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OVERVIEW

Who We Are

We are a leading AR eyewear company with a global consumer base. We design, develop, manufacture and sell AR eyewear, and provide related products and services under our distinctive brand. Leveraging our capabilities in optical engineering, edge coprocessor integration, algorithms and software development, our products have evolved from display-centric devices toward richer spatial computing experiences, and we are further expanding into AI-enabled wearable experiences. We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch.

Our Achievements



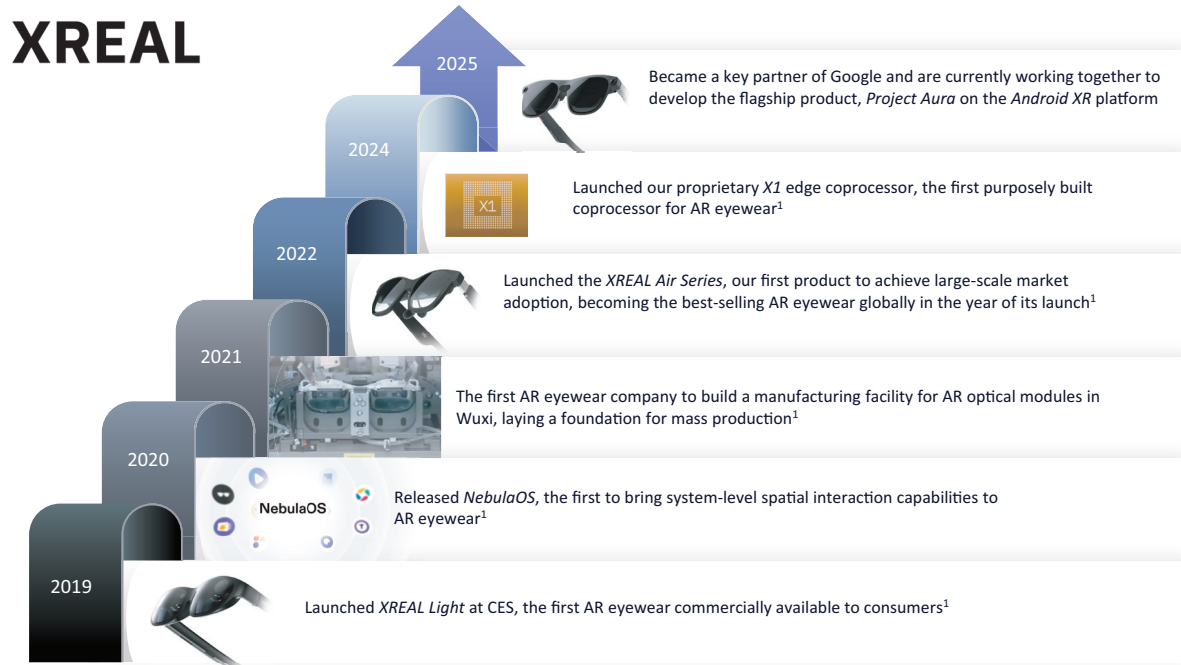
Notes:

1. According to iResearch.
2. As of December 31, 2025.

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Our Growth Path

We have built our growth path through a series of milestones across product commercialization, technology development and manufacturing capability expansion, as illustrated by the milestone chart below:



Note:

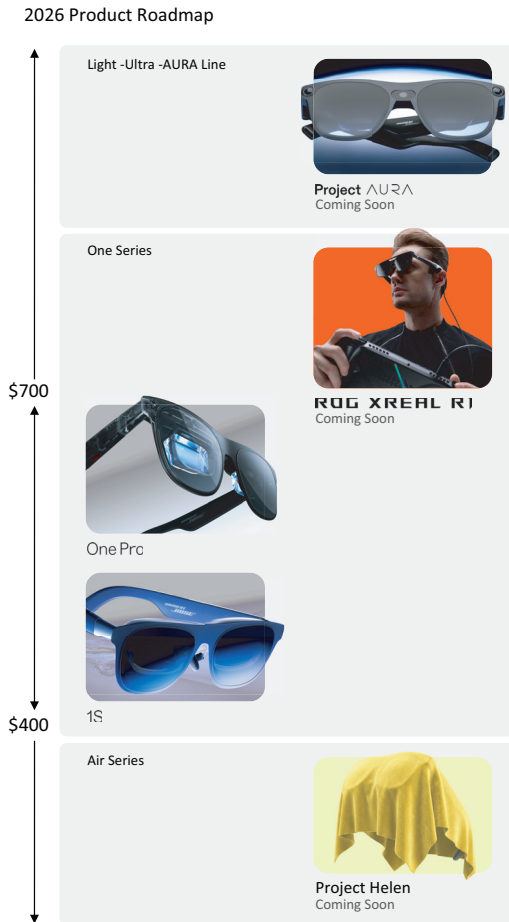
1. According to iResearch.

These milestones reflect a sustained and coordinated innovation path rather than isolated product launches, built on a consistent technical direction across edge computing, spatial interaction and multimodal AI. The launch of *Project Aura* marks an important step in this evolution, advancing AR eyewear toward AI-enabled hardware with enhanced contextual understanding, natural interaction and task execution capabilities.

Our Products and Services

Our product offerings primarily consist of AR eyewear designed for everyday use. We offer a broad and tiered portfolio across different price points, user needs and product capabilities, ranging from entry-level spatial display products to next-generation spatial computing products. Our current portfolio can be grouped into three main lines: the *Air Series*, the *One Series*, and the *Light-Ultra-Aura Line*.

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The *Air Series* is our entry-level and largest-volume product line, designed for high-frequency scenarios such as immersive viewing, gaming and light office work. It is built to maintain a wearing experience close to ordinary eyewear while supporting plug-and-play connectivity with smartphones, PCs and gaming consoles.

The *One Series* builds on this foundation by further enhancing display quality and interactive capabilities. It features advanced Micro-OLED display technology, our customized *XI* edge coprocessor and electrochromic lenses that automatically adjust brightness under different lighting conditions, delivering a more advanced spatial display experience.

The *Light-Ultra-Aura Line* reflects our product evolution toward next-generation spatial computing. Our earlier *Light* products helped establish our early market presence. *Ultra* introduced advanced spatial sensing and full 6DoF interaction capabilities for developers and advanced users. *Project Aura*, our next-generation flagship product currently under development, is expected to expand FoV to approximately 70 degrees, integrate enhanced spatial computing and multimodal AI capabilities, and run on Google’s *Android XR* platform.

We develop *NebulaOS*, our proprietary operating system designed specifically for AR environments. Our AR eyewear products are broadly compatible with major operating systems and support seamless connectivity across devices and platforms. On top of this hardware compatibility, *NebulaOS* further enhances user experience by enabling spatialized display of native 3D Android applications, multi-window management, 3DoF and 6DoF spatial positioning and intuitive gesture interaction. *NebulaOS* also provides a development framework for developers to create applications purpose-built for AR environments and expand the range of potential use cases for our devices.

In addition to our consumer products, we provide technical development services to enterprise customers. Leveraging our expertise in AR optics, edge coprocessors, hardware engineering and system integration, we support enterprise clients in tailoring AR-related products for specific application scenarios. Our service scope covers optical module design, hardware development, software system integration and AR application scenario customization.

Our Technology

Unlike assembly-based manufacturers, we lead the design and integration of key technologies across optical engines, edge coprocessor architecture, algorithms and operating system. Our deeply integrated technology stack creates a high barrier to entry and empowers continuous iterations of our AR eyewear. See “— Our Strengths” for details.

- **Advanced optical display capability:** Display performance is the heart of AR eyewear. With our self-developed *X-Prism* optical engine, we moved beyond Birdbath optics to achieve thinner modules and a wider FoV. This makes eyewear lighter and more immersive. Our business initiative, *Project Aura*, is designed to reach an approximately 70-degree FoV, setting a new benchmark.

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- **Purpose-built edge coprocessor:** We advanced edge computing with the *XI* edge coprocessor, purpose-built for AR eyewear. By running spatial algorithms locally, it delivers high speed and low latency. Motion-to-photon delay is reduced to under three milliseconds, delivering smooth visuals and comfortable wear.
- **High-performance algorithms:** Our algorithms make interaction between users and AR eyewear natural, simple, and stable. They stabilize virtual objects in physical space and enable features such as real-time 2D-to-3D video conversion.
- **Evolving *NebulaOS*:** Our proprietary *NebulaOS* is designed specifically for AR environments and further enhances user experience by featuring native 3D AR applications, multi-window management, 3DoF and 6DoF spatial positioning and intuitive gesture interaction.

Our Market Opportunities

The global smart eyewear market is entering a new phase of expansion, supported by rapid advances in edge computing, artificial intelligence and optical display technologies. Smart eyewear includes AR eyewear and non-display eyewear. According to iResearch, the global smart eyewear market reached approximately US\$2.3 billion in 2025 and is projected to grow to approximately US\$24.0 billion by 2030. Within this broader market, AR eyewear are expected to be the primary growth driver, combining the convenience of everyday wear with immersive digital display capabilities. Global sales volume of AR eyewear is forecast to increase from approximately 0.8 million units in 2026 to approximately 22.2 million units in 2030, representing a CAGR of 130.9%, with its share of the smart eyewear market expected to rise significantly during the same period.

Beyond devices, the smart eyewear industry is also evolving toward a broader ecosystem that includes software and services. As user adoption increases and engagement deepens, demand for intelligent applications, content and AI-powered services delivered through smart eyewear is expected to grow rapidly, enabling new monetization models such as subscription-based and service-driven offerings. We believe this expanding ecosystem will further enlarge the overall market opportunity and support the long-term development of the industry.

Our Global Footprint

Since inception, we have operated on a global basis, with sales spanning China, North America, Europe and the Asia-Pacific region. In 2025, over 70% of our revenue came from overseas markets.

Cooperation with World-Class Partners

We work with leading global technology companies across edge coprocessor architecture, optical engines, spatial algorithms and operating systems. Our partnership with Google leverages the strengths of both companies. We contribute industry-leading coprocessors purpose-built for our products, proprietary optical technologies, and engineering expertise, while Google provides the operating system, the world’s largest mobile developer ecosystem, and Gemini multimodal AI capabilities. Together, *Project Aura* aims to establish AR eyewear as one of the core device within the *Android XR* platform, activating millions of developers and driving mass market adoption. Looking ahead, *Project Aura* eyewear has the potential to evolve into the AI-enabled products that understand user needs, engage in natural conversation, and proactively fulfill requests.

We also collaborate with other leading technology companies to expand AR applications, such as ASUS ROG for AR application in gaming, NIO for smart cockpit and a leading smartphone manufacturer in China for smartphones. In these collaborations, we engage early in designing technology architecture and product feature, thereby gaining a forward-looking perspective as the industry evolves. Through these R&D initiatives, we have built a growing portfolio of intellectual properties in core technologies such as

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the *X-Prism* optical engine and *X1* edge coprocessors, with systematic patent coverage across major markets including North America, the European Union, Japan, and China. As of December 31, 2025, we held 481 patents, securing the long-term application and commercialization of our key technologies.

Global Sales Network and Supply Chain

We have also established a global sales network and supply chain to support sustainable operations. By partnering with leading global retailers, our sales network covered 40 countries and regions as of December 31, 2025. We maintain local sales and operations teams in North America, Japan, and South Korea to stay close to market needs and support rapid iteration.

On the supply chain side, we work closely with renowned chipmakers, optical technology companies, and acoustic developers to advance product features, while leveraging China’s mature consumer electronics industry for high-precision manufacturing and assembly. For example, we collaborate with Sony to customize Micro-OLED screens, adopt Qualcomm’s XR flagship processor platform, and define industry-leading acoustic solutions through our partnership with Bose. In addition, we work closely with carefully selected manufacturers such as Luxshare Precision and Longcheer to make sure the components of our AR eyewear are properly designed and manufactured. From circuit design and assembly to fine-tuning each stage of the manufacturing process, we fully integrate our software capabilities into the hardware architecture to deliver a smooth user experience. We also establish rigorous production benchmarks for display, audio, sensors, and color accuracy to maintain consistently high product quality.

Our Users

We have built a comprehensive user base encompassing individual users and enterprise users. Together, they form a vibrant community that drives co-creation and fuels a continuous feedback loop, enabling us to refine products and expand applications.

- ***Individual Users.*** Individual users are the driving force behind large-scale commercialization. They focus on immersive viewing, smooth gaming on large screens, and portable multi-screen office setups. In 2025, users on average wore our AR eyewear 90 to 120 minutes per time and 12 to 18 times per month, exceeding industry average, according to a consumer survey conducted by iResearch. Among individuals, developers and tech enthusiasts are early adopters of our products, many of whom also becoming strong advocates. With their deep engagement, we encourage them to develop native AR applications based on our *NebulaOS*.
- ***Enterprise Users.*** We engage enterprise users by providing them with tailor-made AR products. Through cooperating with leading companies across various industries, we have further expanded the use of AR in various scenarios such as gaming, smart phones and travel.

We have built an active user community that brings together all types of users. This community keeps exploring new applications beyond official definitions, significantly extending the boundaries of AR eyewear. For example, office professionals uses it as a “portable multi-screen workstation” when they are traveling, and drone enthusiasts use it for immersive first-person flight perspectives. We have established a rapid response mechanism that connects community feedback directly to software updates. By continuously absorbing real user input worldwide, we quickly address pain points and refine experiences, creating a feedback loop where user insights inspire innovation and innovation further enhances user experience. As of March 26, 2025, our customer satisfaction (CSAT) reached 8 points (out of 10 points) according to iResearch.

Our Sales Model

We adopt a full-channel sales model with a focus on direct sales and complement with distribution channels, designed to achieve both broad global coverage and deep market penetration.

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- ***DTC Sales Network:*** At the center of our strategy is an efficient DTC system that reaches end users directly in North America, Europe, and Asia-Pacific through online global e-commerce platforms and our official online store. This model not only helps us maintain relatively higher gross margins but also allows us to efficiently capture user feedback and integrate them in our product iteration. Our online sales are driven by digital marketing, including social media exposure and reviews from technology influencers, which educate users and generate traffic, resulting in efficient conversion.
- ***Extensive Distribution Network:*** We have cooperated with leading consumer electronics retailers and major telecom operators worldwide, including North America, Japan, and China. By offering vivid trial experiences in core retail stores and telecom outlets, we showcase the comfort of our AR eyewear and the quality of its display in real-world settings. These hands-on demos transform online awareness into firsthand experience, accelerating adoption among consumers.

