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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our commercial success depends on the market acceptance of our products and our ability to respond to evolving market trends.

The smart eyewear market is still at an early stage of development and evolving constantly. This results in the frequent introduction of new products and price competition from our competitors in the industry. Our success depends on our ability to develop and sustain products that meet market demand, and to identify and respond promptly to evolving market preferences. However, market preferences are volatile and may shift unexpectedly subject to factors beyond our control, such as changes in consumption willingness and purchasing power of the customers and rapid technical advancements. Even products that receive early market acceptance may see decline in relevance as new technologies or features attract attention, making it difficult to predict how long any product line will remain popular. In addition, as we continuously expand our global sales footprint and enter new markets, we face challenges in addressing different market preferences and cultural dynamics. We may fail to anticipate regional differences, align with local demand, or respond to shifting market trends. We cannot assure you that our efforts and strategies will always be effective. If we are unable to predict the evolving market preferences or market demand, or design, develop, manufacture or launch new products successfully in a timely manner, we may fail to capture emerging growth opportunities, or properly manage our inventory. Such failure could negatively impact our brand image and result in diminished consumer experience. Any of these occurrences could materially and adversely affect our business, prospects and results of operations.

In addition, the ability to successfully commercialize our products is critical to our business. However, our efforts in commercialization may not always deliver the desired outcomes. The financial returns derived from new products may fall short of expectations. Our commercialization plans require substantial and continuing investments in product marketing and education, channel development, certification and compliance, after-sales service infrastructure, developer and content ecosystem support, and working capital for inventory and logistics. There can be no assurance that these expenditures will lead to broad market adoption, sufficient sales volumes, or sustainable unit economics.

We face vigorous competition from peers, some of which have substantially greater resources.

We operate in the highly competitive and rapidly evolving AR eyewear industry, facing competition from numerous domestic and international companies with varying scales, resources and market positions. According to iResearch, in 2025, the number of total market participants was limited with the top five brands accounting for a combined 65.0% of total sales revenue in smart eyewear industry. We are the world's largest AR eyewear company in terms of revenue in 2025, with a market share of over 27.0%. For more information about the industries in which we operate, see "Industry Overview." The industry is shaped by rapid technical shifts, such as advancements in edge computing and optical display capabilities. To remain a leader, we must anticipate emerging technologies, assess market readiness, our success will depend, in part, on our ability to respond to these changes and strategically invest in research and technology accordingly in a cost-effective and timely manner. We need to develop expertise across different industry sectors and constantly anticipate the emergence of new technologies and assess their market acceptance. We must continue to accurately forecast customer demand in AR eyewear in order to design and develop technology platforms that can meet customer needs.

Our existing and potential competitors might have substantial competitive advantages, including larger scale, longer operating history, greater brand recognition, more established relationships with customers, suppliers, manufacturers and other business partners, and greater financial, research and development, marketing and other resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. Our existing competitors may seek to increase their market shares through various measures, such as continued research and development efforts, increased production capacity and active marketing campaigns. Our competitors may also seek to increase their market shares through the reduction of price. This could force us to offer our products and services at lower prices in order to remain competitive, which in turn would affect our growth and market share. If we fail to compete effectively, we may not be able to retain or expand our market share, which would have a material adverse effect on our business, financial condition, and results of operations. As market competition intensifies and threat of new entrant grows, we may need to devote more management, financial or human resources. Failure to sustain effective competition could lead to a decline in market share, which could materially and adversely affect our business, financial performance and profitability.

We may not be able to adequately protect or enforce our intellectual property rights throughout the world or prevent others from unauthorized use of our technology and intellectual property rights, and our efforts to do so may be costly. In addition, our commercial success depends significantly on our ability to operate without infringing upon, misappropriating or otherwise violating the IP rights of third parties.

We rely on our proprietary technology, and such intellectual property forms an essential part of our asset. If we are not able to adequately protect or enforce the intellectual property rights such as optical technologies and algorithm innovation, competitors could be able to access and use them and our operations and financial condition could be adversely affected. We currently attempt to protect our technologies through a combination of patent, copyright, trademark and trade secret laws, employee and third-party nondisclosure agreements and similar means. While we are expected to take measures to protect our intellectual property, such efforts may be insufficient or ineffective, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In addition, we may be subject to allegation of infringement of other parties' proprietary rights, and other parties may misappropriate our intellectual property rights, which would cause us to suffer economic or reputational damages. Because of the rapid pace of technical change, we cannot assure you that all of our proprietary technologies and similar intellectual property rights can be patented in a timely or cost-effective manner, or at all.

Other parties may also independently develop substantially similar or superior products or technologies without copying our proprietary software or other technology or design around our patents. We may also be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. See "Business — Legal Proceedings and Compliance." However, the measures we will take to protect our intellectual property from unauthorized use by others may not be effective and there can be no assurance that our intellectual property rights will be sufficient to protect against others offering products, services or technologies that are substantially similar or superior to those of ours and that compete with our business. Further, we may not have adequate intellectual property rights in certain proprietary technology in jurisdictions that are important to the business. In addition, the laws of some foreign countries do not protect our intellectual property rights as fully as do the laws of other countries, and our ability to protect our intellectual property rights will differ per jurisdiction. Protecting our intellectual properties in various jurisdictions may be costly, time-consuming, and have significant uncertainties.

Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property. Any litigation initiated concerning the violation by third parties of our intellectual property rights is likely to be expensive and time-consuming and could lead to the invalidation of, or render unenforceable, our intellectual property, or could otherwise have negative consequences for us. Furthermore, it could result in a court or governmental agency invalidating or rendering unenforceable our patents or other intellectual property rights upon which the suit is based. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we fail to detect unauthorized use of our intellectual property. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay the introduction and implementation of new technologies. Moreover, policing unauthorized use of technologies, trade secrets and intellectual property may be difficult, expensive and time-consuming. If we fail to meaningfully establish, maintain, protect and enforce our intellectual property and proprietary rights, our management's attention could be distracted and our business, results of operations, financial condition and prospects could be adversely affected.

The success of our business hinges on our R&D ability to deliver new products or services on schedule with features and performance that provide value to our customers. If we fail to continuously innovate and adapt to new technology and evolving customer needs, our competitive position would be impacted and our business, results of operations, financial condition and prospects would be adversely affected.

We need to continue to enhance our existing offerings and develop new technologies and products that address emerging technologies, evolving industry standards, and changing needs from our consumers and business partners. Our ability to develop and launch new products and related technologies to meet evolving industry standards and requirements, at prices acceptable to our customers on a timely basis, are significant factors in determining our competitiveness in our target markets. We need to invest significant resources, including financial resources, in R&D to make technical advances in order to make our products competitive in the market. During the Track Record Period, we have been investing substantially in our R&D efforts. In 2023, 2024 and 2025, our R&D expenses were RMB215.9 million, RMB204.2 million, and RMB182.9 million, respectively. However, R&D activities are inherently uncertain, we cannot assure you that our R&D projects will achieve their intended outcomes or be completed within the expected timeline and budget. Further, we cannot assure you that competitors, whether existing or emerging, will not introduce products that match, surpass, or are more competitively priced than ours. In such cases, we risk losing market share. Given the inherent uncertainties in R&D activities, there is a possibility that we may need to discontinue despite substantial prior investments if it becomes commercially unviable.

