bills receivables turnover days at a reasonable level. Should the credit worthiness of our customers deteriorate, or should a significant number of our customers fail to settle their trade and bills receivables in full for any reason, we may continue to incur impairment losses in the future and our results of operations and financial position could be materially and adversely affected.

In addition, there may be a risk of delay in payment by our customers within their respective credit period, which in turn, may also result in an impairment loss provision. There is no assurance that we will be able to fully recover our trade and bills receivables from the customers or that they will settle our trade and bills receivables in a timely manner. If settlements from customers are not made on a timely manner, or at all, our financial condition and results of operations may be materially and adversely affected.

We have awarded and may continue to award equity instruments under equity incentive plans, which may cause shareholding dilution to our Shareholders and result in increased share-based compensation expenses.

We have adopted the Restricted A Share Incentive Schemes. See "Appendix IV — Statutory and General Information — Restricted A Share Incentive Schemes." In 2023, 2024, and 2025, we recorded share-based compensation expenses of RMB3.6 million, RMB7.3 million and RMB41.6 million, respectively. To further incentivize our employees, we may adopt other equity incentive plans and award additional equity incentives in the future. Issuance of Shares with respect to our equity incentive plan may dilute the shareholding of our existing Shareholders and incur substantial share-based compensation expenses that could have a material and adverse impact on our results of operations.

We historically received government grants, and we may not receive such grants or subsidies in the future.

In 2023, 2024 and 2025, we recorded government grants of RMB37.0 million, RMB33.7 million and RMB33.7 million, respectively. Not all of the government grants are recurring in nature. See "Financial Information — Principal Components of Results of Operations — Other Income." Government grants we received are uncertain and are subject to certain criteria and procedures stipulated by the local government.

In addition, the development focus of local government may shift to other industries over time. We cannot assure you that we will be able to receive any such government grants in the future. If we are unable to receive the government grants in the future at the same level as we had during the Track Record Period, our financial condition and results of operations for the period may be adversely affected.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

We are subject to risks in relation to our properties.

We currently lease several premises in China. Under the PRC laws and regulations, lease agreements in general are required to be registered with the local real estate administration bureau. As of December 31, 2025, we and our major PRC subsidiaries had not registered 18 lease agreements for our aforementioned leased properties. We may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. The maximum aggregate amount of potential administrative penalties we would be subject to for the 18 lease agreements is RMB180,000. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors.

Changes in economic, political or social conditions or government policies and legal developments in the markets in which we operate could have a material adverse effect on our business and results of operations.

We operate our business in Chinese mainland and overseas. Accordingly, 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, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, inflation and the availability and cost of capital and credit 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. Additionally, we are a company incorporated under the PRC laws and a majority of our assets are located in Chinese mainland, our financial condition, results of operations and prospects are subject to economic, political, and legal developments in China. 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.

It may be complex to effect service of process upon us or our management or to enforce against them or us any judgments obtained from foreign courts.

We are a company incorporated under the PRC laws and a majority of our assets are located in Chinese mainland. In addition, most of our Directors and senior management reside in Chinese mainland. As a result, it may be complex for investors to effect service of process outside of Chinese mainland upon us, our Directors or senior management or to enforce judgments obtained against us in courts outside Chinese mainland. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in Chinese mainland only if the jurisdiction has a treaty with Chinese mainland or if the jurisdiction has been otherwise deemed by the courts of Chinese mainland to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, Chinese mainland is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in Chinese mainland of judgments of a court in these jurisdictions may consequently be difficult or impossible. On January 18, 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which became effective on January 29, 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in Chinese mainland and those in Hong Kong.

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

On February 17, 2023, the CSRC issued the Overseas Listing Trial Measures and supporting guidelines, which became effective on March 31, 2023 (the "**Overseas Listing Regulations**"). The Overseas Listing Regulations are applicable to overseas securities offering and listing conducted by issuers who are (i) companies incorporated in the PRC and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. For details, see "Regulatory Overview — Regulations on Securities and Filing for Overseas Listing" in this document. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may significantly limit or completely hinder our future financing activities.

We are subject to the currency exchange regulatory system.

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders or to satisfy any other foreign exchange requirements, capitalize our capital expenditure plans, and even our results of operations, financial performance and business prospects may be affected.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of PRC and Hong Kong.

As our A Shares are listed on the Shanghai Stock Exchange, and our H Shares will be [**REDACTED**] on the main board in Hong Kong, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A Shares are listed and traded on the Shanghai Stock Exchange, and the characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the Shanghai Stock Exchange. Following the [**REDACTED**], our A Shares will continue to be traded on the Shanghai Stock Exchange and our H Shares will be [**REDACTED**] on the Hong Kong Stock Exchange. Under current laws and regulations of PRC, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have divergent trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

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

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

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

The [**REDACTED**] price of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in Chinese mainland that have listed their securities in Hong Kong may affect the volatility in the [**REDACTED**] of and [**REDACTED**] volumes for our H Shares. A number of Chinese mainland-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. The share price of some of these companies has experienced significant volatility, including significant price declines after their [**REDACTED**]. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment toward Chinese mainland-based companies listed in Hong Kong and consequently may impact the [**REDACTED**] performance of our Shares. These factors may significantly affect the [**REDACTED**] and volatility of our Shares, regardless of our actual operating performance.

Future sales or perceived sales of substantial amounts of our Shares in the [REDACTED] could negatively affect the [REDACTED] of our Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our Shares or other securities relating to our H Shares in the [**REDACTED**], the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future [**REDACTED**], could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. Equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the Shares.

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

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. To expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we issue additional Shares in the future at a price that is lower than the net tangible asset value per Share at that time.

There can be no assurance that we will declare and distribute any amount of dividend in the future.

Our ability to pay dividends will depend on whether we are able to generate sufficient earnings. There is no assurance that dividends of any amount will be declared or distributed by us in any year in the future. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS Accounting Standards. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS Accounting Standards. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and require approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC resident individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to the Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region ("**HKSAR**") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an

HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Chinese mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第五議定書》) issued by the STA effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions. Considering the aforementioned, non-PRC resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on dividend and bonuses income realized from the H Shares. As of the Latest Practicable Date, no applicable PRC laws and regulations had expressly provided whether individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC enterprises listed on overseas stock exchanges, and there is no assurance that the PRC tax authorities will not change these practices, which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-PRC resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including HKSCC Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H shares through the sale or transfer by other means of H shares.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

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

As our A Shares are listed on the Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in PRC. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with the A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in Chinese mainland, which are different from those applicable to the [**REDACTED**]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective investors in the H Shares should be reminded that, in making their investment decisions as to whether to purchase the H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase the H Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [**REDACTED**].

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

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

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

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