OUR STRENGTHS

Market Leadership with Global Footprint and Scalable Growth

We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch. Since inception, we have been at the forefront of the development of AR eyewear and have established strong brand recognition through continued innovation. Our products have received multiple internationally recognized awards, including CES Best of Innovation, the Edison Gold Award, and recognition in TIME’s Best Inventions of 2025. We have also been recognized by Fast Company as one of the World’s Most Innovative Companies for three consecutive years from 2024 to 2026.

We have established a global footprint that supports our strong performance in developed markets, while continuing to expand into emerging markets to capture additional growth opportunities. Our four core markets, namely North America, China, Japan and Europe, provide both substantial market size and geographic diversification. As of December 31, 2025, our products were sold across 40 countries and regions, and more than 70% of our revenue was generated outside China in 2025.

The AR eyewear market is entering a period of rapid growth, driven by technical advancement, expanding application scenarios and increasing consumer adoption. According to iResearch, global AR eyewear sales volume is expected to increase from 0.8 million units in 2026 to 22.2 million units in 2030, representing a CAGR of 130.9%. We believe our first-mover advantages position us well to capture further market share as the industry continues to scale. At the same time, as our sales volume increased, we achieved economies of scale and improved marginal cost efficiency. From 2023 to 2025, our gross profit margin increased from 18.8% to 35.2%.

Technological Differentiation with High Barriers to Entry

We believe our competitive advantage in AR eyewear lies in system-level integration across the key layers of the product stack, including optical engines, edge coprocessor architecture, algorithms and operating systems. Rather than relying primarily on third-party standard components, we lead the design and integration of more than two-thirds of our bill of materials, including key modules such as optical engines and edge coprocessors. This self-defined product strategy enables a high degree of hardware-software coordination, which we believe enhances user experience, supports faster product iteration and improves long-term scalability and cost efficiency.

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As of December 31, 2025, we held 481 patents, more than half of which were invention patents. The key technologies underlying our products are set forth below:

- **Advanced Optical Display Capability.** We have developed our proprietary *X-Prism* optical engine, which builds on and improves the industry’s mainstream Birdbath solution. While retaining birdbath’s strengths, including high clarity, accurate color performance, low cost and high yield, *X-Prism* addresses limitations in module thickness and FoV. *X-Prism* reduces thickness by approximately 40% and expands FoV from 46 degrees to 57 degrees, enabling lighter eyewear and a wider, more immersive visual experience. Our next-generation flagship product, *Project Aura*, is designed to reach a FoV of 70 degrees.
- **Purpose-built Edge Coprocessors.** In collaboration with leading global design house, we introduced *X1*, a purpose-built edge coprocessor for AR eyewear, in 2024. Compared with general-purpose processors, *X1* features a dedicated NPU and AR rendering engine designed specifically for AR eyewear, reducing motion-to-photon latency to under 3 milliseconds even under strict power and thermal constraints. This enables smooth and stable visuals with improved wearing comfort. In addition, our use of SiP technology integrates computing, storage and communication modules in a compact footprint, further improving energy efficiency while maintaining a relatively small device size.
- **Advanced Algorithms.** Our proprietary algorithms enable virtual screens and 3D objects to remain stably anchored in physical space, with jitter rates below 0.5 mm. Leveraging the computing power of customized edge coprocessors, our *Real3D* algorithm converts 2D video streams into immersive 3D experiences in real time with high accuracy. We are also advancing multimodal perception algorithms that recognize visual, text and gesture inputs, enabling more natural interactions and a deeper understanding of user intent.
- **Proprietary Operating System.** Launched in 2020, *NebulaOS* transforms traditional 2D interfaces into the 3D interactive applications in physical space. With *Android XR* integration, it supports multi-window concurrency, gesture interaction and voice control, enabling information and applications to be presented in a more immersive three-dimensional environment.

We believe manufacturing capability is critical to transforming advanced technologies into mass-produced products. In 2021, we established an automated manufacturing base in Wuxi, Jiangsu province. With end-to-end in-house control from incoming material inspection to micron-level optical engine assembly, as well as comprehensive finished product testing and shipment. At the same time, according to iResearch, the yield rate of our core modules is significantly higher than the industry average. Our manufacturing capability also enables us to offer competitive pricing while maintaining healthy gross profit margins.

Broad Product Portfolio with Rapid Iteration Capabilities

We have built a broad product portfolio that addresses the needs of different consumer segments, supported by continuous product iteration informed by user feedback.

Our entry-level products leverage proprietary optical technology and lightweight design to deliver a giant-screen experience at affordable prices. These products serve as an entry point to attract individual users and build an active user ecosystem. For users seeking premium experiences, such as professionals, developers and technology enthusiasts, we offer more advanced products such as *One Pro*, which go beyond simple display functions and can serve as a mobile spatial computing workstation integrating our *X1* edge coprocessor and *X-Prism* optical engine.

We also differentiate ourselves through rapid C2M iteration. Unlike traditional hardware companies with long development cycles, we maintain an active community in which users continuously share their experiences and explore new applications. For example, business travelers have shared their use of our AR

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eyewear as a “portable multi-screen workstation,” and drone enthusiasts have used our products for immersive first-person flight experiences. We have established a rapid response mechanism that connects community feedback directly to software updates. By continuously incorporating user feedback from around the world, we are able to identify and address pain points efficiently, creating a positive feedback loop between user insights and product innovation. According to iResearch, we complete iterations in approximately 70% of the industry’s average cycle time.

Open and Collaborative Ecosystem with Strong Network Effects

Our offerings extend beyond hardware products. We have built a collaborative ecosystem with business partners, developers and users, forming an end-to-end value chain spanning technologies, products and application scenarios. The interaction among ecosystem participants reinforces user engagement, developer participation and product adoption, thereby strengthening our competitive position.

We collaborate with leading players across industries to expand the application scenarios of AR eyewear. For example, as a key partner of the *Android XR* platform, we are among the first to integrate *Android XR* into our AR eyewear, according to iResearch. In addition, *Project Aura* is expected to integrate the Gemini AI, multimodal perception capabilities and spatial computing capabilities of *Android XR* in a flagship product. We also collaborate with other leading technology companies to expand AR applications. For example, we developed a 240Hz high-refresh-rate AR eyewear product tailored to gaming enthusiasts in collaboration with ASUS ROG. With NIO, we are exploring next-generation smart cockpit experiences including customized AR eyewear supported by our AI dynamic stabilization algorithm. With a leading smartphone manufacturer in China, we launched customized AR eyewear integrated with its flagship smartphones via XREAL *NebulaOS*, enabling seamless use of mobile applications in 3D space across entertainment, gaming and productivity scenarios.

Beyond AR eyewear products, we have also built a software ecosystem that expands usage scenarios and strengthens user engagement. At the core is *NebulaOS*, our proprietary 3D operating system, which provides a unified spatial interface, multi-device access and a consistent immersive experience. Our SDKs equip developers with standardized tools and low-code solutions, lowering barriers to XR application development. Through our AR app store, users can discover new applications and services, while developers can access a global user base. As participation by both users and developers increases, the ecosystem continues to reinforce itself and support the growth of all participants.

Seasoned Management Team with Deep Technical Expertise

Our core management team has extensive technical expertise and industry experience across algorithms, optics, software systems and product engineering. This complementary expertise enables us to translate advanced technologies into scalable products and support continuous product iteration.

Members of our core management team graduated from leading educational institutions, including Zhejiang University, and have held key R&D roles at leading global technology companies such as Magic Leap and Apple. Our four co-founders have worked together for many years and share aligned technical perspectives and business vision. This stability supports our strategic discipline and execution capabilities. They also have firsthand experience with the evolution of GPU computing architectures and the early development of AR devices, which enables us to anticipate technology roadmaps over the long term and allocate resources in a disciplined manner.

We believe that competitiveness in AR eyewear depends on system-level engineering and integration. Accordingly, we have built a team covering the four critical domains of AR eyewear — optics, edge coprocessors, algorithms and systems — creating strong alignment between technical development and strategic execution. As of December 31, 2025, we had 188 R&D employees, representing 51.6% of our total employees, with nearly half of our R&D team holding postgraduate degrees.

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OUR STRATEGIES

We aim to further capture market opportunities, cement our industry-leading position, and realize our long-term vision of building the AI-enabled products that bridges the physical and digital worlds. To achieve this, we intend to:

Invest in R&D to Solidify Our Technical Competitiveness

We will continue to pursue a technology-driven product development path and enhance our technologies in the following aspects:

- **Optical technology.** Building on our mature *X-Prism* solution, we will continue to advance our optical technology to expand the FoV and enhance visual experience. At the same time, we will invest in frontier technologies such as near-eye display and Micro-LED, focusing R&D resources on balancing screen size with full-color, high-brightness displays. We plan to expand capacity for our optical engines to support growing demand for our AR eyewear products and ensure stable supply as we scale production.
- **Edge coprocessors.** General-purpose processors usually face limitations in achieving energy efficiency and low latency. Therefore, we will keep iterating on our *X-series* edge coprocessors purposely built for AR eyewear. The next generation *X-series* edge coprocessors are expected to integrate a dedicated NPU to accelerate the inference of multimodal AI algorithm, while adopting highly integrated packaging solutions to meet AR eyewear requirements for size and efficiency of coprocessors.
- **Algorithms.** We will continue to strengthen our algorithms covering spatial display, spatial interaction and spatial computing, further improving system stability and responsiveness in dynamic real-world environments. We aim to equip our next-generation products with multimodal AI-enabled products which are able to recognize spatial environment at millisecond level.
- **Improving R&D efficiency.** Through consolidating our R&D initiative into a unified platform and adopting standard modular approach, we plan to enhance R&D efficiency and establish deep collaboration with industry partners — particularly upstream suppliers in Micro-LED and waveguide technologies.

Upgrade Product Portfolio

We aim to further upgrade our products to capture opportunities across diverse user segments and improve user stickiness through community engagement.

We will further refine our product portfolio to address different price segments. For consumers, we plan to continue iterating the *Air Series* and *One Series* to improve product affordability while still offering comparable user experience, driving wider adoption of our products. For developers or people pursuing premium experience, our flagship products models such as *Project Aura* will integrate cutting-edge interaction technologies for more immersive experience and diversified functions.

We will adopt a more flexible design approach, tailoring product features to the essential needs of core scenarios such as entertainment, office, and gaming. For gamers, we will deliver high-refresh rate, low-latency experiences for video-game players. For business users, we will strengthen privacy protection and multi-screen collaboration. By fulfilling the needs of different types of users more accurately, we expect to increase market penetration and improve user retention.

We also plan to further build our user community and consistently incorporate user feedback into product development. With a vibrant user community, we not only gain more innovative ideas but also enhance user satisfaction and brand loyalty.

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Build AI-Driven Software Services

We will continue to upgrade our software for enhanced user experience. As more people use AR eyewear in their daily lives, AR eyewear have the potential to be gateway for more convenient and personalized services. With the development of AI technologies, we plan to integrate AI-enabled products into our products, which can deliver personalized recommendations, task planning, and execution with its multimodal capabilities. These advanced, personalized functions are expected to create new monetization opportunities for subscription-based service as users seek ongoing access to tailored AI capabilities.

For enterprise users, we plan to provide end-to-end, hardware-software integrated solutions, including dedicated software service packages for employee training or operational support. For individual users, we plan to explore subscription-based business models built around AI-driven value-added services.

Collaborate with World-Class Partners

We plan to deepen our cooperation with world-class AI companies and research institutions. For example, by analyzing PoV visual and audio inputs with the capabilities of edge coprocessors, our AR eyewear may understand real-world context and respond intelligently, advancing toward AI-enabled wearable experiences.

As a lead hardware partner of Google, we will leverage our expertise in optics and hardware engineering to co-define the underlying interaction protocols for our products. In addition, centered on the *Android XR* platform, we will conduct in-depth collaboration with key upstream technology partners such as Qualcomm to optimize coprocessors and key components designed for spatial computing. This will lay a solid hardware foundation for the performance and stability of display, data transmission, and overall quality of AR eyewear.

We also plan to empower leading brands in vertical industries. Through strategic cooperation with smartphone, gaming hardware brands and automakers, we will jointly create innovative AR experiences for different scenarios, accelerating the commercialization of our products.

Accelerate Global Market Penetration and Expansion

Leveraging our first-mover advantage, we will continue to solidify our market position in North America, Europe and Asia. At the same time, we plan to accelerate our expansion into high-potential markets including Oceania, the Middle East and Southeast Asia. We will adopt a localized strategies while maintaining our global brand.

In terms of sales channel strategy, we will continue to optimize our DTC-centric sales model, drive product iteration through sales data and consumer feedback, and improve conversion and repurchase rates. Meanwhile, we will strategically expand our sales channels with distributors to expand consumer outreach. We also plan to optimize our product portfolio and pricing strategies based on local market conditions.

OUR FINANCIAL PERFORMANCE

We achieved strong financial growth during the Track Record Period. Our revenue increased from RMB390.1 million in 2023 by 1.1% to RMB394.5 million in 2024, and further grew by 30.8% to RMB516.0 million in 2025. This growth was driven by successful product iteration and the continued expansion of our global sales network, with particularly strong performance in core markets such as North America, Europe, and Japan.

Alongside revenue growth, our profitability also showed steady improvement. Benefiting from economies of scale as our business expanded, and from significant cost advantages through full-stack in-house R&D and efficient supply chain management, our gross margin rose from 18.8% in 2023 to 22.1% in 2024, and further to 35.2% in 2025. At the same time, our net losses were narrowed from RMB881.8 million in 2023 to RMB708.6 million in 2024, and further to RMB456.4 million in 2025.

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Our adjusted net loss (non-IFRS measure), which is defined as loss for the year adding back (i) fair value changes of preferred shares and warrants; and (ii) share-based payment expenses for the same period, decreased from RMB437.3 million in 2023 to RMB375.3 million in 2024, representing a year-on-year decrease of 14.2%, and from RMB375.3 million in 2024 to RMB250.0 million in 2025, representing a year-on-year decrease of 33.4%. Adjusted net loss margin (non-IFRS measure) improved from 112.1% in 2023 to 95.1% in 2024, and further to 48.4% in 2025.