Furthermore, we may not be able to successfully anticipate or adapt to changing technology trends or user needs and preferences on a timely basis, or at all. As smart eyewear industry is still at a relatively early stage, consumer acceptance may vary. Some consumers may experience dizziness, pressure points, discomfort, or other fit-related issues. Therefore, delivering comfortable wearing experience even for long-term usage is essential to attracting and retaining customers. If we are unable to maintain or improve the wearability and overall comfort of our products, demand for our products may be adversely affected. In addition, as AR eyewear is often used to show the screen of laptop, phones or gaming devices, compatibility across devices, operating systems, and platforms is key for smooth and consistent user experience. Therefore, failure to properly integrate with one or more operating systems could limit the applicable use cases of our products and narrow our user base. The process of enhancing our existing products, services and features and developing new technologies to improve wearability and compatibility is complex and uncertain, and new offerings requires significant upfront investment that may not result in improvements to existing products or result in marketable new products or costs savings or revenue for an extended period of time. If we fail to or are delayed in developing or launching new products or technologies that provide value to our customers and address these new trends or if we fail to predict which new functionality, features or form factors consumers will adopt and adjust our business accordingly, we may lose competitive positioning, which could negatively affect our business.

Our long-term collaboration with key partners does not guarantee any sales or future growth opportunities. In addition, modification or termination of these relationships could materially and adversely affect our business, results of operations and financial condition.

Our strategic and long-term collaboration with key partners are critical to our operations and our ability to develop our future products. For details, see "Business — Our Strategies — Collaborate with World-Class Partners". However, such collaborations do not guarantee any sales, commercial success, or future growth opportunities. Further, there can be no assurance that our collaboration with key partners will continue. The success of collaboration with key partners also depends on the contract terms, which may be negotiated or evolve from time to time. Strategic partners may change their business priorities, resource allocations and platform strategies, any of which could reduce their commitment to our collaboration or adversely affect joint development programs. We may also face delays, adjustments or cancellations of development milestones due to factors outside our control. If our key partners cease collaboration with us, our product roadmap, market competitiveness, brand perception, revenue growth and overall financial condition could be adversely affected. We may be required to seek alternative partners and invest significant additional resources to fill gaps created by such changes. There can be no assurance that suitable alternatives would be available on commercially reasonable terms, in a timely manner, or at all.

In addition, our collaboration exposes us to operational and execution risks. Delays or deficiencies in partner deliverables may adversely affect our own development timelines and mass production schedules. Partners may also require us to meet stringent performance, interoperability, security or compliance standards. Failure to satisfy such requirements could limit or suspend our ability to commercialize certain products. Because our collaboration involves the integration of proprietary and jointly developed technologies, disputes may arise regarding intellectual property ownership, licensing terms, confidentiality obligations or use restrictions, any of which could disrupt ongoing programs or constrain future development and adversely affect our business.

We have incurred operating losses and net losses during the Track Record Period, and we may not be able to achieve or subsequently maintain profitability.

We have recorded net losses and net liabilities during the Track Record Period, and have experienced, and expect to continue to experience, cash outflow from operating activities. In 2023, 2024 and 2025, our loss from operations was RMB458.3 million, RMB373.5 million and RMB245.5 million, respectively. During the same periods, we incurred net losses of RMB881.8 million, RMB708.6 million and RMB456.4 million, respectively. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, improve customer experience, compete effectively and continuously introduce new products and services. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance.

We also anticipate that our costs and expenses will increase, as we are still in the stage of expanding our business and operations in the rapidly evolving smart eyewear industry, and are continuously investing in research and development activities to support our long-term growth. In addition, after we become a public company, we may incur additional legal, accounting, and compliance costs that we did not face previously, and such expenses may be higher than anticipated. If we fail to generate sufficient revenues and manage our expenses, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

Our global operations expose us to additional economic, regulatory and other risks.

We operate our business in China and overseas, including multiple markets in the U.S., Europe, and other countries or regions. In 2023, 2024 and 2025, our overseas revenues amounted to RMB254.7 million, RMB260.0 million and RMB366.1 million, respectively, representing 65.3%, 65.9% and 71.0% of our total revenues, respectively. With our global presence, we are subject to laws and regulations affecting our domestic and international operations in a number of areas. These laws and regulations affect our activities including, but not limited to, in areas of intellectual property ownership and infringement, digital content, consumer protection, e-commerce, data privacy requirements, anti-competition, labor, product quality, tax, import and export requirements, anti-corruption, foreign exchange regulations and cash repatriation restrictions, environmental, health and safety. In addition, with the development and application of artificial intelligence technologies, laws and regulations governing artificial intelligence are expected to continue to evolve. Furthermore, these laws, regulations and similar requirements may vary from jurisdiction to jurisdiction. These factors could further increase the cost of compliance and doing business, make our products and services less attractive to our users, delay the introduction of new products in one or more regions, or cause us to change or limit our business practices.

Our operating results are influenced by macroeconomic conditions worldwide. Global economic conditions exhibit significant regions variations and are prone to substantial volatility. There is no assurance as to how the trade tensions may evolve or whether there will be any changes to the scope and extent of goods that are or will be subject to such export controls, sanctions, tariffs, or new trade policies. We cannot predict the implications of the ongoing trade tensions and the impact. Our global operations also expose us to dynamic international regulatory, social, and political environments, as well as localized conditions in the countries and regions where we conduct business. These factors give rise to multifaceted risks, including cross-border legal compliance complexities, exposure to potential disputes and litigation, geopolitical uncertainties, volatile local market dynamics, trade restrictions or prohibitions, foreign exchange fluctuations, intense competition, and varying tax regimes. Consequently, the geopolitical relationships between jurisdictions in which we operate directly influence our cost structure, product demand, and business collaboration with local partners. Escalating tensions or political concerns in these regions may materially and adversely affect our business, results of operations and prospects.

We procure raw materials from third-party suppliers and engage third-party manufacturing partners to assemble our final products. Interruptions in our relationships with these third parties could adversely impact our business.

Our suppliers during the Track Record Period mainly consist of raw material providers and third-party manufacturing partners. Our principal raw materials, including electronic components, optical modules and tailored edge coprocessors, are of vital importance as they can directly affect the performance, quality and appearance of our products. In 2023, 2024 and 2025, the service fee we paid to third-party manufacturing partners amounted to RMB45.5 million, RMB45.4 million and RMB38.0 million, respectively. These arrangements are intended to lower our costs, but they also reduce our direct control over production. This diminished control may have an adverse effect on the quality or quantity of products or services, or our flexibility to respond to changing conditions. We may also face pricing pressure from third-party suppliers if we do not enjoy strong bargaining power, which may negatively impact our procurement costs and our overall results of operations. In addition, the use of third-party suppliers and manufacturers may also risk disclosure of our innovative and proprietary manufacturing methodologies, which could adversely affect our business.