OUR PRODUCTS AND SERVICES

Our product philosophy is premised on the view that AR eyewear will evolve from display-centric devices toward richer spatial computing experiences, and further expand into AI-enabled wearable experiences — and that realizing this vision requires deep hardware-software co-optimization. We have pursued a full-stack R&D approach, independently or principally developing our optical engine, operating system and spatial perception algorithms, and defining the architecture for our customized edge coprocessors. This technical foundation enables us to consistently deliver industry-leading products and services centered on AR eyewear.

We have built a product and service portfolio that comprises: (i) AR eyewear, including the *One Series*, the *Air Series*, and the *Light-Ultra-Aura Line*; (ii) accessories, including the *Beam Series Eye*, *Hub*, prescription lens modules, cables, nose pads and other functional accessories; and (iii) services and others, currently including technical development services for enterprise clients. As of December 31, 2025, our products had been sold across 40 countries and regions worldwide. We maintain a global operational footprint headquartered in Shanghai and sales coverage spanning North America, Europe and the Asia-Pacific region.

The following table sets forth the breakdown of our revenue by product category during the Track Record Period:

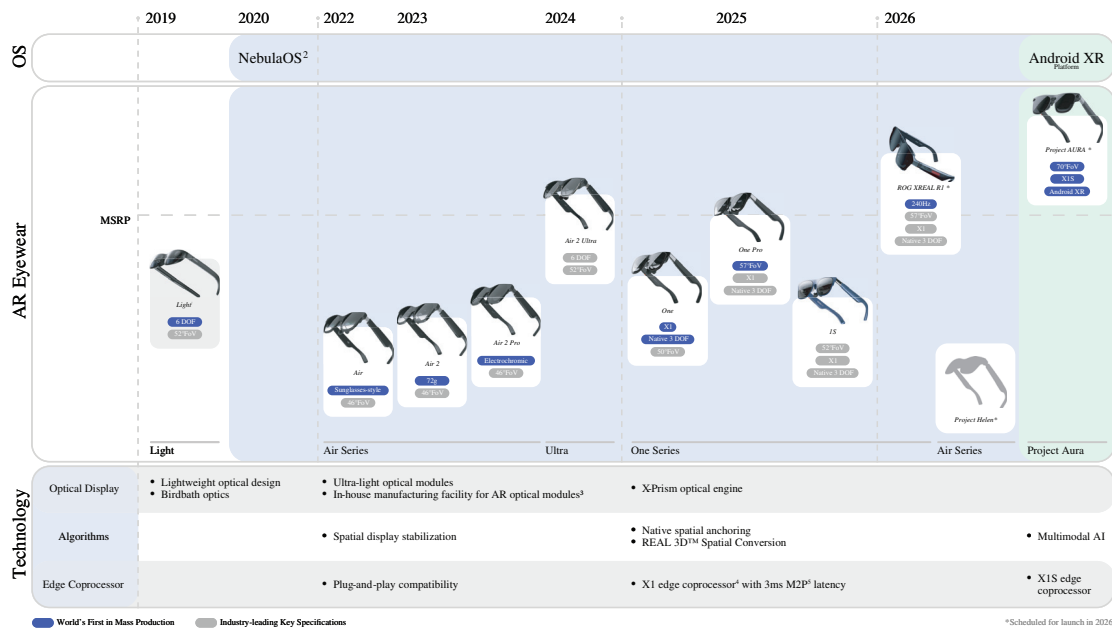
	For the year ended December 31,					
	2023		2024		2025	
	RMB'000	%	RMB'000	%	RMB'000	%
Sale of goods	355,075	91.0	388,533	98.5	475,673	92.2
AR eyewear	302,653	77.6	307,956	78.1	402,928	78.1
Accessories	52,422	13.4	80,577	20.4	72,745	14.1
Services and others	34,994	9.0	5,959	1.5	40,306	7.8
Total	390,069	100.0	394,492	100.0	515,979	100.0

AR Eyewear

We derived substantially all of our revenue from sales of AR eyewear during the Track Record Period. We offer three product lines: (i) the *One Series*, which features customized *X1* edge coprocessors and our *X-Prism* optical engine, delivering enhanced spatial display and interactive capabilities; (ii) the *Air Series*, characterized by its ultra-lightweight design and accessible price points, is our largest-volume product line that extends the AR experience to a broader consumer audience; and (iii) *Light-Ultra-Aura Line*, an evolutionary line in which each generation is equipped with outward-facing cameras and environmental sensors that enable the device to perceive its surrounding environment — from *Light*, which first introduced environmental perception to our AR eyewear, through *Ultra*, which added hand gesture recognition, to *Project Aura*, our next-generation flagship.

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Project Aura is our next-generation flagship product, developed with Google’s Gemini multimodal AI models in the *Android XR* platform. The product was first unveiled at Google I/O in May 2025 and is scheduled for launch in 2026.



The following table sets forth the sales volume and ASP of our AR eyewear during the Track Record Period:

	Year ended December 31,					
	2023		2024		2025	
	Sales volume (unit)	Average selling price (RMB)	Sales volume (unit)	Average selling price (RMB)	Sales volume (unit)	Average selling price (RMB)
<i>One Series</i> ⁽¹⁾	–	–	13,512	2,709	111,355	3,196
<i>Air Series</i> ⁽²⁾	134,074	2,151	103,991	2,325	17,403	1,656
<i>Light-Ultra-Aura Line</i> * ⁽³⁾	3,165	4,515	7,368	4,014	4,973	3,665

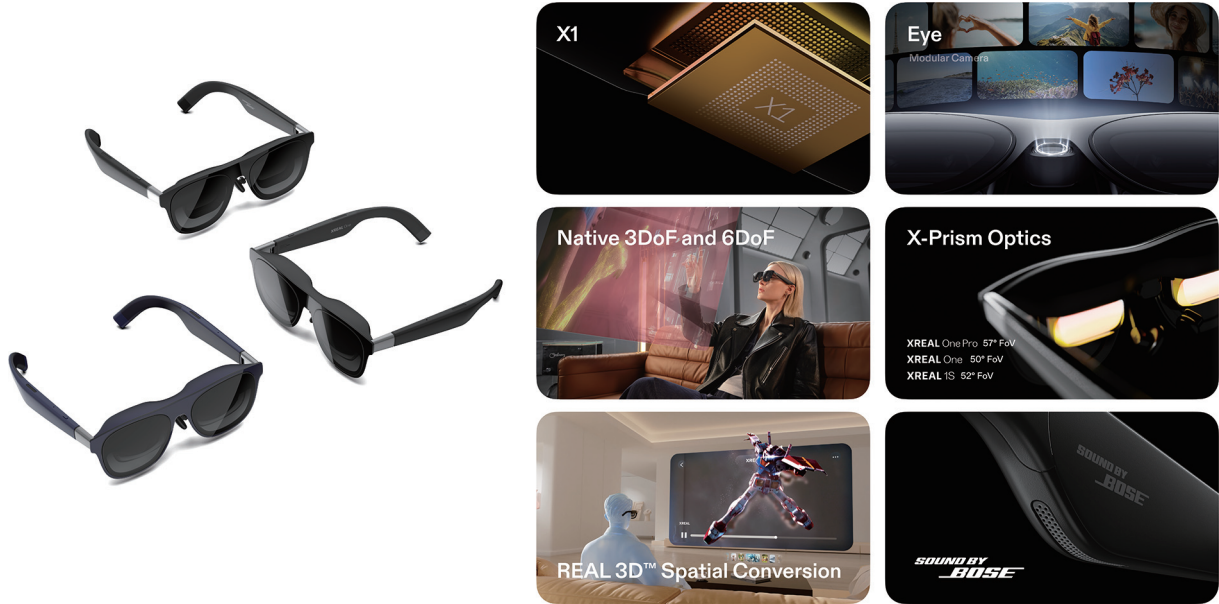
Notes:

- Within the *One Series*, *One* was launched in December 2024 (MSRP: US\$499), *One Pro* was launched in July 2025 (MSRP: US\$649) and *IS* was launched in December 2025 (MSRP: US\$449). The *ROG XREAL R1* is scheduled for launch in 2026 and did not generate revenue from the sale of goods during the Track Record Period. Movements in sales volume and ASP during the Track Record Period primarily reflect differences in product launch timing and price positioning.
- Within the *Air Series*, *Air* was launched in August 2022 (MSRP: US\$379), *Air 2* was launched in September 2023 (MSRP: US\$399) and *Air 2 Pro* was launched in September 2023 (MSRP: US\$449). *Project Helen* is scheduled for launch in 2026 and did not generate revenue from the sale of goods during the Track Record Period. Movements in sales volume and ASP during the Track Record Period primarily reflect differences in product launch timing and price positioning. Specifically, the decline of ASP in 2025 was primarily driven by product iterations, as legacy products were sold at discounted prices following the introduction of new-generation products.
- Light* was first launched in 2019 (MSRP: US\$499); *Ultra* was launched in March 2024 as a limited-edition developer-oriented product (MSRP: US\$699) and was discontinued in July 2025, with approximately 13,000 units sold during the Track Record Period; *Project Aura* is scheduled for launch in 2026 and did not generate revenue from the sale of goods during the Track Record Period. Movements in sales volume and ASP during the Track Record Period primarily reflect differences in product launch timing, price positioning and the limited-edition nature of certain products within this line. Specifically, the decline of ASP in 2025 was primarily driven by product iterations, as legacy products were sold at discounted prices following the introduction of new-generation products.

BUSINESS

One Series

The *One Series*, our core AR eyewear line first launched in December 2024, currently comprises *One*, *One Pro* and *IS*. Powered by our proprietary *X1* edge coprocessor, the *One Series* is, according to iResearch, the world’s first consumer AR eyewear with native spatial display capability.



The following table sets forth the key specifications of our *One Series* products:

	<i>One</i>	<i>One Pro</i>	<i>IS</i>
Launch Date	December 2024	July 2025	December 2025
Weight	82g	87g	82g
Optical Engine	Birdbath (Enhanced)	<i>X-Prism</i> *	Birdbath (Enhanced)
FoV	50°	57°*	52°
Perceived Brightness	600nits	700nits	700nits
Edge Coprocessor	<i>X1</i> *	<i>X1</i> *	<i>X1</i> *
Spatial Tracking	Native 3DoF/6DoF*	Native 3DoF/6DoF*	Native 3DoF/6DoF*
Core Features	<i>One Series</i> shared features: Dynamic dimming*, Smooth Follow mode, Ultra-Wide mode*, Realtime 2D-to-3D conversion*, and BOSE acoustic tuning*. <i>One Pro</i> additionally offers an IPD range of 57mm-75mm.		
MSRP	US\$499	US\$649	US\$449

* denotes first-to-market commercialization in the industry, according to iResearch.

BUSINESS

The *One Series* is powered by the customized *XI* edge coprocessor, the first purposely built coprocessor for AR wearable or eyewear. The *XI* edge coprocessor integrates a dedicated AI inference engine and an AR rendering engine capable of processing sensor data on-device to achieve spatial positioning. Upon connecting the *One Series* eyewear to a smartphone or computer, users enjoy a native spatial display experience without installing additional software or accessories on the host device — a core experiential differentiator between the *One Series* and the *Air Series*. Leveraging the *XI* edge coprocessor’s on-device multi-sensor fusion algorithms and SLAM capabilities, the *One Series* delivers a “Spatial Anchor” function: regardless of how users turn their heads, the virtual display remains anchored at a fixed spatial position within the FoV, with motion-to-photon latency of less than 3 milliseconds, fundamentally resolving the display drift and jitter issues that occur with head movement in conventional AR eyewear.

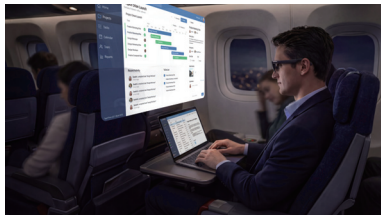
One Pro further incorporates our proprietary *X-Prism* optical engine, which achieves a structural upgrade over the conventional Birdbath optical architecture widely adopted across the industry: optical module thickness is reduced from the typical 15-20 mm to approximately 8-12 mm (a reduction of approximately 40%), while the FoV is expanded from 46° to 57°, delivering a broader and more immersive display. According to iResearch, this was among the top-tier FoV levels for consumer AR eyewear products on the date of its launch.

AR eyewear is typically worn for extended periods, making eye comfort essential. Our *One Series* products have received the full five-star rating under TÜV Rheinland’s Eye Comfort Certification — a widely recognized benchmark for display quality in consumer electronics; as of the Latest Practicable Date, we are the only AR eyewear manufacturer globally to have achieved this rating.