If these third parties experience financial, operational, manufacturing capacity or other difficulties, or experience shortages in required components, or if they are otherwise unable or unwilling to continue to provide relevant raw materials or assemble our products in required volumes or at all, our supply may be disrupted. Any delays in raw material delivery or manufacturing processes may cause postponements in product launches, which could adversely affect our market timing, sales volume, and consumer trust. In addition, in the smart eyewear industry where the manufacturing of optics and related hardware require high precision, it can be challenging to balance mass-production scalability with high yield rates. Any product defect, even those arising from raw materials or manufacturing process by third-party suppliers, may lead to additional costs related to product returns and customer service, and could negatively impact our reputation, operations, and financial performance. We may be required to seek alternative suppliers or to redesign our products. It would be time-consuming, costly and impracticable to begin to use new suppliers, components or designs, and such changes could cause significant interruptions and delays in supply and could have an adverse effect on our ability to meet our scheduled product deliveries and may subsequently lead to loss of sales.

Our suppliers could also discontinue or modify components used in our products. We may in the future experience component shortages and price fluctuations of certain key components and materials, and the predictability of the availability and pricing of these components may be limited. In the event of a component shortage, supply interruption or material pricing change from suppliers of these components, we may not be able to develop alternative sources in a timely manner or at all in the case of sole or limited sources. Any interruption or delay in the supply of any of these parts or components, or the inability to obtain these parts or components from alternative sources at acceptable prices and within a reasonable amount of time, would adversely affect our ability to meet our scheduled product deliveries to our customers. If we are unable to buy these components in quantities sufficient to meet our requirements on a timely basis, we will not be able to deliver products to our customers, which may result in such customers using competitors' products instead of ours, and may materially and adversely affect our business, results of operations and prospects.

We rely on a limited number of suppliers for raw materials and manufacturer services, and any disruption in their supply or deterioration in our relationships with them could materially and adversely affect our operations.

During the Track Record Period, a significant portion of our procurement was concentrated among a small group of suppliers. In 2023, 2024 and 2025, purchase from our single largest supplier accounted for 18.6%, 13.4% and 12.1% of our total purchases, respectively, and purchase from the five largest suppliers in the aggregate accounted for 30.9%, 34.5% and 29.0% of our total purchases, respectively. We are subject to risks associated with supplier concentration. Any interruption in their supply or deterioration in our relationship with them could result in delays or increased costs in the production and delivery of our products. We believe there are a limited number of competent, high-quality suppliers in the industry that meet our strict quality and control standards, and as we seek to obtain additional or alternative supplier arrangements in the future, there can be no assurance that we would be able to do so on satisfactory terms, in a timely manner, or at all.

Our limited operating history may make it difficult to predict our future prospects. Our historical financial and results of operations may not be indicative of our future performance.

We are a development-stage company with limited operating history since 2017. Our future ability to develop products of high quality and appeal to customers, on schedule, and on a large scale is still evolving. Our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition and prospects. We may encounter unforeseen expenses, difficulties, complications, delays and other business uncertainties. If we do not address these business uncertainties and difficulties successfully, we may not be able to achieve promising results in future periods. We cannot assure you that we will be able to achieve similar results or grow at the same rates as we did in the past. In the future, our revenue growth may slow down or even decline for a number of reasons, including slowing demand for our products and technologies, intensified competition, material changes in technology, declining growth rate of our total addressable market, deteriorations in relationship with our business partners or our failure to continue to take advantage of growth opportunities. If our assumptions regarding risks and our future revenue growth turn out to be incorrect or if we do not respond effectively to uncertainties and challenges, our operating and financial results could differ from our forecast, and our results of operations and financial condition could be materially and adversely affected.

We may not be able to effectively manage and develop our distribution network, or efficiently sustain our business relationships with our distributors, which could adversely affect our brand, business, results of operations, and future financial performance. In addition, we collaborate with third-party e-commerce platforms. Disruptions of our relationships with them could have an adverse effect on our business, financial condition and results of operations.

We collaborate with distributors to extend our customer reach in certain jurisdictions. Maintaining an effective distribution network enables the stable delivery of our products to customers, and our distributors play an important role in expanding our geographic footprint and driving sales of our products. In 2023, 2024 and 2025, our total sales through distributors amounted to RMB73.6 million, RMB108.6

million and RMB150.6 million, respectively, accounting for 18.9%, 27.5% and 29.2%, respectively, of our revenue for the corresponding periods. Failure to maintain our business relationships with existing distributors, to establish relationships with new distributors, and to manage and expand our distributors' distribution coverage could adversely affect our distribution network and hence our business, as well as our brands, results of operations, financial performance and prospects. Our ability to expand our distribution coverage is also affected by changes in the relevant regulatory requirements, competitive landscape, and customer preferences and spending habits. Failure to effectively respond to such changes may result in an adverse effect on our business and prospects.

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

We may be involved in legal proceedings and commercial disputes arising out of our business operations, which could have a material adverse effect on our business, financial condition, results of operations and reputation.

We have and may continue to be involved in lawsuits, investigations, claims, complaints and various other legal, regulatory and administrative proceedings and fines arising in the ordinary course of our business. These lawsuits, investigations, claims, complaints proceedings and fines may be brought or asserted in a variety of jurisdictions in relation to various matters, including potential infringement of third-party patents, trademarks, copyrights or other intellectual property rights, data protection and privacy, antitrust, unfair competition, labor and employment, tort, contractual disputes, workplace safety, advertising, tax among other things. For instance, we are currently involved in a legal proceeding initiated by us against one of our competitors regarding a patent dispute. For details of the dispute, see "Business — Legal Proceedings and Compliance." As this dispute is still ongoing, we cannot predict with certainty its timing, outcome, potential damages, or expenses that may be incurred, and there can be no assurance that we will prevail. Even if such dispute is resolved in our favor, we may also face similar or other intellectual property disputes in the future. While we believe that this specific dispute has not had a material adverse effect on us as a whole, it illustrates that legal proceedings may involve significant amounts of liabilities, injunctive relief orders, and inherent uncertainties. The results of any such lawsuits, investigations, claims, complaints proceedings and fines are inherently unpredictable and expensive.

Ongoing or threatened legal actions could be time-consuming and costly to defend or litigate, resulting in significant litigation fee and adversely affecting our financial conditions. They could also divert our management's attention and other resources or result in the loss of goodwill associated with our brand. Furthermore, any lawsuits, investigations and proceedings which are initially deemed immaterial may escalate in significance due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the financial exposure, and the parties involved. If any of these lawsuits, investigations and proceedings were to be determined adversely to us, or we were to enter into a settlement arrangement, we could be exposed to significant monetary damages or be forced to change the way in which we operate our business, which could have an adverse effect on our business, reputation, financial condition, operating results and prospects. For details of our historical legal, regulatory and administrative proceedings, see "Business — Legal Proceedings and Compliance."