One Series — Product

Showcase

“Your Private Workstation in the Air”

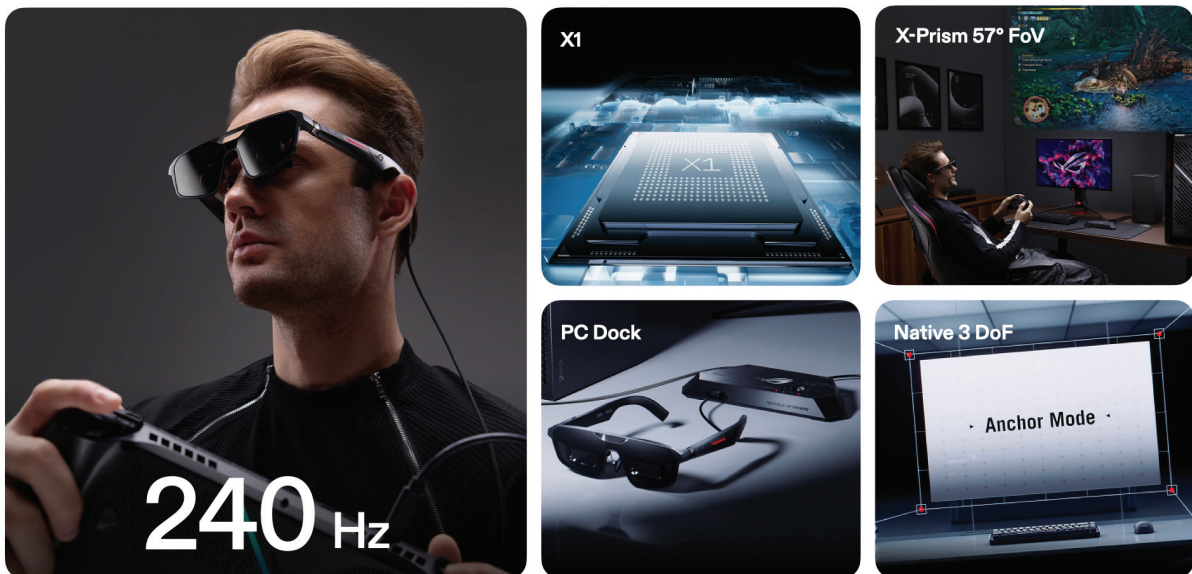


Alex spends more than 150 days a year on the road. On a fourteen-hour flight from New York to Shanghai, economy class used to mean wedging a laptop onto the tray table, squinting at a small screen pressed against the seat in front, neck aching from hours of looking down. Now he puts on his *One Pro* and plugs his laptop into the eyewear — the computer handles input and processing while everything displays on the vast virtual screen floating before him. Spatial Anchor holds the image fixed in mid-air, perfectly still no matter how he turns his head. The tray table is free save for an iced coffee. After finishing two rounds of revisions on a pitch deck, he closes the laptop, connects his Steam Deck, and switches to movie mode — the AI 2D-to-3D feature renders a standard film in three dimensions on a virtual screen stretched to the equivalent of 200 inches. After a long day on the move, this is his time to unwind. The passenger beside him sees nothing. When the plane touches down, the eyewear slip into his shirt pocket — 87 grams. He grabs his bag and moves on.

ROG XREAL R1 (Upcoming)

ROG XREAL R1 is a co-branded AR eyewear product within the *One Series*, developed in collaboration with ROG, ASUS’s premier esports brand, and tailored for gaming enthusiasts. The product retains the core capabilities of the *One Series*, including our customized *XI* edge coprocessor and *X-Prism* optical engine, while introducing gaming-specific enhancements such as a 240Hz high-refresh-rate display, redesigned CMF, an electrochromic visor design and LED light strips on the temples. *ROG XREAL R1* was unveiled at CES 2026 and is expected to launch in 2026.

BUSINESS



Air Series

The *Air Series* is our entry-level AR eyewear product line, first launched in August 2022. It was our first product to achieve large-scale market adoption, becoming the best-selling AR eyewear globally in the year of its launch. The *Air Series* currently comprises *Air*, *Air 2* and *Air 2 Pro*, each weighing between 72 and 79 grams, designed for plug-and-play simplicity and ultra-lightweight portability.



BUSINESS

The following table sets forth the key specifications of our *Air Series* products:

	<i>Air</i>	<i>Air 2</i>	<i>Air 2 Pro</i>
Launch Date	August 2022	September 2023	September 2023
Weight	79g	72g	75g
Optical Engine	Birdbath	Birdbath	Birdbath
FoV	46°	46°	46°
Perceived Brightness	400 nits	500 nits	500 nits
Edge Coprocessor	No on-device edge coprocessor; operates as a plug-and-play display, with all processing handled by the connected host device (smartphone, PC or game console)		
Optical Engine	Birdbath	Birdbath	Birdbath
Spatial Tracking	Not supported natively; all display rendering and computation are performed by the connected host device		
Core Features	Plug-and-play	Plug-and-play, Ultra-lightweight, 120Hz refresh rate	Plug-and-play, Ultra-lightweight, 120Hz refresh rate, 3-level EC dimming
MSRP	US\$379	US\$399	US\$449

Air Series devices do not carry an on-board edge coprocessor. Once connected to a smartphone, computer or gaming console via USB-C, the *NebulaOS* software runs on the host device to deliver spatial display management functions, including multi-window management, display sizing and repositioning, and widescreen mode switching. Without additional setup or installation, users enjoy a portable immersive display experience equivalent to an approximately 330-inch screen.

Since the initial launch in August 2022, we have continuously iterated the *Air Series*’ optical and display technologies: single-eye optical module weight has been reduced from approximately 10 grams to approximately 5 grams, with improvements in display brightness and refresh rate. *Air 2 Pro* further incorporates EC dimming technology, enabling users to switch among three transparency levels — from fully transparent mode for ambient awareness to fully shaded mode for maximum immersion — to adapt to different lighting conditions.

***Air Series* — Product Showcase**
“A 100-Inch Screen in a 25-Square-Meter Apartment”



Yuki lives in a 25-square-meter studio in Tokyo — no wall space for a television. Catching up on a series used to mean staring at her phone’s small screen. Now she puts on her *Air 2 Pro*, connects it to her phone, and turns the EC dimming to full shade. A home-cinema-sized virtual screen appears before her. She drops onto the bed — on her side, on her back — the screen is always there. She finishes an episode, then switches to a video call with a friend, the display hovering at a comfortable viewing angle. Outside, streetlights flicker on one by one and the evening seeps through thin curtains — she dials the EC back to transparent, glances out at the Tokyo night, then slips back into full immersion for the final episode. The eyewear weigh 75 grams. She often forgets she is wearing them.

BUSINESS

Next-generation Entry-level Air Series Product

Project Helen, currently the codename of our upcoming *Air Series* Product, is designed to broaden our reach to mainstream consumers at a more accessible price point. It retains the *Air Series*’ core strengths, including an ultra-lightweight design and plug-and-play connectivity. *Project Helen* is expected to launch in 2026.

Light-Ultra-Aura Line

Light, *Ultra* and *Project Aura* form a single evolutionary line within our product portfolio. All three generations are equipped with outward-facing cameras and environmental sensors built into the eyewear, enabling the device to perceive and map the physical environment around the wearer — a capability that has deepened with each generation, from environmental perception in *Light*, to hand gesture recognition in *Ultra*, to independent computing and AI in *Project Aura*.

Light was first launched in 2019. Equipped with dual cameras and 6DoF tracking, it was our first AR eyewear capable of perceiving and mapping the physical environment around the wearer. *Light* helped us establish early global partnerships with companies in Korea, Japan, Europe and North America, validating commercial demand for perception-enabled AR eyewear.

Ultra was first launched in March 2024 as a limited-edition developer-oriented product that built on *Light*’s environmental perception foundation. It retained 6DoF tracking through dual CV environment perception cameras and introduced hand gesture recognition, enabling developers to build and test applications with more natural interaction methods.

Project Aura (Upcoming)

Project Aura is our next-generation flagship product, developed with Google as a lead hardware partner for optical-see-through AR devices on the *Android XR* platform. The product was first unveiled at Google I/O in May 2025. Building on the environmental perception capabilities established by *Light* and *Ultra*, *Project Aura* further operates as a standalone device capable of independent computing and application execution, representing our expansion into AI-enabled wearable experiences that actively understand user needs, engage in natural conversation, and proactively carry out tasks. *Project Aura* is scheduled for launch in 2026.



BUSINESS

The following table sets forth a comparison of key specifications across *Light*, *Ultra* and *Project Aura*:

	<i>Light</i>	<i>Ultra</i>	<i>Project Aura</i>
Launch Date	2019	2024	2026 (scheduled)
Architecture	Tethered	Tethered	Standalone (split: eyewear + computing unit)
Optical Engine	Birdbath*	Birdbath	<i>X-Prism</i> (Gen 2)*
FoV	52°*	52°	70°
Perceived Brightness	280 nits	500 nits	Pending release
Edge Coprocessor	N/A	N/A	Frame: Customized <i>X1S</i> Puck: Qualcomm XR platform
Spatial Tracking	6DoF	6DoF	6DoF
Hand Gesture	Not supported	Supported	Supported
AI Capabilities	N/A	N/A	Google Gemini multimodal AI with on-device AI inference
Motion-to-Photon Latency	20 - 30ms	20 - 30ms	3ms
Operating System	<i>NebulaOS</i>	<i>NebulaOS</i>	<i>Android XR</i>
MSRP	US\$499	US\$699	Pending release

* denotes first-to-market commercialization in the industry, according to iResearch.

Project Aura adopts a split-body architecture consisting of a eyewear unit and Puck. This architecture maintains a comfortable wearing weight of approximately 95 grams on the eyewear unit while delivering a FoV approximately 70°, full 6DoF spatial tracking, hand gesture interaction, and Google Gemini multimodal AI capabilities built into the *Android XR* platform.

Under our cooperation arrangement with Google, (i) XREAL provides design, development and manufacturing services for developer kit products in accordance with Google’s ecosystem requirements and technical specifications, while Google provides access to the *Android XR* platform and related technical ecosystem and pays service fees on a milestone basis; (ii) intellectual property independently developed by XREAL relating to specified hardware and optical components is owned by XREAL; and (iii) XREAL retains the ability to independently determine the pricing of its subsequent products, entitlement to hardware sales revenue generated from such products, and the maintenance of its own brand identity.

BUSINESS

Project Aura — Product Showcase “New World Speaks Your Language”



Marco is an architect from Milan, in Hong Kong for the first time to attend an industry summit. He steps out of the hotel lobby and puts on *Project Aura* the way he would a pair of sunglasses. Central rushes toward him: neon signs, cha chaan teng menus, MTR wayfinding — seconds ago a wall of traditional Chinese characters, now each line floats alongside its Italian translation. No need to raise a phone and snap a photo — *Project Aura*’s camera is the eye of AI. He says in Italian, “Take me to the Convention Centre,” and a pale blue navigation path unfolds across the approximately 70-degree FoV, layered over the crowds on Queen’s Road. Passing a century-old tong lau, Gemini tells him its history. Marco pauses to look more closely, pinches two fingers in mid-air, and *Aura* captures the scene.



In the lounge he opens his laptop and connects it to *Aura*’s computing unit. Three virtual screens unfold before him — a CAD drawing, a mirror of the laptop display, and meeting notes updating in real time. With the optical see-through display, he can handle multiple tasks while still seeing the coffee a waiter sets down, and reach into his bag for a paper notebook. Between sessions a local colleague presents a 3D architectural model, hovering above the conference table. The two of them rotate and scale it with hand gestures, annotating revisions with their fingers in mid-air. The colleague explains the design intent in Cantonese; Italian subtitles appear in real time across Marco’s view — different languages, seamless collaboration.



In the evening he walks along the Victoria Harbour waterfront and asks Gemini to summarize the day’s meetings. The audio plays softly in his ear. The lights of Victoria Harbour reflect off the water. He stops for a moment to take in the view. All day long, his phone has stayed in his pocket. He has not taken it out once.

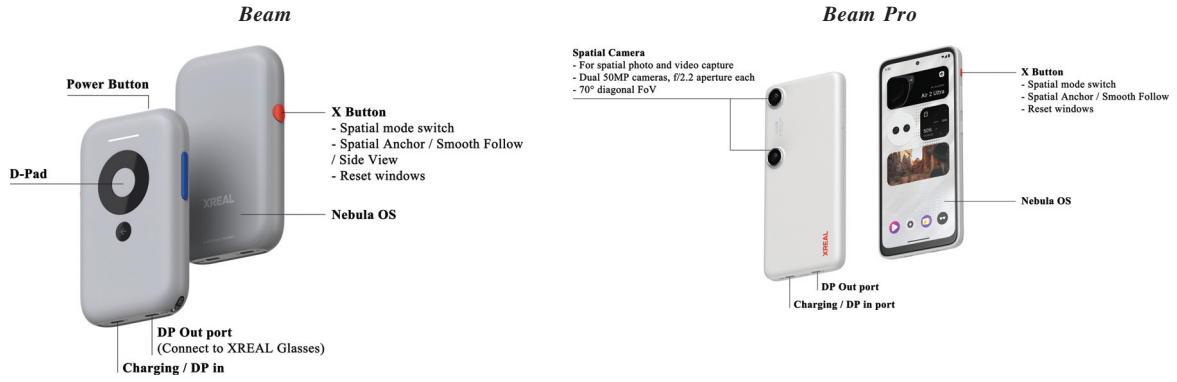
Accessories

Accessories serve as functional extensions of our AR eyewear, designed to enhance device capabilities and broaden usage scenarios. Our accessories include the *Beam Series* computing terminals, prescription lens modules, cables, nose pads, and other functional accessories. During the Track Record Period, our revenue generated from accessories amounted to RMB52.4 million, RMB80.6 million, and RMB72.7 million in 2023, 2024 and 2025, respectively, representing 13.4%, 20.4%, and 14.1% of our revenue for the same periods.

Beam Series

The *Beam Series* comprises portable intelligent computing terminals for AR eyewear. Our AR eyewear typically connects to smartphones, gaming consoles or computers for content. When carrying such devices is inconvenient — during travel or outdoor activities, for example — the *Beam Series* serves as an independent content source and computing platform, enabling AR eyewear to operate completely independently. The series features our proprietary “App Spatialization” capability, which seamlessly converts traditional 2D mobile applications into 3D spatial display mode, enriching the AR eyewear content ecosystem without increasing developer adaptation costs.

BUSINESS



The following table sets forth the key specifications of our *Beam Series*:



	<i>Beam</i>	<i>Beam Pro</i>
Launch Date	May 2023	July 2024
OS	Android (customized)	Android 14
Core Features	<ul style="list-style-type: none"> – Spatial Anchor (3DoF)* – Smooth Follow mode* – Tethered/wireless video streaming 	<ul style="list-style-type: none"> – Spatial Anchor (3DoF) – Smooth Follow mode – Dual-camera spatial (3D) photo/video* – Typical Android App ecosystem compatible
MSRP	US\$119	US\$199-299

* denotes first-to-market commercialization in the industry, according to iResearch.

The two *Beam* products serve different use cases: *Beam* is a basic computing terminal providing 3DoF spatial positioning and “App Spatialization” capabilities, suitable as a portable computing supplement for the eyewear. *Beam Pro* runs a full Android operating system with dual cameras, capable of independently downloading and running various applications. Users can also use it as a standalone Android device and connect the eyewear to various AI large language model applications.

Other Accessories

We also offer a range of functional accessories to meet diverse user needs. The following table sets forth our major accessory products, which are compatible with all *One Series* and *Air Series* products, with certain accessories planned to be compatible with the upcoming *Project Aura*:

	Model	Launch Date	Function	MSRP
<i>Eye</i>		December 2024	External camera module, 12MP, supports 6DoF Spatial Anchor, first-person capture	US\$99
<i>Hub</i>		March 2024	HDMI adapter for connecting mainstream gaming consoles; supports 120Hz high refresh rate	US\$39.99

BUSINESS

Eye adds camera capabilities to the eyewear, supporting 6DoF spatial positioning and first-person content creation, serving as an important accessory in our evolution toward perception-enabled AR eyewear. *Hub* addresses the connection needs of gaming console users, enabling users to use AR eyewear as a portable large-screen display for mainstream gaming consoles and other devices.

In addition, we offer light shields (enhancing immersion and blocking ambient light interference), various connection cables (adapting to USB-C, HDMI and other interfaces), prescription lens modules (supporting myopic users with customized lenses), nose pads, and other basic accessories to enhance user experience across different scenarios.

NebulaOS

NebulaOS is our proprietary 3D spatial operating system released in 2020, provided free of charge with our hardware products and continuously iterated to enhance the core value of our AR eyewear. *NebulaOS* is designed exclusively for our products, including *Beam Series*. *NebulaOS* supports spatialized display of traditional Android applications, provides multi-window management, 3DoF/6DoF spatial positioning, gesture interaction, and other functionalities, and is compatible with mainstream operating systems including iOS, Android, Windows, and macOS.

NebulaOS represents one of our core capabilities that distinguishes us from pure hardware manufacturers in the industry. Through *NebulaOS*, users can display existing mobile applications in 3D spatial form without waiting for third-party application adaptation. We can also push new features to users through continuous software updates. For example, based on the AI computing power of the *X1* edge coprocessor, we delivered the real-time 2D-to-3D video conversion feature to all *One Series* users free of charge through *NebulaOS* software updates. This feature combines the *X1* edge coprocessor’s on-device computing power with *NebulaOS*’s algorithm invocation and interface rendering to deliver an industry-unique viewing experience.

Services and Others

Leveraging our technical expertise in AR optics, edge coprocessors, and system integration, we provide technical development services to enterprise customers in the AR field. Our service scope covers optical module design, hardware development, software system integration, and AR application scenario customization. Under these engagements, we provide services to our business partners which is recognized as revenue under “services and others.” In both arrangements, the sales revenue is classified under “sale of goods — AR eyewear.” Meanwhile, we are responsible for product design, hardware and software development, and mass production. The resulting products are then sold either (i) through our own sales network; or (ii) to the partner on a buy-out basis for resale to end consumers.

During the Track Record Period, our principal technical service engagements include, among others, (i) the development of *Project Aura* in collaboration with Google, for details see “— AR eyewear — *Light-Ultra-Aura Line* — *Project Aura* (Upcoming)”; (ii) the development of *ROG XREAL R1* in collaboration with ASUS’s ROG, for details see “— AR eyewear — *One Series* — *ROG XREAL R1* (Upcoming)”; and (iii) the development of customized AR eyewear for NIO’s in-cabin entertainment system, delivering a 200-inch immersive viewing experience with an industry-first AI dynamic stabilization algorithm designed to prevent motion sickness during travel, under which NIO bears the corresponding development fees and we produce and sell the finished products to NIO on a buy-out basis.

During the Track Record Period, revenue from services and others amounted to RMB35.0 million, RMB6.0 million and RMB40.3 million for each of the years ended December 31, 2023, 2024 and 2025, respectively, accounting for 9.0%, 1.5% and 7.8% of our total revenue for the corresponding periods.

BUSINESS

OUR CORE TECHNOLOGIES

Our core technical strengths are built upon in-house R&D capabilities across the full technology stack, spanning optical display, edge computing, spatial perception algorithms, and system software. We have independently developed our optical engine, spatial algorithms and operating system, and define the architecture for our customized edge coprocessors, enabling vertical integration from underlying hardware to upper-layer software. These technologies are designed not in isolation but as a deeply integrated stack — our customized edge coprocessors are optimized to run our proprietary spatial algorithms, which in turn coordinate with our *X-Prism* optical engine and *NebulaOS* to deliver the end-user experience. This integration creates a strong competitive moat, continuously delivering lighter and more comfortable wearable form factors, more stable spatial displays, and more natural human-machine interactions.

Purpose-Built Edge Computing Capability

The wearability and user experience of AR eyewear largely depend on the capabilities of its edge coprocessors — how effectively they manage power, heat, and weight. Our customized *XI* edge coprocessors are purpose-built for AR eyewear, enabling spatial algorithms to run locally for higher speed and low latency. The *XI* integrates a dedicated AI inference engine and an AR rendering engine capable of processing multi-sensor data on-device to achieve spatial positioning. This integration reduces motion-to-photon latency to less than 3 milliseconds, even under strict power and thermal limits, ensuring smooth, stable visuals that can be worn comfortably for extended periods. With advanced architecture and a slim design, the *XI* delivers strong computing power to support complex functions while keeping the hardware lightweight.

Building on the *XI*, we have further defined the *XIS* edge coprocessor for *Project Aura*. The *XIS* resides on the eyewear side of *Aura*'s split-body architecture, handling sensor data acquisition, spatial perception, pose estimation, and display rendering, while a Qualcomm XR-dedicated processor in the Puck provides the primary computing power, AI inference and application runtime environment. The technical core of this architecture lies in the high-bandwidth, low-latency communication protocol between the eyewear side and the Puck, developed by us and Google, which transmits sensor data in real time for AI inference and returns processing results for rendering and display.

Advanced Optical Display Capability

Display performance is the heart of AR eyewear and determines how immersive the experience can be. We have independently developed the *X-Prism* optical engine, a major breakthrough beyond the industry's mainstream Birdbath solution. While retaining Birdbath's strengths — high clarity, accurate color, low cost, and high yield — *X-Prism* overcomes its limitations in module thickness and FoV through innovative design of internal optical element structures. The core technical breakthroughs of the *X-Prism* optical engine include:

- **Module Miniaturization:** Traditional optical solutions typically have a physical thickness of 15-20 millimeters, a key bottleneck limiting product miniaturization. By redesigning the arrangement of optical elements and adopting a folded optical path structure to shorten the light path, while fine-tuning polarization, optical efficiency, and stray light control, we have reduced thickness by approximately 40% to 8-12 millimeters while maintaining display quality, significantly improving wearing comfort and product portability.
- **FoV Expansion:** Through optimizing optical matching between elements and significantly increasing the number of coating layers to enhance optical efficiency, we have expanded the FoV from 46 degrees to 57 degrees. Our next-generation flagship, *Project Aura*, is designed to reach a FoV approximately 70 degrees through further optimization of optical element curvature, material refractive indices, and multi-layer coating processes.

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- **Display Quality Optimization:** AR eyewear face typical display challenges including chromatic dispersion, image interference from ambient light reflection, and bottom glare. Through end-to-end optimization of the optical path — anti-reflective coatings, anti-smudge coatings, polarizers, and sealed integration of functional layers — we achieve high definition, high color accuracy, and dispersion-free characteristics, effectively suppressing ambient light reflection to ensure virtual images remain clear and stable under various lighting conditions.

High-Performance Algorithms

Our algorithms make interaction between users and AR eyewear natural, simple, and stable. We have developed a hardware-software integrated solution centered on SLAM algorithms, working in deep synergy with our *X1* series edge coprocessors, covering the complete pipeline from sensor calibration and 3DoF/6DoF positioning to gesture interaction and environmental perception reconstruction. Core technical capabilities include:

- **Multi-Sensor Fusion:** A single sensor cannot provide reliable pose estimation across all scenarios. We integrate multi-modal data from IMU, cameras, magnetometers, and other sensors, achieving high-precision estimation of device pose and spatial position through sensor calibration and data fusion algorithms. This technology performs reliably in challenging environments where traditional algorithms tend to fail, including textureless corridors, highly dynamic scenes, and surfaces with high reflectivity.
- **SLAM:** Our self-developed SLAM technology delivers millimeter-level accuracy in 6DoF tracking by embedding core computational logic into dedicated processing units on the *X1* edge coprocessor, achieving sub-3-millisecond edge perception latency and allowing virtual images to follow users’ natural movement in the physical environment even under low-power conditions.
- **Gesture Recognition:** Our AI-based gesture recognition algorithms respond within milliseconds, enabling intuitive spatial interaction without the need for physical controllers.
- **Supporting Algorithm Portfolio:** Building upon core perception capabilities, we have developed supporting algorithms including adaptive distortion correction, high-precision color calibration, and low-power rendering pipelines, working in coordination with the *X-Prism* optical engine to ensure that images presented to users achieve optimal levels of clarity, color accuracy, and visual comfort.

System-Level Software Capabilities

NebulaOS is our proprietary spatial operating system, built upon an open Android foundation, with the core design philosophy of seamlessly transforming existing applications into spatial display experiences. By deeply embedding our core spatial algorithms — including sensor data acquisition, spatial perception, pose estimation, and image rendering — into the system architecture, *NebulaOS* achieves seamless spatialization of the entire Android operating system without requiring third-party application adaptation. Core capabilities include:

- **Dynamic Hovering Modes:** *NebulaOS* supports seamless switching among multiple display modes to suit different environments, including anti-shake stabilization for viewing during movement, 3DoF hovering that keeps the display fixed relative to the user’s head orientation, and 6DoF hovering that anchors virtual windows to specific positions in the physical space.
- **Intuitive AR Interaction:** Beyond traditional input methods, *NebulaOS* supports gesture control and virtual ray control, enabling users to point, click, and manipulate spatial elements naturally without physical controllers.

BUSINESS

- **Multi-Window Multi-Tasking:** Building on its open Android foundation, *NebulaOS* supports multi-window and multi-application workflows, allowing users to run multiple applications simultaneously, arranged throughout their spatial environment rather than confined to a single screen.
- **AI-Powered Content Conversion:** Leveraging the on-device computing power of the *X1* edge coprocessor, *NebulaOS* delivers real-time 2D-to-3D content conversion, transforming standard video into stereoscopic display without cloud processing.

At the system architecture level, AR devices have long faced the challenge of being unable to achieve both powerful performance and a lightweight wearable form factor: concentrating computing power on the eyewear side leads to weight and thermal issues, while complete reliance on external devices compromises product independence and portability. We have defined a split computing architecture that divides the system into a eyewear-side component and an external computing unit, achieving powerful computing performance while maintaining an ultra-lightweight eyewear form factor:

- **Eyewear Side:** Equipped with our customized *X1* edge coprocessor and the *NebulaOS*, dedicated to sensor data acquisition, spatial perception, pose estimation, and image rendering — ensuring real-time processing of mission-critical spatial tasks under ultra-low power consumption while keeping the eyewear lightweight.
- **Puck:** Provides the primary computing power and application runtime environment. This component provides AI capabilities including natural language understanding and environmental perception reasoning while supporting the *Android* application ecosystem.
- **Inter-System Communication Protocol:** The technical core of this architecture lies in our high-bandwidth, low-latency communication protocol. This protocol serves as a unified coordination layer, facilitating real-time bi-directional data flow between raw sensor inputs on the eyewear side and intelligent processing on the Puck, while simultaneously orchestrating distributed spatial tasks such as SLAM. By defining how time-sensitive computations and environmental perceptions are partitioned and synchronized across the architecture, the protocol ensures a stable, high-performance AR experience that functions as a single cohesive system despite its split physical design.

RESEARCH AND DEVELOPMENT

Our strong R&D capabilities are a core competitive strength and empower us to continuously develop innovative algorithms and optical technologies. By maintaining a solid focus on research and technical advancement, we formed strong technical barrier and secured our leading position in the industry. This commitment to the underlying R&D ensures that we remain at the forefront of delivering reliable, high-performance AR and AI display products that address evolving consumer needs.

Our R&D Teams

We have built a highly experienced R&D team. As of December 31, 2025, we had a R&D team of 188 members, nearly half of whom hold post-graduate degrees. Our team is structured into four divisions: optics, software engineering, algorithms and hardware development. This organization ensures strong collaboration across disciplines and efficient delivery of new products.

Our R&D team is underpinned by a multi-layer incentive system combining project-based rewards and recognition of individual breakthroughs, encouraging employees to pursue bottom-up innovation. Within the R&D team, units maintain close interconnectivity without rigid boundaries, enabling efficient resolution of technical difficulties through open communication and efficient collaboration. This flat organizational structure has proven effective in driving sustained innovation and ensuring the efficiency of technical decision-making.

BUSINESS

The demand for qualified talent is intense in our industry. To mitigate any potential negative impact caused by the departures of any key employees, we have established a rigorous R&D management system that provides strong institutional support for technical and product innovation.

R&D Philosophy and Process

We follow a systematic process to ensure continuous delivery of new products and technologies. Our R&D efforts encompass two sectors: (i) technology development, primarily comprising optical technologies and algorithm innovation, and (ii) product development.

Technology Development

Requirements Definition. We begin by working closely with internal teams to define and validate the technical and functional requirements for each optical module.

Technology Design. Based on the confirmed requirements, we conduct technology design and simulation, during which we formulate and evaluate optical architectures and parameters. We prepare detailed optical design drawings and continuously refine them in response to feedback from downstream engineering stages.

DFX and Process Engineering. To ensure manufacturability, testability, and long-term production stability, we conduct DFX analysis. During this stage, we prepare DFX reports, and update these reports on an ongoing basis in response to design changes.

Sample Verification. We conduct prototype and engineering sample builds to verify optical performance, structural integrity, and process feasibility. Based on test data and validation results, we iteratively refine design parameters and associated design drawings.

Design Freeze. After completing all verification and optimization work, we finalize the optical and structural designs. We prepare and release the final version of all drawings, and transfer the validated design package to the mass production teams.

Product Development

Concept Development. Target market needs are identified through industry research, competitive analysis, feedback from previous product generations, and unmet feature requests. A preliminary product definition is created, aligned with target pricing, to establish cost objectives for the new product.

Design Planning. Based on the product definition, key components are selected and design concepts (stacking and ID design) are developed. A preliminary cost assessment is conducted to evaluate financial feasibility. Project milestones are set in line with the launch timeline, and a formal initiation review is held to confirm readiness for detailed development.