We are subject to risks associated with international trade policies, international export controls, economic sanctions, geopolitics and trade protection measures, and our business, financial condition and results of operations could be adversely affected.

Our business operations and financial performance can be influenced by various factors related to international trade policies, geopolitics, and trade protection measures, including tariffs, export controls, and economic or trade sanctions. Starting from February 2025, the U.S. government imposed a series of tariff increases on imports from China, including two sets of tariffs under the International Economic Emergency Powers Act ("IEEPA"), prompting China's retaliatory tariffs on imports from the U.S. On

November 1, 2025, the two countries reached a one-year agreement to de-escalate trade tensions. On February 20, 2026, the U.S. Supreme Court ruled that the President lacked authority to impose tariffs under IEEPA. The reciprocal and fentanyl tariffs 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. In response to the court's ruling, the Trump Administration announced a 10% tariff under Section 122 of the Trade Act, effective February 24, 2026. Section 122 authorizes the President to impose tariffs up to 15% to address "balance of payments" concerns for a maximum of 150 days. The Trump Administration will likely seek to impose additional tariffs under other statutory authorities, including Section 301, when the Section 122 tariffs lapse. Additionally, the United States continues to assess additional tariffs it may impose on goods from other jurisdictions, which might directly or indirectly impact our business or financial performance. These evolving policies have adversely affected the global economy and financial markets. Given the rapid transformation, forecasting future implications remains challenging. New tariffs, legislation, or regulatory changes, particularly retaliatory actions amid heightened global trade tensions, could materially affect our business. In extreme cases, such conflicts could result in economic downturns that materially and adversely impact our business, financial condition, and results of operations.

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

In recent years, the United States has increased export controls restrictions on China through the Export Administration Regulations (the "EAR"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce ("BIS"). BIS has imposed a series of restrictive measures targeting China's advanced computing and artificial intelligence sectors since October 2022. The EAR includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons (the "Entity List"). The export, re-export and/or transfer (in-country) of items which are subject to the EAR generally is prohibited if a person on the Entity List is a party to the transaction (including as purchaser or end-user), unless the transaction is licensed by BIS.

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

Separately, we may also be subject to review and enforcement under domestic and foreign laws that screen foreign investment and acquisitions. In both the U.S. and non-U.S. jurisdictions, these regulatory requirements may treat companies differently based on the type of company in question and investor profile in the company. As a result of these laws, investments by particular investors may need to be filed with local regulators, which in turn may impose added costs on our business, impact our operations, and/or limit our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors. These laws are also regularly changed and updated. For example, on October 28, 2024, the Office of Global Transactions of the U.S. Department of the Treasury ("U.S. Treasury") issued a final rule (the "Outbound Investment Rule") to implement Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern", which established a new national security regulatory framework to regulate certain outbound investments from the United States in certain sensitive industry sectors in the People's Republic of China, including Hong Kong and Macau. The Outbound Investment Rule took effect on January 2, 2025 and restricts U.S. persons' certain direct and indirect investment into companies with specified connections to China that engage in specified "covered activities" within three areas of technology: semiconductors and microelectronics, quantum information technologies, and artificial intelligence systems, collectively defined as "covered foreign persons." Notably, President Trump issued the America First Investment Policy Memorandum on February 21, 2025, which proposes to further expand the set of technologies of concern. On December 18, 2025, President Trump signed into law the National Defense Authorization Act for Fiscal Year 2026 ("NDAA"), including the Comprehensive Outbound Investment National Security Act of 2025 ("COINS Act"). The COINS Act largely codifies the core of the current Outbound Investment Rule while making certain modifications, including the addition of "hypersonic systems" and "high-performance computing and supercomputing" sectors. Before the U.S. Treasury issues implementing regulations, the current Outbound Investment Rule remains effective. These rules may limit our ability to engage in certain kinds of business operations and may also limit our ability to raise capital from U.S. and other sources. We believe we are likely not a "covered foreign person" as defined in the Outbound Investment Rule because we do not engage in any "covered activity" as defined in the Outbound Investment Rule or otherwise meet the definition of "covered foreign persons" provided in the Outbound Investment Rule. However, there is no assurance that Treasury will take the same view. If we were to be deemed a covered foreign person due to changes in our business operations, amendments to relevant laws and regulations or other factors, our ability to raise capital would be significantly and negatively affected. In such case, the [**REDACTED**] of our securities may be materially and adversely affected. Continuing changes to foreign investment laws and rules in both U.S. and non-U.S. jurisdictions could adversely affect our strategic initiatives, financial performance, and growth prospects.

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

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

Our commercial success is dependent upon our ability to maintain existing consumers and attract new end consumers. If we are unable to expand our consumer base, our business, results of operations, financial condition and prospects may be adversely affected.

Our ability to expand and generate revenue depends, in part, on our ability to maintain and deepen our relationships with consumers and convince them to increase their use of our products and services. We provide after-sales services such as repair, replacement and refurbishment. If our existing consumers are dissatisfied with the quality, timeliness or cost of such after-sales services, or if we fail to effectively scale and manage these services as our installed base grows, we may be unable to retain existing consumers or maintain brand loyalty. We spend on advertising, promotion and other marketing activities to acquire new end consumers, and we expect our sales and marketing expenses to increase in the future in absolute amount as we continue to implement strategies to increase awareness of our brand and our products. While we seek to structure our marketing activities in the manner that we believe is most likely to encourage consumers to purchase our products, we may fail to identify opportunities that satisfy our anticipated return on sales and marketing expenses as we scale our investments or to fully understand or estimate the conditions and factors that drive consumer behavior. If our consumers do not increase their usage and demand of our products and services, or if we are unable to attract new consumers, our growth rates may slow down or decline, and the loss of consumers or reductions in the end consumers' usage levels may have a negative impact on our business, results of operations, and financial condition.

Failure to effectively maintain, promote, and enhance our brand could adversely affect our business and results of operations.

We consider the maintenance, promotion, and enhancement of our brand to be essential to the success of our business. We believe the significance of brand recognition will grow as competition in our market intensifies. In addition to offering dependable and high-quality products at competitive prices, the success of our brand promotion will also rely heavily on the effectiveness of our marketing initiatives. We promote our products through our sales team, strategic marketing activities, and positive word-of-mouth from customers. In 2023, 2024 and 2025, our selling and distribution expenses amounted to RMB214.1 million, RMB143.1 million and RMB130.9 million, respectively. We expect that our brand marketing initiatives will entail significant costs and expenses. However, we cannot assure you that these selling and marketing expenses will lead to revenue growth. Even if these efforts lead to higher revenue, there can be no assurance that such increases will be sufficient to offset the related costs. Additionally, any risk factors described in this section could materially and adversely affect to our brand image and market reputation, potentially leading to loss of consumer trust, decreased brand equity, and long-term impairment of our competitive positioning.

Our business operations are highly dependent on the services of our key employees. The continued success of our business depends on the ongoing efforts of our senior management team and highly skilled personnel, as well as our ability to attract and retain new talent. If we are unable to recruit, retain, or motivate qualified staff, our operations and growth prospects could be adversely affected.