Detailed Engineering. Following project initiation, each R&D division advances into detailed design: (i) structure team finalizes structural designs; (ii) hardware team completes hardware designs; (iii) optics team finalizes structural coordination and begins optical tooling development; (iv) software team defines system architecture and develops core modules; and (v) algorithm team evaluates algorithm and hardware architecture against performance requirements.

Prototype Validation. Prototypes undergo staged validation. (i) EVT: Validate manufacturability and initial performance; confirm BOM and mold costs; (ii) DVT: Trial production with formal materials; conduct functional and performance testing; optimize yield and efficiency; assess supply risks for long-lead components; and (iii) PVT: If required, confirm production line yield and efficiency before mass production. At each stage, we also assess progress against cost targets and make corresponding optimization adjustments.

BUSINESS

Post Development. During mass production and end-of-life phases, regular reviews capture market performance, inventory status, and financial outcomes. These insights feed back into the next product cycle, ensuring continuous improvement and stronger competitiveness in future generations.

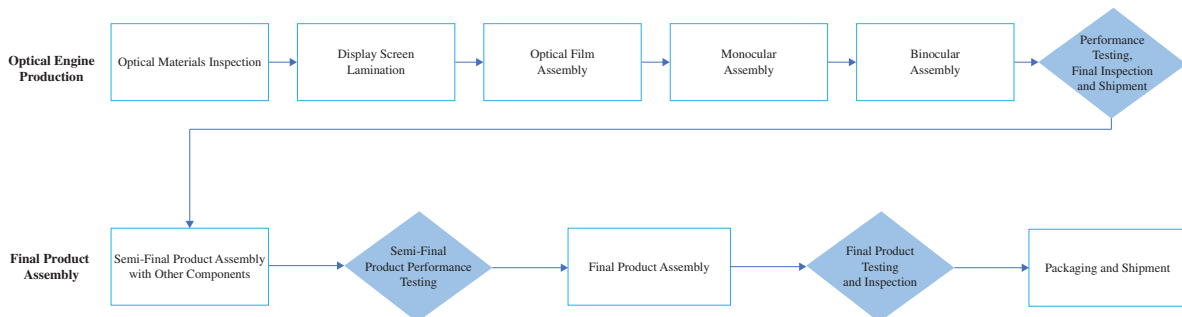
PRODUCTION AND MANUFACTURING

During the Track Record Period, we manufactured our diverse range of products and accessories through a combination of in-house production and third-party manufacturing. We maintain full control over the production of our optical engines, which is the most technically demanding and quality-sensitive component of AR eyewear, while leveraging the capabilities of established industry partners for final assembly. This approach enables us to ensure product quality and consistency, safeguard our core technologies and maintain operational flexibility.

Production Process

We maintain standardized manufacturing practices across our self-owned base. For the production of optical modules at our Wuxi base, we employ highly automated and precision-controlled processes to ensure consistency and minimize human-induced variability. For final assembly of our products, we leverage mature high-automation platforms of leading third-party manufacturing partners, which support stable and scalable production. Our standardized and modularized production processes allow us to introduce new products without major reconfiguration or additional infrastructure investment, enabling rapid response to market demand and efficient expansion of our product portfolio.

Our production process can be divided into optical engine manufacturing and final product manufacturing. The following flow chart illustrates the main steps of our production process for AR eyewear.



Optical Engine Production. The optical engine production process begins with a thorough inspection of optical materials to ensure quality and reliability. Once verified, the display screen undergoes lamination, followed by the precise assembly of optical films. The process then advances to monocular assembly and subsequently binocular assembly, integrating the optical components into functional units. After assembly, the optical engine is subjected to performance testing to validate its operational standards. Once approved, it proceeds to shipment.

Final Product Assembly. The final product assembly stage focuses on integrating all components into a complete product. It starts with the preparation of other necessary components, which are then used together with the optical engine in the semi-final product assembly. These semi-final units undergo performance testing to ensure compliance before moving into the final product assembly. After the final product is assembled, it is tested again for performance, followed by a detailed appearance inspection and data inspection to confirm its external and internal quality. Once passed, the process then concludes with packaging and shipment.

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Production Arrangements

Self-production of optical modules

As the core components of our AR eyewear, the optical modules are manufactured through our self-production model. Under this model, we organize and carry out production activities utilizing our own facilities, equipment, and personnel. As of the Latest Practicable Date, we operated one primary production base in Wuxi and did not operate self-owned overseas bases. Established in 2021, the Wuxi base has a GFA of approximately 20,000 sq.m.. The following table sets forth certain information relating to the Wuxi base.

Production Base	Production Capacity ⁽¹⁾ (units)			Production Volume (units)			Utilization Rate ⁽²⁾		
	2023	2024	2025	2023	2024	2025	2023	2024	2025
Wuxi	180,000	162,000	216,000	181,033	118,497	151,328	100.6%	73.2%	70.1%

Notes:

- (1) The standard production capacity for the year is calculated based on the assumption that all production lines are operated at a practicable high utilization level, with allowances for reasonable factors such as routine maintenance, equipment upgrades, public holidays, and seasonal demand fluctuations. According to iResearch, our capacity calculation method, including the assumptions used therein, is in line with the standard of the relevant industry in China. The decrease of production capacity in 2024 was due to adjustments to the production lines, while the increase of production capacity in 2025 was due to the addition of new production lines.
- (2) Utilization rate is calculated by dividing the production volume of a given year by the production capacity of the same year.

The Wuxi base serves as the principal manufacturing base for core optical engine modules. It is equipped with industry-leading automated production lines and intelligent quality control systems, enabling us to maintain consistent product quality by minimizing variability in optical engine manufacturing. Our self-production at the Wuxi base enables us to maintain strict control over product quality, production timelines and intellectual property protection.

Third-party Manufacturing Partnerships

Other than the optical modules, the remaining production is conducted by our third-party manufacturing partners. To ensure timely deliveries and improve overall production efficiency, we also engage qualified third-party manufacturers for assembly of our final products. Selective utilization of third-party manufacturing gives us more flexibility in the allocation of our capacity and resources. By leveraging the mature automation infrastructure and operational expertise of third-party manufacturers, the assembly process achieves industry-leading levels of automation, consistency and production stability. At the same time, by utilizing their operational capabilities and workforce, we benefit from scalable capacity and manufacturing efficiency without the need for significant incremental investment in factory management.

We also actively participate in the third-party manufacturing process. We have established a comprehensive management system to secure the quality and reliability of third-party operations. For details of quality control of third-party manufacturing, see “— Quality Control — Manufacturing Process.” As of December 31, 2025, we cooperated with three third-party manufacturing partners, all of which are companies with substantial experience in final product assembly. We typically enter into one-year framework agreements with our third-party manufacturing partners, under which they are required to maintain our intellectual property and ensure that any design drawings, documents, or other information provided by us are used solely for the purpose of performing the relevant contract and orders. Any unauthorized use beyond the scope of the contract shall constitute an infringement, for which they shall bear full legal liability.

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During the Track Record Period, we did not experience any difficulties in procuring services from manufacturing partners, nor have we encountered any material disputes or delays in delivery of products by our partners which caused material disruption to our operations.

INTELLECTUAL PROPERTY

As a global leader in AR eyewear industry pioneering innovative cutting-edge technologies, intellectual property rights are crucial to our business. We have attached great importance to the protection of our technical achievements and the strategic planning of our intellectual property portfolio in China and overseas. We rely primarily on a combination of patents, copyrights, trademarks, trade secrets, anti-unfair competition laws and contractual rights, such as confidentiality agreement, to protect our intellectual property rights.

Our intellectual property system covers the full spectrum from underlying architectural design to specific manufacturing processes, with a particular focus on technical innovations in optical design, precision structural engineering and related epitaxial fields. As of December 31, 2025, we had 382 patents, 6 copyrights, as well as 121 trademarks in China and 99 patents and 209 trademarks overseas. See “Appendix IV — Statutory and General Information — B. Further Information About Our Business — 2. Intellectual Property Rights of Our Group” for details of our material intellectual property rights.

The table below sets forth details of our key patents as of the Latest Practicable Date.

Patent Name	Jurisdiction	Key Functions	Authorized Date
Connector and Method for Charging Control with the Connector	Japan	A connector that powers two electronic devices during data transmission, extending their usage time.	September 14, 2021
Method and Apparatus for Spatial locating	United States	Feature area information and a camera image are acquired to identify the interactive device’s feature area and determine its position.	May 6, 2025
Image Display Control Method, Image Display Control Apparatus, and Head-Mounted Display Device	United States	The device for dynamic presentation of virtual images on a depth plane, delivering immersive AR/VR visual experience.	January 30, 2024
Method for Refreshing Screen of Head-Mounted Display	United States	A method for stable image presentation and improved visual experience.	March 18, 2025
Connector and second electronic device comprising same	European Patent Office	A connector for coupling a first electronic device and a second electronic device to a power source so that the power source supplies the current to the two electronic device.	February 14, 2024
Method and apparatus for awakening wearable device	European Patent Office	A method for naturally awakening the device during user interaction, enabling seamless activation and improving overall user experience.	September 11, 2024
Methods, devices, and interaction systems for interacting with head-mounted display devices	People’s Republic of China	By detecting the user’s gesture movements and determining the virtual joystick coordinate system, this method enables convenient joystick-like control, and improves the user experience.	May 30, 2025
Interaction control method and device for head-mounted display equipment	People’s Republic of China	By calculating the intersection points between the operation line and the interfaces of the head-mounted display device, this method addresses the problem of low interaction efficiency caused by interface overlapping in head-mounted display devices and realizes efficient operation of overlapped interfaces.	May 17, 2024

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We have established a comprehensive and rigorous intellectual property and trade secret protection system to fully safeguard our core technologies and solutions. This strategy creates technological barriers, effectively blocking competitors from copying or imitating our innovations. We have implemented various measures and tools to minimize our risk exposure to IP rights infringement, including a set of intellectual property compliance and management regulations, which sets forth the overall framework governing the formulation, implementation, maintenance and revisions of our intellectual property compliance management system. We have also established specific regulations covering patent management, trademark management, and trade secret management.

To strengthen internal awareness, we provide IP training to employees and offer specialized patent information security training to R&D personnel to enhance their awareness of technical confidentiality and ensure compliance throughout the product development cycle. For new employees, we offer onboarding training focused on intellectual property protection to reduce the risk of disputes over the ownership of service inventions and avoid unintentional disclosure of proprietary information. We have entered into agreements with confidentiality and non-competition clauses with our senior management and certain key members of our R&D team and other employees who have access to trade secrets or confidential information about our business. In addition, our standard employment contract signed with our employees contains an assignment clause, under which we own all the rights to all inventions, technology, know-how and trade secrets derived during the course of such employee’s work.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes or any other pending material legal proceedings regarding intellectual property rights with third parties which had, or were likely to have, any material adverse impact on our business operations.

SALES AND MARKETING

Our Presence

We have established a strong international presence in the AR eyewear market and have built a geographically diverse and extensive customer base. We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch.

During the Track Record Period, the majority of our revenue was generated from overseas markets, which accounted for over 70% of our total revenue. We have achieved large-scale shipments across major developed markets, and our products continue to rank among the top sellers on key e-commerce platforms in North America and Japan.

The following table sets forth the breakdown of our revenue by geographical location during the Track Record Period.

	For the year ended December 31,					
	2023		2024		2025	
	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>	<i>RMB'000</i>	<i>% of total revenue</i>
Overseas	254,717	65.3	260,007	65.9	366,122	71.0
United States	148,108	38.0	109,769	27.8	190,185	36.9
Japan	64,652	16.6	59,612	15.1	75,123	14.6
Europe	23,589	6.0	60,713	15.4	70,956	13.8
Others ⁽¹⁾	18,368	4.7	29,913	7.6	29,858	5.7
Chinese Mainland	135,352	34.7	134,485	34.1	149,857	29.0
Total	390,069	100.0	394,492	100.0	515,979	100.0

Note:

(1) Others primarily comprise Asian countries/regions other than Chinese Mainland.

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Our Sales Channels

In both domestic and overseas markets, we have established a diversified omnichannel approach, which consists of two primary models: (i) direct sales through our official website, official flagship stores on e-commerce platforms and others; and (ii) sales to distributors, mainly comprising major electronics retailers and regional distributors.

The following table sets forth the breakdown of our revenue by sales channel during the Track Record Period.

	Year ended December 31,					
	2023		2024		2025	
	<i>RMB</i>	<i>% of total revenue</i>	<i>RMB</i>	<i>% of total revenue</i>	<i>RMB</i>	<i>% of total revenue</i>
	<i>(in thousands, except percentages)</i>					
Direct Sales	316,421	81.1	285,930	72.5	365,396	70.8
Sales to Distributors	73,648	18.9	108,562	27.5	150,583	29.2
Total	<u>390,069</u>	<u>100.0</u>	<u>394,492</u>	<u>100.0</u>	<u>515,979</u>	<u>100.0</u>

Direct Sales

Direct sales are essential for us to maintain close engagement with users, strengthen brand control and capture real-time market insights on product performance. Under this model, we primarily sell products directly to consumers through (i) our official website; and (ii) our official flagship stores on major global e-commerce platforms. We also provide technical development services to enterprise clients, which are direct sales in nature. This model enables us to directly serve consumers across domestic and key international markets. We utilize our direct sales network to introduce and demonstrate our advanced and complex products that require more specialized knowledge. With a direct communication line to key customers, our team can offer personalized support and stay ahead of market trends. Our post-sale arrangements vary by market in accordance with local consumer protection requirements. We typically provide maintenance and post-sale services to customers within a 12-month period, while we offer a statutory two-year warranty in most markets in Europe. We accept return or exchange of products within a 7-day period. For online channels in North America and Europe, returns and exchanges are generally accepted within 30 days. In certain European jurisdictions, such as Italy and Germany, consumers may return products within 14 days.

Sales to Distributors

To rapidly expand our market coverage and enhance product accessibility, we have developed a global distribution network that delivers our products to end consumers, primarily through retail stores and e-commerce platforms. We maintain a buyer-seller relationship with our distributors under a buy-out model, and as confirmed by iResearch, such distribution arrangement is in line with industry norm. Our offline distributors are typically local operators with established regional networks and deep market knowledge. We also reach local key accounts and retailers in Europe through our regional distributors. Our online distributors focus on emerging digital channels, supplying products through e-commerce platforms and live streaming channels. Through this dual-channel distributor network, we achieve extensive market penetration while maintaining operational efficiency. Our distributors leverage their local expertise, established customer relationships and logistics capabilities to ensure product availability across diverse consumption scenarios and geographic markets. In 2023, 2024 and 2025, revenue generated from our distribution channels amounted to RMB73.6 million, RMB108.6 million, and RMB150.6 million, representing 18.9%, 27.5% and 29.2% of our total revenue for the same periods, respectively. As of December 31, 2025, we had six domestic distributors and 12 overseas distributors.

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The table below sets forth the number of our distributors and their movements for the years indicated.

	Year ended December 31		
	2023	2024	2025
Number of distributors at the beginning of the year	2	4	11
Number of distributors added during the year . .	2	7	7
Number of distributors terminated during the year	—	—	—
Number of distributors at the end of the year	<u>4</u>	<u>11</u>	<u>18</u>

We identify potential distributors through industry exhibitions, business partner referrals, or direct contact from distributors. We carefully select distributors through comprehensive evaluations, covering their qualifications, business scope, business scale, industry experience, geographic coverage, sales network, retail point coverage, customer service capabilities, warehousing and logistics capabilities, financial strength, market reputation, and local market competitiveness. After engagement, we periodically reassess distributor performance based on their sales performance, channel coverage quality, ability to develop new channels, terminal placement and service capability performance, to ensure their operations continue to align with our development needs. We have also implemented an exit mechanism for distributors, although the occurrence of such eliminations is limited. We provide support to distributors in product information, marketing promotion, and sales analysis. We maintain close communication with distributors through regular visits and continuous contact to ensure they deliver high-quality service, promptly address operational issues and gather market feedback.

We manage our distributors in the following ways.

- **Price Management.** We provide all distributors with unified suggested retail prices, clearly stipulating in cooperation agreements that distributors and their downstream customers may not sell below suggested retail prices or offer de facto discounts through coupons, membership activities, or points redemption. We monitor retail prices through regular online and offline price checks. If price violations are detected, we reserve the right to terminate cooperation and pursue breach liabilities according to contractual provisions.
- **Anti-cannibalization and Business Allocation.** We limit distributor behavior through contractual provisions to avoid channel conflicts. We specify distributors’ designated sales channels, sales regions, and authorized stores in agreements. We grant distributors non-exclusive, revocable, non-transferable rights. Without our prior written consent, distributors may not sell products outside their designated regions or channels, nor may they launch products before specified release times. In some cases, we directly enter into contracts with terminal retail points to constrain their sales behavior.
- **Channel Stuffing Risk Management.** We have implemented measures to minimize the risk of channel stuffing and inventory backlog within the distribution network, as (i) we generally do not allow returns of products sold to distributors, except for limited reasons such as defective products; (ii) we maintain regular communication with distributors to understand their sales performance and inventory levels, ensuring inventory levels match market demand; and (iii) we do not set minimum purchase requirements, encouraging distributors to be more cautious in their ordering to align their purchases with actual sales patterns and market demand. We believe such arrangements encourage distributors to order products based on actual sales forecasts. Based on the foregoing, we believe the risk of channel stuffing is low.

BUSINESS

- **Sub-distribution Management.** In limited cases, our distributors engage sub-distributors within their authorized regions. We do not enter into agreements with sub-distributors, while our distributors manage the authorized product categories, geographic regions, sales channels and end retail prices of their sub-distributors, and are responsible to us for sub-distributor violations.

Our distributor business is in a stage of rapid development, and our strategy is to build multi-point channel coverage while maintaining prudent market entry standards. When expanding into new countries or regions, we place strong emphasis on legal, tax and product compliance, prioritizing deep penetration in mainstream markets and the integration of sales and after-sales services. In emerging markets such as Mexico and Latin America, where channel structures are more fragmented, we may leverage local distributors to accelerate coverage. Our overseas distributor sales remain predominantly online, but we are also exploring offline opportunities with major retailers. Given the personalized nature of our products, offline sales require more refined user experience design and sales capabilities, and current offline expansion is primarily conducted through dedicated counters within optical stores.

Under the buy-out model, control and risk of loss transfer to distributors upon product delivery, at which point we recognize corresponding sales revenue. We enter into master agreements with our distributors.

The following is a summary of the key contractual terms of our agreements with distributors.

Term and Renewal Options . . .	Our agreements with distributors typically have a term of one year. Unless otherwise specified, agreements generally do not automatically renew.
Channel and Geographic Restrictions	We explicitly define the sales channels and sales territories for our distributors. Domestic distributors shall sell products only within the Chinese mainland; overseas distributors shall sell products only within the authorized sales channels and geographic regions specified by us for each product and shall not expand to unauthorized channels or regions without our prior written consent.
Payment and Credit Terms . . .	We typically require distributors to pay in full before shipment. For certain well-established large-scale distributors, we may grant credit terms of 30 to 60 days.
Transportation	For overseas distributors, we stipulate separate transportation terms, pursuant to which we are generally responsible for delivering the goods to the port designated by the distributor, with unloading, customs clearance, subsequent logistics and associated costs handled as stipulated in the agreement.
Pricing	We establish suggested retail prices for each product series for distributors to follow and have the right to increase or decrease the prices of our products.
Exclusivity	We do not enter into exclusive arrangements with any operators or retailers.
Minimum Sales Targets	Distributors generally do not have minimum sales targets stipulated under the sales policy.

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- Rebates** We may offer rebates to distributors who meet sales targets specified in the distribution agreements, which can be used to offset their purchases in the following year.
- Delivery and Risk Allocation** Distributors are responsible for delivering products from delivery address to the final destination and bear the costs and risk of loss during transportation. Upon product delivery, product title and risk of loss or damage transfer to distributors.
- Return Policy** Our distributors may make returns in the case of product quality defects, and as confirmed by iResearch, such policy is in line with industry norm.
- Termination** Either party may terminate the distribution agreement unilaterally in cases of material breach.

During the Track Record Period and as of the Latest Practicable Date, our distributors did not materially breach our contract terms, and we did not have any material disputes with our distributors. During the Track Record Period and up to the Latest Practicable Date, to our best knowledge, all of our distributors were Independent Third Parties, and there was no employment, financing or family relationship between our distributors and us.

Pricing

We target to maintain consistent pricing for our products across different sales channels. We provide suggested retail prices to all distributors that are aligned with our direct sales channels, and we reinforce pricing expectations through ongoing verbal communication, routine coordination, and marketing support for channel partners. We prohibit unauthorized price reductions, early launches, or premature discount promotions, and we monitor channel activities to ensure compliance with our pricing guidelines.

We actively monitor retail prices through various measures, including our distribution management system that manages distributor information and retail terminal network, regular online and offline price checks, and order approval processes for high-demand products. The purpose of these checks is to ensure that our pricing remains largely consistent, minimizing price discrepancies that could undermine our market strategy and brand positioning. If we detect any significant price deviations, we actively engage and communicate with the relevant party to rectify such deviations. Should the deviation persist, we may impose contractual penalties or decide to terminate our cooperation with the relevant party. During the Track Record Period and up to the Latest Practicable Date, no cooperation with major distributors was terminated due to persistent pricing deviations.

Seasonality

We are subject to seasonality with revenue typically peaking 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. As a result, fourth-quarter revenue generally exceeds that of other quarters. We prepare for these seasonal fluctuations by adjusting inventory levels, strengthening customer support and logistics capacity, and increasing marketing activities ahead of peak demand. Effective planning around these trends helps us manage cash flow, reduce stockout risks and maintain a consistent customer experience throughout the year.

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User Community and Marketing

We have established a scaled and globalized user community, which represents not only the openness of our product ecosystem, but also an endorsement of our brand within the AR eyewear industry. Our highly engaged user community regards user creativity as an essential part of our brand vitality. This co-creation platform highlights both the scale of our international user base and the stickiness of our community, reinforcing the credibility and influence of our brand. Our developer community has expanded across multiple countries and regions, contributing more than 3,000 applications and contents, as of the Latest Practicable Date. Our consumer community continues to expand product use cases beyond official definitions. These explorations significantly broaden the application boundaries of our products and create a positive cycle in which user-driven innovation elevates product experience, further enhancing user confidence and brand value.

We have also increased our brand awareness through a variety of branding and marketing activities to reach potential customers, including creative advertising and media placements, in-person and online events, KOL marketing, content marketing, partner marketing and public relations. We focus on a DTC strategy that emphasizes clear communication of our brand value, including technology features, usage scenarios and our positioning within the AR eyewear industry. To assess marketing effectiveness, we track a range of indicators, including meaningful exposure, user engagement (such as likes, shares and comments), video completion rates, post-click viewing duration and overall brand visibility across major platforms. We also monitor search trends on major search engines and correlate them with search performance on key e-commerce channels. These metrics are weighted and assessed collectively, ensuring that our promotional activities are not only effective but also cost-efficient, enabling us to make informed decisions about where to allocate resources for maximum impact.

BUSINESS SUSTAINABILITY

During the Track Record Period, we achieved robust revenue growth, significant gross profit margin improvement and continued narrowing of losses, demonstrating our ability to successfully commercialize our AR eyewear products and capture global market demand. We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch. Despite recording net losses during the Track Record Period, our financial fundamentals have exhibited a clear improving trajectory, and we believe that, supported by continued product innovation, global market expansion and improving operational efficiency, we have a clear path toward sustainable profitability.

Historical Financial Performance

Our revenue increased from RMB390.1 million in 2023 to RMB394.5 million in 2024, and further grew by 30.8% to RMB516.0 million in 2025, driven by successful product iteration and the continued expansion of our global sales network, with particularly strong performance in core markets such as North America, Europe and Japan. As of December 31, 2025, our products had been sold across 40 countries and regions worldwide, and over 70% of our revenue was generated from overseas markets in 2025. Alongside revenue growth, our gross profit margin improved from 18.8% in 2023 to 22.1% in 2024 and further to 35.2% in 2025, with gross profit increasing from RMB73.3 million in 2023 to RMB181.4 million in 2025, primarily attributable to: as the AR eyewear market has evolved from display-centric products to richer spatial computing functionality and consumer demand for spatial display and interactive experiences has continued to increase, we leveraged our technical leadership in optical engine, edge coprocessor, architecture, algorithm and operating system to successfully launch new products with higher gross profit contributions, driving a continued optimization of our product mix; and the strengthening of our bargaining power with major raw material and component suppliers as our procurement scale expanded. Our net loss narrowed from RMB881.8 million in 2023 to RMB708.6 million in 2024, and further to RMB456.4 million in 2025.

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Loss Attribution

Despite our significant progress in revenue and gross profit margin, we recorded net losses during the Track Record Period, primarily attributable to the following factors:

- (i) ***Fair value changes of preferred shares, warrants and convertible notes.*** In 2023, 2024 and 2025, we recorded fair value changes of preferred shares, warrants and convertible notes of RMB438.7 million, RMB328.0 million and RMB202.6 million, respectively, accounting for 49.7%, 37.2% and 23.0% of the net loss for the respective years. Upon completion of the [REDACTED], such fair value changes will cease to arise, thereby materially improving our financial position.
- (ii) ***Research and development investment required to maintain technology leadership.*** Unlike assembly-based manufacturers, we lead the design and integration of key technologies across optical engines, edge coprocessor architecture, algorithms and operating system. Such investment reflects our deliberate decision to invest early in foundational capabilities that we believe are critical to long-term value creation. In 2023, 2024 and 2025, our research and development expenses amounted to RMB215.9 million, RMB204.2 million and RMB182.9 million, respectively, representing 55.3%, 51.8% and 35.5% of revenue for the respective years. Both the absolute amount and the percentage of revenue declined during the Track Record Period, reflecting that the technology platform and product module foundation accumulated through years of sustained investment has enabled new product development to build on existing capabilities, resulting in continued improvement in research and development productivity.
- (iii) ***Selling and distribution expenses to establish brand presence and global distribution in a nascent market.*** AR eyewear remains a nascent consumer electronics category that requires continued user education, brand building and overseas channel development. In 2023, 2024 and 2025, our selling and distribution expenses amounted to RMB214.1 million, RMB143.1 million and RMB130.9 million, respectively, representing 54.9%, 36.3% and 25.4% of revenue for the respective years. Notably, the absolute amount of selling and distribution expenses declined for two consecutive years during the Track Record Period while revenue continued to grow, reflecting that our customer acquisition efficiency has achieved substantive improvement as brand awareness has been progressively established and marketing strategies have been optimized.

After adjusting for the above fair value changes of preferred shares, warrants and convertible notes and share-based payment expenses, our adjusted net loss (non-IFRS measure) narrowed from RMB437.3 million in 2023 to RMB375.3 million in 2024, and further to RMB250.0 million in 2025, representing a decrease of 63.7% over two years; as a percentage of revenue, the adjusted net loss (non-IFRS measure) also decreased from 112.1% in 2023 to 48.4% in 2025.

During the Track Record Period, our operational efficiency improved continuously. Selling and distribution expenses as a percentage of revenue declined from 54.9% in 2023 to 25.4% in 2025, administrative expenses as a percentage of revenue declined from 27.4% in 2023 to 21.8% in 2025, and research and development expenses as a percentage of revenue declined from 55.3% in 2023 to 35.5% in 2025. In aggregate, these three categories of expenses as a percentage of revenue declined from 137.7% in 2023 to 82.6% in 2025, a decrease of approximately 55 percentage points over two years. As our revenue continues to scale and our product mix continues to shift toward higher-margin products, we expect to further benefit from operating leverage and economies of scale.

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Key Strategies to Drive Business Sustainability

Looking ahead, we plan to accelerate growth and enhance our business sustainability through the following strategies: (i) leveraging the rapid growth of the industry; (ii) enriching our product portfolio to drive revenue growth; (iii) expanding our global sales channels and deepening market penetration; and (iv) improving operational efficiency and optimizing cost structure.

In addition, we recorded net cash flows used in operating activities during the Track Record Period, primarily due to our net loss position and changes in working capital during the relevant periods. We plan to improve our net operating cash flow position by implementing the above business strategies to drive revenue growth and improve profitability, and by strengthening working capital management, including improving collection efficiency and prudently allocating financial resources.