The market for high-caliber leaders and employees in our industry is extremely competitive. To execute our business strategies successfully, we must attract, hire, retain and motivate our key executives. Many of our key executives and core employees are important to us and difficult to replace due to the high entry barriers of the smart eyewear industry. However, labor is subject to external factors that are beyond our control, including our industry's highly competitive market for skilled workers and leaders, cost inflation and workforce participation rates. From time to time, if there are changes in our senior management team resulting from the hiring or departure of executives, the ordinary course of our business might be disrupted. The loss of the services of any of our executive officers, our senior management team and other highly skilled employees could have an adverse effect on our business, prospects and results of operations.

We compete with many other companies for engineers and R&D professionals with meaningful experience in designing and developing products and technologies, as well as for skilled marketing, operations and support service professionals, and we may not be successful in attracting and retaining the professionals we need. If we are not able to effectively hire, train and retain employees, our ability to achieve our strategic objectives may be adversely impacted and our business, financial condition and results of operations may be harmed. Since our industry is characterized by high demand and intense competition for talent and labor, we can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. Labor costs have increased with the economic development of developing countries and labor shortage and inflation around the world. In addition, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

We need to make significant expenditures during the course of our operations, and we may need to raise additional capital in the future, which may not be available on terms acceptable to us, or at all. If we cannot raise additional funds on attractive terms when we need them, our operations and prospects could be negatively affected.

Accelerated expansion of our business and the investing activities could require us to invest significant capital. As of December 31, 2025, our total shareholders' deficit was RMB3,026.0 million, and we have recorded net loss in 2023, 2024 and 2025. In 2025, 42.9% of our operating expenses were for research and development activities. If we are unable to fund any such investment or otherwise fail to invest in our research and operations, our business, results of operations or financial condition could be adversely affected. Our operating expense requirements will depend on many factors, including, but not limited to: (i) technical advancements; (ii) market acceptance of our products, and the overall level of sales of our products; (iii) research and development expenses; (iv) our ability to control costs; (v) sales and marketing expenses; (vi)enhancements to our systems and facilities; (vii) potential acquisitions of businesses and solution lines; and (viii) general economic conditions, including the effects of international conflicts and (ix) their impact on the global foundation model industry in particular.

Furthermore, if our capital requirements are materially different from those currently planned, we may need additional capital sooner than anticipated. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of our Shareholders at that point in time will be reduced. Additional financing may not be available on favorable terms, on a timely basis, or at all. Whether banks agree to fulfill a draw-down request of credit facilities may depend on multiple factors, such as the existence of collateral, prevailing market conditions, and the bank's internal liquidity and risk management policies. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our operations as planned, develop or enhance our products, expand our sales and marketing programs, take advantage of future opportunities or respond to competitive pressures.

We incurred net liabilities and recorded net current liabilities during the Track Record Period and may continue to have deficit going forward, which can expose us to liquidity risk.

As of December 31, 2025, we had net liabilities of RMB3,026.0 million and net current liabilities of RMB3,084.0 million, respectively. For details, see "Financial Information — Discussion of Certain Key Items from Our Consolidated Statements of Financial Position." A net current liabilities position may expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources including the [**REDACTED**], and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all.

Our deficit position was in part due to the preferred rights granted to our Group's investors. Please refer to "Financial Information — Discussion of Certain Key Items from Our Consolidated Statements of Financial Position — Liabilities" for further details regarding other financial liabilities. If we continue to record net liabilities, it will affect our liquidity, as well as our ability to raise funds, obtain bank loans and pay debts when they become due and declare and pay dividends. Any difficulty or failure to meet our liquidity needs as and when needed may have a material adverse effect on our business, financial condition, results of operations and prospects.

We had net operating cash outflow during the Track Record Period.

We had net cash used in operating activities of RMB471.8 million, RMB174.1 million and RMB203.5 million in 2023, 2024 and 2025, respectively. These net cash operating outflows were primarily due to our sustained investments in research and development, product upgrade and launch of new products, and sales and marketing activities. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Failure to generate positive cash flow from operations may adversely affect our ability to raise capital for our business on reasonable terms, if at all. If we are unable to maintain adequate working capital, we may default on our payment obligations, be unable to meet our capital expenditure requirements, be forced to scale back our operations, and/or experience other negative impacts on our operations, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

We are exposed to changes in the fair value of our convertible redeemable preferred shares, warrants and convertible notes especially with respect to fair value measurements that involve the use of unobservable inputs.

Our results of operations are affected by changes in the fair value of our convertible redeemable preferred shares, warrants and convertible notes. Specifically, in 2023, 2024 and 2025, our convertible redeemable preferred shares, warrants and convertible notes were RMB438.7 million, RMB328.0 million and RMB202.6 million, respectively, primarily due to the increased valuation of such shares, warrants and notes. The fair value of financial liabilities classified in levels 1 and 2 is determined based on observable inputs, while the determination of the fair value of level 3 financial liabilities is based on valuation techniques and various assumptions of inputs that are unobservable which inherently involve a certain degree of uncertainty. See Note 2.3 to the Accountants' Report included in Appendix I to this Document for more information. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of our convertible redeemable preferred shares, which may in turn affect on our financial position and results of operations.

We are subject to credit risk related to delay in payment and defaults of customers or related parties, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our various users. As of December 31, 2023, 2024 and 2025, our trade receivables amounted to RMB55.5 million, RMB15.5 million and RMB18.2 million, respectively, and our prepayments, other receivables and other assets amounted to RMB146.0 million, RMB122.1 million and RMB104.7 million, respectively. We may not be able to collect all such trade receivables and prepayments, other receivables and other assets due to a variety of factors that are beyond our control, including long payment cycles of certain of our suppliers, adverse operating condition or financial condition of users, and users' inability to pay. If our users delay or default in their payments to us, we may have to make impairment provisions and write-off the relevant receivables and hence our liquidity and financial condition would be adversely affected.

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

Our inventories primarily consisted of raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB189.5 million, RMB166.4 million and RMB180.6 million, respectively. During the Track Record Period, we assessed our inventories and wrote down our inventories to the lower of cost and net realizable value. During the Track Record Period, we recorded impairment of inventories of RMB12.2 million, RMB13.0 million and RMB8.4 million in 2023, 2024 and 2025, respectively. We may continue to face inventory impairment risk in the future, which could adversely affect our profitability. For the years ended December 31, 2023, 2024 and 2025, our average inventory turnover days were 157 days, 209 days and 187 days, respectively. Any fluctuations and extensions in inventory turnover could adversely affect our cash flows and liquidity. For details, see "Financial Information — Discussion of Certain Key Items from Our Consolidated Statements of Financial Position — Assets — Inventories."

In addition, we determine our inventory level based on our sales forecasts, customer orders and assessment of customer demand. We are exposed to inventory risk due to rapid product iteration cycles, changing consumer preferences and uncertainties in product launches. Product demand can change significantly between order placement and delivery, and forecasting becomes particularly challenging when launching new products. There can be no assurance that we can accurately predict these trends and avoid over-stocking or understocking our products. Inventory levels in excess of customer demand may result in inventory write-downs or an increase in inventory holding costs, and may have a negative impact on our liquidity. On the other hand, failure to maintain a sufficient inventory level may result in lost sales opportunities and inability to timely meet customer demand. As we expand our business scale, it will become more challenging for us to manage our inventories effectively, and we may face a heightened risk of inventory obsolescence. Any such situation may have a material and adverse effect on our business, financial condition and results of operations.

Our sales are subject to seasonality.

Our business operation exhibits certain seasonality. Our revenue typically peaks in the fourth quarter of each year. This reflects consumer purchasing practices during major shopping festivals worldwide such as Singles' Day Shopping Festival, Black Friday and Christmas, when demand for experience-driven wearable device increases. This seasonal pattern may result in fluctuations in our results of operations. As a result, comparing our results of operations across the different periods of a given year as an indicator of our performance may not be meaningful and should not be relied upon as indicators of future performance. Furthermore, if our operations are disrupted or affected by unpredictable events taking place during our stronger quarter, our business, financial condition and results of operations could be materially and adversely affected.

Share-based payments may have a material and adverse effect on our financial performance and cause shareholding dilution to our Shareholders.

The share incentive plan was established for the benefit of our directors, senior management and core employees as remuneration for their services provided to us and to incentivize and reward the eligible persons who have contributed to the success of our Company. For the principal terms of the employee incentive scheme, see "Appendix IV — Statutory and General Information — D. Pre-[**REDACTED**] Equity Incentive Plan." In 2023, 2024 and 2025, we recorded RMB5.8 million, RMB5.3 million and RMB3.8 million, respectively, in share-based payments.

To further incentivize our employees, we may incur additional share-based payment expenses in the future. We believe such share-based awards are important to our ability to attract, retain and motivate our key personnel, and we may continue to grant share-based awards in the future. Expenses incurred with respect to such share-based payments may also increase our operating expenses and therefore have a negative effect on our financial performance. Issuance of additional Shares with respect to such share-based payments may dilute the shareholding of our Shareholders and could result in a decline in the value of our Shares.

Discontinuation of any of preferential tax treatments or imposition of any additional taxes and surcharges could adversely affect our business, financial condition, results of operations and prospects.

Our business is subject to risks associated with the tax laws and regulations of the countries in which we operate, including the risk of changes in tax laws, regulations, and policies, as well as the imposition of additional taxes, surcharges, or penalties, which could adversely affect our effective tax rate, transfer pricing, or exposure to additional tax liabilities.

In addition, some of the jurisdictions in which we operate have rules on transfer pricing that require intra-group transactions to be conducted on arm's length terms. There can be no assurance that tax authorities in these jurisdictions will not challenge our transfer pricing arrangements. Such challenges could result in additional taxes, interests, or penalties imposed on us, and would negatively impact our business, operating results and financial position.

Preferential tax treatments granted to us by local governmental authorities are also subject to review and renewal and may be adjusted or revoked at any time in the future. We cannot guarantee you that the preferential tax treatments to which we are currently entitled would remain valid or be successfully renewed. The discontinuation of any of our current tax treatments and imposition of any additional taxes and surcharges could materially increase our tax obligations and adversely impact our net income.

We are exposed to risks relating to warehousing and third-party logistics service providers, and any significant disruption may affect product delivery.

We operate a combination of self-operated and third-party warehousing facilities to support our global operations. During the Track Record Period, we engaged independent third-party logistics providers to transport our products from third-party manufacturing partners to warehouses and then to customers. Any significant disruption to the operation of these third-party warehouses, whether due to natural disasters, public health incidents, labor shortages, fires, system failures, or other causes, could severely disrupt our operations and delay product deliveries or even result in product destruction. Any unexpected changes in storage conditions could damage our inventory, particularly for AR eyewear and other products requiring specific environmental conditions. While we plan to obtain insurance coverage for valuable inventory, such coverage may not be sufficient to compensate for all losses, and delays in delivery or damage to customer relationships may not be recoverable.

If third-party warehousing and logistics providers fail to meet their service obligations due to operational issues, financial difficulties, capacity constraints, or other unforeseen circumstances, our ability to deliver products to customers in a timely and cost-effective manner may be compromised. This could lead to order cancellations, customer dissatisfaction, and loss of revenue. Additionally, improper handling of our products during transportation or storage could result in product damage, which is particularly concerning for our high-value collectible products. Such damage could lead to product liability claims, customer complaints, and negative impact on our brand image.

Quality issues or any matters resulting in dissatisfaction of our products may lead to product returns, loss of customers, and subject us to product liability claims and reputational risks.

Despite internal testing, our AR eyewear may contain errors, defects, security vulnerabilities or software issues that are difficult to detect and correct. These risks may increase as our products are introduced into new applications, or as new features are released. Moreover, certain product deficiencies may only become apparent after delivery or even following extended periods of customer use. Undiscovered vulnerabilities in our products could result in suboptimal user experience or trigger technical incidents that impact product reliability. If our customers or individual consumers experience product quality issues or are otherwise unsatisfied with our products, we may experience a high return rate and incur significant costs and devote substantial time to respond to customer claims, and we may not be able to successfully obtain indemnification from upstream suppliers for all, or any, claims from customers. In addition, we may be liable for personal and property damages due to damage caused by using our products. As a result, any material product liability claim or litigation could have a material and adverse effect on our business, results of operations, financial condition and prospects.

If any products sold by us are alleged to be unsafe or defective, we may experience reduced sales of the relevant products and may have to recall them from the market. We cannot assure that such recalls will not occur, or such claims will not be filed against us in the future. Any claims made against us could have a material adverse effect on our reputation, business, financial condition and results of operations. Any product recalls or any claims against us, regardless of merit, can strain our financial resources, hurt our reputation and consume the time and attention of our management. If any claims against us are successful, we may incur liabilities, and our reputation may be severely damaged. We may not have sufficient insurance coverage against losses from product liabilities claims, product returns and recalls, and other losses resulted from quality issues. See "— Our insurance coverage may be insufficient to cover all of our potential losses."

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

As an AR eyewear company, we collect data such as device information and usage log of our products from users who directly authorize us. For details, see "Business — Data Privacy and Security." As a result, we are subject to laws and regulations relating to the collection, storage, use, processing, transmission, retention, security and transfer of personal information and other data across different jurisdictions where we operate. We cannot guarantee that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. Any improper handling of personal information or any other information security incidents, such as unauthorized access to, misuse or misappropriation of our consumer data, could result in reputation damage and/or civil or regulatory liabilities that may have significant legal, financial and operational consequences. The interpretation and application of regulatory requirements regarding data security and protection are also constantly evolving. Complying with emerging and changing legal requirements may cause us to incur substantial costs or require us to modify our business practices.

Security breaches and other disruptions of our systems, digital infrastructure, software and related data, or those of third parties we partner with, could endanger the trust of our customers and adversely impact our business.

Our business operations depend critically on the availability, reliability and security of our information technology and communications infrastructure. Our systems, digital infrastructure, software and related data may be vulnerable to security breaches and other breaches. Hackers may attempt in the future to gain unauthorized access to our system and obtain proprietary information or data generated from use of our products. Unauthorized third parties may circumvent our security measures, misappropriate proprietary information and cause interruptions in our information technology systems. In addition, credential stuffing attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent. An attempted or actual attack, perceived or actual vulnerability can interrupt our development or production activities and force us to divert significant resources to incident response, remediation and legal defense. In addition to potential litigation and regulatory penalties, such events could expose us to financial losses from fraud, damage our reputation in the market and materially and adversely affect our business, financial condition, results of operations and growth prospects.

Non-compliance, misconduct and omissions by our business partners or third parties involved in our business could adversely affect our business and reputation.

Misconduct and omissions by our business partners could harm our business and reputation or subject us to liability or negative publicity. Non-compliance of third parties involved in our business could adversely affect our business. In particular, our business partners, including our various suppliers and customers, as well as other third parties who have entered into business relationships with our business partners, may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may, directly or indirectly, affect our business. We cannot be certain whether such third parties have infringed or will infringe any other parties' legal rights or violate any regulatory requirements. We cannot rule out the possibility of incurring liabilities or suffering losses due to any noncompliance by third parties. We cannot assure you that we will be able to identify irregularities or non-compliances in the business practices of our business partners or other third parties, or that such irregularities or non-compliance will be corrected in a prompt and proper manner. The legal liabilities and regulatory actions on our business partners or other third parties involved in our business may affect our business activities and reputation, which may in turn affect our results of operations.

We, our directors, management, employees and shareholders and their affiliates may be subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, results of operations, and financial condition.

We may from time to time become a party to litigation, arbitration, administrative proceedings, or disputes in the ordinary course of our business. These may be brought against us by customers, suppliers, business partners, shareholders, employees, competitors, governmental authorities, or other third parties, and may involve a variety of matters, including product liability, intellectual property, labor and employment, securities liability, contract disputes, and property rights. There is no guarantee that we will be successful in defending ourselves in such proceedings or in asserting our rights. Even if we prevail, legal proceedings can be expensive, time-consuming, and disruptive to our operations, and enforcing our rights against other parties involved may prove difficult or ultimately futile. These proceedings could also divert our management's attention, result in negative publicity, and expense us to substantial legal costs, monetary damages, injunctive relief, and criminal, civil, or administrative fines and penalties. Any of these outcomes could materially and adversely affect our business, results of operations, and financial condition. In addition, our directors, management, shareholders and employees and their affiliates may from time to time be subject to litigation, regulatory investigations, proceedings and/or negative publicity or otherwise face potential liability and expense in relation to commercial, labor, employment, securities or other matters, which could adversely affect our reputation and results of operations.

Any failure to obtain or maintain the requisite licenses, permits or approvals applicable to our business could materially and adversely affect our business and results of operations.

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

Negative publicity or rumors concerning our company, products, management, directors, employees, shareholders, customers, business partners or their affiliates or the industry in which we operate may adversely affect our business, results of operations, financial condition and prospects.

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

Our patent applications may not be issued as patents, which could materially and adversely affect our ability to prevent others from developing products similar to ours.

We cannot be certain that we are the first inventor of the subject matter for which we have filed a particular patent application, or if we are the first party to file such a patent application. China, the U.S. and Europe have adopted the "first-to-file" system, under which the first inventor to file a patent application will be awarded the patent if all other patentability requirements are met. If another party has filed a patent application covering the same subject matter as we have developed, and such application has priority against our patent application, we may not be entitled to the protection sought by our patent application, including preventing third parties from commercializing the same or similar technologies. Further, the scope of protection of patent claims may be limited or narrowed if the examining authority determines there is cause to do so, such as if claims included in the patent application cover subject matter that is ineligible for patent protection or is obvious, or are deemed to lack sufficient detail to enable practicing the invention or in the event of the existence of prior art. As a result, we cannot be certain that the patent applications that we file will result in issued patents, or that our issued patents will be broad enough to protect our technology or otherwise afford protection against competitors with similar technology. In addition, the issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability. Our competitors may challenge or seek to invalidate our issued patents, or design around our issued patents, which may adversely affect our business.

We are subject to potential adverse effect in respect of our existing leased properties.

As of the Latest Practicable Date, some of our leased properties are subject to certain title defects, lack of lease registration, or lack of construction permit. For details, please refer to the paragraph headed "Business — Properties — Leased Properties." We leased one property from the lessor for which the property ownership certificate has not yet been issued, and there is a lack of sufficient documentation to substantiate the ownership title of such leased property. Therefore, we may not be able to continue to occupy and use such property and may be exposed to a potential relocation risk. We have not registered certain lease agreements with the relevant PRC government authorities. Although lack of registration of lease agreements will not affect the validity of such lease agreements, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant PRC government authorities require us to rectify and we fail to do so within the prescribed time period. In addition, we had not received construction permit, and had not completed the filing procedures for one of our leased properties. If ordered by the relevant government authorities, we may be subject to a fine of 1% to 2% of the contract value of the construction project for lack of construction permit, and a fine of not less than RMB200,000 and not exceeding RMB500,000 for not incompletion of the filing procedures.

We cannot assure you that suitable alternative properties will be readily available to us on commercially reasonable terms, or at all, and if we are unable to secure such alternatives in a timely manner, or if our rights in respect of our owned properties cannot be effectively enforced, our business operations may be adversely affected.

Our insurance coverage may be insufficient to cover all of our potential losses.

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

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

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

Any delays, disruptions or cost overruns of our manufacturing activities may materially and adversely affect our business, financial condition and results of operations.

Our business operations depend on our manufacturing capabilities. We operate a manufacturing facility in Wuxi, Jiangsu province, which enables us to control quality, costs, and production timelines. Disruptions or inefficiencies in our production processes, whether due to equipment malfunctions, labor disputes, supply chain issues, natural disasters, armed conflicts or other unforeseen circumstances, could severely impact our ability to meet customer demand and maintain our market position. In addition, we outsource certain production to third-party manufacturers. As we do not have direct control over the production schedule and quality of the materials and intermediate products manufactured or supplied by such third parties, we are exposed to risks relating to the delay of delivery and quality of such materials and intermediate solutions. Such issues could result in lost sales, customer dissatisfaction, and potential harm to our reputation. See "— We rely on a limited number of suppliers for raw materials and manufacturer services, and any disruption in their supply or deterioration in our relationships with them could materially and adversely affect our operations." for details.

Additionally, equipment malfunctions or breakdowns may cause production delays and affect our ability to meet production targets. Such failures might necessitate costly repairs or replacements, leading to additional expenses and prolonged downtime. Unexpected maintenance issues could also disrupt production schedules and result in operational inefficiencies, diminishing our manufacturing capacity and profitability.

Increasing focus with respect to ESG matters may expose us to additional risks. Failure to keep up with the evolvement in social trends and policies relating to ESG matters may adversely affect our business, financial condition and results of operations.

In recent years, public awareness of ESG has been increasing. Changes in social trend and policies associated with environmental protection, public health and other ESG issues may have growing influence on our business model and daily operations. With growing attention on ESG matters, [**REDACTED**] are increasingly focused on ESG issues and tend to incorporate ESG performance into their [**REDACTED**] decisions, while consumers are becoming more environmentally conscious, preferring products and services with green and environmentally friendly design and production. Any new ESG concern or change in social trends and political policies relating to ESG matters may require us to adjust our practices in a way that could adversely impact our reputation, business operations and financial condition.

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

RISKS RELATED TO THE JURISDICTIONS IN WHICH WE OPERATE OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In February 2012, SAFE promulgated the Circular on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-[**REDACTED**] company upon completion of this [**REDACTED**]. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional requirements on their ability to exercise stock options or remit proceeds gained from the sale of their stock into the PRC. We may also be subject to regulatory requirements that could affect our ability to adopt incentive plans for our directors, executive officers and employees under PRC law.

Under other rules and regulations issued by the STA concerning employee share incentives, our employees working in the PRC will be subject to PRC individual income tax upon exercise of the share options or grant of the restricted Shares. Upon exercise of the share options or grant of the restricted Shares, our PRC subsidiaries have to file documents with respect to the granted share options or restricted Shares with relevant tax authorities and to withhold individual income taxes for their employees upon exercise of the share options or grant of the restricted Shares. If our employees fail to pay, or we fail to withhold, their individual income taxes according to relevant rules and regulations, we may face sanctions imposed by the competent governmental authorities. See "Regulatory Overview — PRC Laws and Regulations — Tax Regulations."

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

According to the Cybersecurity Review Measures (《網絡安全審查辦法》) (the "Review Measures"), in the following cases, applications for cybersecurity review shall be submitted to the Cybersecurity Review Office (《網絡安全審查辦公室》): (i) if a critical information infrastructure operator ("CIIO") purchases network products and services, it shall anticipate the potential national security risks that may arise from the use of such products and services. Those that affect or may affect national security shall be reported to the Cybersecurity Review Office for cybersecurity review; and (ii) an internet platform operator holding more than 1 million users' personal information must apply to the Cybersecurity Review Office for cybersecurity review when seeking to be listed in a foreign country. Based on the Review Measures, the enterprises seeking listing in Hong Kong are not required to take the initiative to apply for a cybersecurity review, as Hong Kong is a part of the PRC and does not belong to the "foreign country" as stipulated in the Review Measures.

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

However, the Review Measures and the Data Security Regulations are subject to further interpretation, application and enforcement. We will closely monitor the legislative process and seek guidance from relevant regulatory authorities in a timely manner to ensure our compliance with relevant laws and regulations applicable to us.

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

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

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

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for our Shares and the liquidity and [REDACTED] of our Shares may be volatile.

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

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

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the [**REDACTED**] of our Shares or [**REDACTED**] of our Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result [**REDACTED**] in our Shares may incur substantial losses.

Subscribers and purchasers of our Shares under the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our Shares is higher than our net tangible assets value per Share immediately prior to the [**REDACTED**]. Therefore, subscribers and purchasers of our Shares under the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] net tangible assets value per Share. In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future or to raise additional funds in the future to finance our business expansion, for existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company, other than on a pro rata basis to existing Shareholders, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders and/or (iii) subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of Shares by any of our substantial Shareholders could adversely affect the prevailing [REDACTED] of our Shares.

The Shares held by certain Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed "[**REDACTED**]" of this Document. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that these sales may occur, may materially and adversely affect the prevailing [**REDACTED**] of our Shares.

The [REDACTED] of the Shares when [REDACTED] begins could be lower than the [REDACTED].

The [**REDACTED**] will be determined on the [**REDACTED**]. However, the Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be a few Business Days after the expected [**REDACTED**]. [**REDACTED**] may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the [**REDACTED**] of the Shares when [**REDACTED**] begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur during that period.

[REDACTED] should not place undue reliance on facts, forecasts, estimates and other statistics in this Document relating to the economy and our industry obtained from official or other resources.

Facts, forecasts, estimates and other statistics in this Document relating to the economy and the industry in which we operate our business on have been collected from materials from official government sources. We cannot assure you nor make any representation as to the accuracy or completeness of such information. The information and statistics from official government sources have not been independently verified by our Group, our Directors, the Joint Sponsors, the Overall Coordinators, the [**REDACTED**] or any other party involved in the [**REDACTED**], and no representation is given as to its accuracy.

Neither we or any of our respective affiliates or advisers, nor [**REDACTED**] or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources used in this Document may not be consistent with other information available from other sources and therefore, [**REDACTED**] should not unduly rely upon such facts, forecasts, estimates and statistics while making [**REDACTED**] decisions.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the [REDACTED] and [REDACTED] of our Shares may decline.

The [**REDACTED**] for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our [**REDACTED**] or [**REDACTED**] to decline.

We have no experience of operating as a [REDACTED].

We have no experience conducting our operations as a [**REDACTED**]. After we become a [**REDACTED**], we may face enhanced administrative and compliance requirements, which may result in substantial costs.

In addition, since we are becoming a [**REDACTED**], our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, [**REDACTED**] standards and securities and [**REDACTED**] relationships issues. As a [**REDACTED**], our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner. Failure to effectively manage these new demands could adversely impact our operational efficiency and financial health, affecting our business and market perception.

We may not be able to pay any dividends to our Shareholders.

We cannot guarantee when and in what form dividends will be paid on our [**REDACTED**] following the [**REDACTED**]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, such as our business and financial performance, capital and regulatory requirements and general business and operation conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable.

[REDACTED] may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability, and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where [**REDACTED**] may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, as amended from time to time, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where [**REDACTED**] reside. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We have significant discretions as to how we use the net [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the net [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return. For details of our intended use of [**REDACTED**], see "Future Plans and Use of [**REDACTED**]" in this Document. However, our management will have discretion as to the actual application of our net [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net [**REDACTED**] from this [**REDACTED**].

You should read the entire Document carefully and should not place any reliance on any information contained in press articles or other media regarding the [REDACTED].

There may have been, prior to the publication of this Document, and there may be, subsequent to the date of this Document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], such as the profit estimate information. You should rely solely upon the information contained in this Document and any formal announcements made by us in Hong Kong in making your [**REDACTED**] decision regarding the [**REDACTED**]. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective [**REDACTED**] should not rely on any such information, reports or publications in making their decisions whether to [**REDACTED**] in the [**REDACTED**]. Prospective [**REDACTED**] in the [**REDACTED**] are reminded that, in making their decisions as to whether to purchase our [**REDACTED**], they should rely only on the financial, operational and other information included in this Document. By applying to purchase our [**REDACTED**] 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.

Forward-looking information contained in this Document is subject to risks and uncertainties.

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