Leveraging the Rapid Growth of the Industry

The global smart eyewear market is entering a new phase of expansion, supported by rapid advances in edge computing, artificial intelligence and optical display technologies. According to iResearch, the global smart eyewear market reached approximately US\$2.3 billion in 2025 and is projected to grow to approximately US\$24.0 billion by 2030. Within this broader market, AR eyewear are expected to be the primary growth driver, combining the convenience of everyday wear with immersive digital display capabilities. Global sales volume of AR eyewear is forecast to increase from approximately 0.8 million units in 2026 to approximately 22.2 million units in 2030, representing a CAGR of 130.9%, with its share of the smart eyewear market expected to rise significantly during the same period.

Our ability to capture this market opportunity is underpinned by our in-house technology capabilities spanning optical engines, customized edge coprocessors, spatial algorithms and operating system. Our self-developed *X-Prism* optical engine, *X1* series edge coprocessors, high-performance spatial algorithms and *NebulaOS* together form a deeply integrated technology stack that enables continuous product iteration and differentiated user experience. As of December 31, 2025, we held 481 patents globally, more than half of which are invention patents, with systematic patent coverage across major markets including the United States, the European Union, Japan, and China. We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch. Our market leadership positions us to capture higher market share in the next stage of industry growth.

Enriching Our Product Portfolio to Drive Revenue Growth

We have built a product portfolio that addresses the needs of different consumer segments and usage scenarios, and we intend to drive revenue growth through continued product iteration.

The *One Series*, first launched in December 2024, has become our fastest-growing and largest revenue-contributing product line. In 2025, the *One Series* achieved sales volume of 111,355 units, demonstrating strong market demand for AR eyewear with spatial display capabilities. The *Air Series*, as our entry-level product line, offers ultra-lightweight design and accessible pricing to reach a broader consumer audience. It was our first product series to achieve large-scale market adoption, becoming the best-selling AR eyewear globally in the year of its launch, with sales volume reaching 134,074 units in 2023, laying an important foundation for establishing our global user base and brand recognition.

In 2026, we plan to launch multiple new products across all three product lines to further enrich our portfolio. Within the *One Series*, *ROG XREAL R1* is a cobranded gaming-oriented product developed in collaboration with ASUS’s ROG, and is expected to launch in 2026. Within the *Air Series*, *Project Helen* is designed to reach a broader consumer audience at a more accessible price point, and is also scheduled for launch in 2026. Within *Light-Ultra-Aura Line*, *Project Aura* is the first in our product portfolio to run on Google’s *Android XR* platform with deeply integrated multimodal AI capabilities, and is scheduled for launch in 2026, representing our expansion into AI-enabled wearable experiences. These upcoming products further extend our portfolio coverage across premium, mid-range and entry-level price segments, deepen our presence in specialized verticals, and expand overall revenue growth opportunities.

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Expanding Our Global Sales Channels and Deepening Market Penetration

We operate a diversified omnichannel sales model combining direct sales and sales to distributors, and have established a global sales network spanning major markets worldwide. During the Track Record Period, revenue from direct sales accounted for 81.1%, 72.5% and 70.8% of our total revenue in 2023, 2024 and 2025, respectively, while revenue from distributor channels increased from 18.9% of total revenue in 2023 to 29.2% in 2025. Geographically, overseas markets contributed over 70% of our total revenue in 2025. As of December 31, 2025, our products had been sold across 40 countries and regions. As of December 31, 2025, we had six domestic distributors and 12 overseas distributors.

In our core markets, we will continue to deepen channel penetration and brand building in China, the United States, Japan and Europe. Our four core markets provide a solid foundation in terms of both market size and geographic diversification. We will continue to optimize our direct sales model, drive product iteration through sales data and consumer feedback, and improve conversion and repurchase rates. As AR eyewear is an experience-driven product that benefits from in-person trial and user guidance, we will also continue to refine our offline experience and retail presentation in core markets. In terms of market penetration strategy, we will adopt localized approaches tailored to each region: in China, leveraging new media platforms and live-streaming channels to amplify brand reach and traffic conversion; in North America, leveraging major industry events such as CES and AWE to enhance global brand awareness; in Japan, focusing on localized media channels and deploying outdoor advertising to increase user reach and brand penetration; and in Europe, leveraging distribution networks for rapid market coverage.

In emerging markets, we plan to accelerate expansion into high-potential markets including Oceania, the Middle East and Southeast Asia. We will adopt localized strategies while maintaining our global brand consistency, exercise prudent market entry standards and optimize our product portfolio and pricing strategies based on local market conditions, leveraging local distributors with established sales networks and in-depth market knowledge to accelerate coverage.

Ecosystem collaboration plays an important role in customer acquisition and user retention. Looking ahead, we plan to continue to deepen strategic collaboration with leading enterprises across industries, jointly developing customized AR products and solutions to further expand the application scenarios of AR eyewear in consumer electronics, automotive, smartphones and other sectors, driving new sources of revenue growth.

Improving Operational Efficiency and Optimizing Cost Structure

As discussed above, during the Track Record Period, our operating expenses (comprising selling and distribution expenses, administrative expenses and research and development expenses) in aggregate declined from 137.6% of revenue in 2023 to 82.7% in 2025. Looking ahead, as our revenue continues to scale and our product architecture becomes increasingly modular, we expect our operating expense ratios to further decline.

We will continue to strengthen our in-house capabilities across key technology domains including optical engines, edge coprocessor architecture, algorithms and operating system. Through consolidating our R&D initiatives into a unified platform and adopting a standardized modular approach, we plan to enhance R&D efficiency, enabling key technology modules to be reused across product generations and reducing the development cost per product. We also plan to establish deep collaboration with upstream industry partners, particularly in frontier technologies such as Micro-LED and waveguide. Research and development expenses as a percentage of revenue have declined from 55.3% in 2023 to 35.5% in 2025; we expect this ratio to continue to improve as R&D efficiency further increases and our revenue base expands.

We operate a self-owned manufacturing base for optical modules in Wuxi, equipped with industry-leading automated production lines and intelligent quality control systems, providing end-to-end control from micron-level assembly to full inspection and shipment. According to iResearch, the yield rate of our core modules is significantly higher than the industry average. Our standardized and modularized production processes allow us to introduce new products without major reconfiguration or additional infrastructure investment, enabling rapid response to market demand. On the supply chain side, as our procurement scale continues to grow, our bargaining power with major suppliers has strengthened, and we will continue to optimize our supplier network to ensure stable supply and competitive procurement costs.

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In addition, we are implementing enterprise information management systems including ERP, HCM, PLM and CRM, designed to integrate the management of our research and development, production, sales, human resources and supply chain functions, improving organizational coordination and operational efficiency to provide systematic support for the scaling of our business.

Operating Cash Flow

During the Track Record Period, we recorded net cash flows used in operating activities of RMB471.8 million, RMB174.1 million and RMB203.5 million in 2023, 2024 and 2025, respectively, primarily due to our net loss position and changes in working capital during the relevant periods. For details, see “Financial Information — Liquidity and Capital Resources — Net cash used in operating activities.”

We plan to improve our net operating cash flow position through the following: (i) driving revenue growth and improving profitability through implementation of the above business strategies, thereby narrowing operating losses; and (ii) strengthening working capital management, including improving collection efficiency, prudently managing inventory levels and allocating financial resources appropriately.

OUR CUSTOMERS

During the Track Record Period, our customers primarily included (i) individual consumers; (ii) third-party distributors; and (iii) enterprise clients. In 2023, 2024 and 2025, our sales to the five largest customers in each year amounted to RMB110.5 million, RMB101.5 million and RMB138.8 million, representing 28.3%, 25.7% and 26.9% of our total revenue, respectively, and our sales to the largest customer in each year amounted to RMB46.7 million, RMB61.0 million and RMB51.7 million, representing 12.0%, 15.5% and 10.0% of our total revenue for the same year. We typically require our distributors to make prepayments for our products before placing orders. For certain well-established customers, we may grant credit terms of 30 to 60 days. Our five largest customers in each year during the Track Record Period settle their amounts due via bank transfer.

Our Five Largest Customers

The following table sets forth certain information of our five largest customers (on a group basis, and revenue contributions include those generated from its respective affiliates) in each year during the Track Record Period.

Year Ended December 31, 2025

Customer	Major services/products provided by us	Revenue contribution	As a percentage of our total revenue	Length of business relationship with us
		<i>RMB'000</i>	<i>%</i>	
Customer A ⁽¹⁾	AR eyewear and accessories	51,662	10.0	Since 2023
Customer B ⁽²⁾	technical development services	30,883	6.0	Since 2024
Customer C ⁽³⁾	AR eyewear and accessories	24,674	4.8	Since 2024
Customer D ⁽⁴⁾	AR eyewear and accessories	19,287	3.7	Since 2022
Customer E ⁽⁵⁾	AR eyewear and accessories	12,292	2.4	Since 2025
		<u>138,798</u>	<u>26.9</u>	

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Year Ended December 31, 2024

Customer	Major services/products provided by us	Revenue contribution	As a percentage of our total revenue	Length of business relationship with us
		<i>RMB'000</i>	%	
Customer A ⁽¹⁾ . . .	AR eyewear and accessories	61,028	15.5	Since 2023
Customer D ⁽⁴⁾ . . .	AR eyewear and accessories	12,833	3.2	Since 2022
Customer F ⁽⁶⁾ . . .	AR eyewear and accessories	10,902	2.8	Since 2022
Customer G ⁽⁷⁾ . . .	AR eyewear and accessories	9,428	2.4	Since 2024
Customer C ⁽³⁾ . . .	AR eyewear and accessories	7,329	1.8	Since 2024
		<u>101,520</u>	<u>25.7</u>	

Year Ended December 31, 2023

Customer	Major services/products provided by us	Revenue contribution	As a percentage of our total revenue	Length of business relationship with us
		<i>RMB'000</i>	%	
Customer F ⁽⁶⁾ . . .	AR eyewear and accessories	46,712	12.0	Since 2022
Customer D ⁽⁴⁾ . . .	AR eyewear and accessories	27,849	7.1	Since 2022
Customer H ⁽⁸⁾ . . .	technical development services	16,289	4.2	Since 2023
Customer I ⁽⁹⁾ . . .	technical development services	14,939	3.8	Since 2023
Customer J ⁽¹⁰⁾ . . .	AR eyewear and accessories	4,685	1.2	Since 2023
		<u>110,474</u>	<u>28.3</u>	

Notes:

- (1) Headquartered in Beijing, China, Customer A primarily engages in distribution and retail of information and communications technology products, with a registered capital of RMB411.7 million.
- (2) Headquartered in the United States, Customer B is a company listed on NASDAQ, primarily engages in internet advertising and the sale of cloud computing-based products and services, with a market capitalization of USD3.8 trillion as of December 31, 2025.
- (3) Headquartered in Shenzhen, China, Customer C primarily engages in the distribution of cameras and photographic equipment, with a registered capital of 1.0 million.
- (4) Headquartered in Japan, Customer D primarily engages in the wholesale of consumer electronic products, with its parent company having a market capitalization of JPY20.3 trillion as of December 31, 2025.
- (5) Headquartered in the United States, Customer E is a company listed on NYSE, primarily engages in the retail of consumer electronic products, with a market capitalization of USD14.0 billion as of December 31, 2025.
- (6) Headquartered in Beijing, China, Customer F is a company listed on NASDAQ and the Stock Exchange, primarily engages in retail operations and supply chain technology services, with a share capital of USD2.0 million.
- (7) Headquartered in Poland, Customer G primarily engages in the wholesale and distribution of consumer electronic products and value-added services.
- (8) Headquartered in Anhui Province, China, Customer H primarily engages in the sale of new energy vehicles and related components, with a registered capital of RMB23.0 billion.
- (9) Headquartered in Shenzhen, China, Customer I primarily engages in the sale of consumer electronic products, with a registered capital of RMB32.2 billion.
- (10) Headquartered in the United States, Customer J primarily engages in the development and manufacturing of AR- and AI-enabled surgical navigation systems.

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We have a diversified customer base and are not subject to any material customer concentration risk. All of our five largest customers during the Track Record Period were Independent Third Parties. To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest customers during the Track Record Period.

OUR SUPPLIERS

During the Track Record Period, our suppliers primarily included (i) raw materials for production; (ii) third-party manufacturing services; and (iii) hardware design services. In 2023, 2024 and 2025, our purchases from the five largest suppliers in each year amounted to RMB224.6 million, RMB236.8 million and RMB157.9 million, representing 30.9%, 34.5% and 29.0% of our total purchases, respectively, and our purchases from the largest supplier amounted to RMB135.6 million, RMB92.1 million and RMB66.0 million, representing 18.6%, 13.4% and 12.1% of our total purchases for the same year. Our five largest suppliers in each year of the Track Record Period grant us different credit terms, requiring advance payment for certain categories of supplies, and generally granting credit terms of 30 to 60 days for other categories. We generally settle our amounts payable to our five largest suppliers in each period during the Track Record Period through bank transfer or acceptance bill. We do not have a substantial reliance on any single supplier.

Our Five Largest Suppliers

The following table sets forth certain information of our five largest suppliers (on a group basis, and purchases include those by its respective affiliates) in each year during the Track Record Period.

Year Ended December 31, 2025

Supplier	Major products/services purchased by us	Purchase amount	As a percentage of our total purchases	Length of business relationship with us
		<i>RMB'000</i>	%	
Supplier A ⁽¹⁾ . . .	manufacturing of AR eyewear	65,986	12.1	Since 2024
Supplier B ⁽²⁾ . . .	manufacturing of AR eyewear	36,889	6.8	Since 2023
Supplier C ⁽³⁾ . . .	optical components	20,589	3.8	Since 2021
Supplier D ⁽⁴⁾ . . .	raw materials	19,774	3.6	Since 2024
Supplier E ⁽⁵⁾ . . .	structural components	14,659	2.7	Since 2024
		<u>157,897</u>	<u>29.0</u>	

Year Ended December 31, 2024

Supplier	Major products/services purchased by us	Purchase amount	As a percentage of our total purchases	Length of business relationship with us
		<i>RMB'000</i>	%	
Supplier A ⁽¹⁾ . . .	manufacturing of AR eyewear	92,058	13.4	Since 2024
Supplier B ⁽²⁾ . . .	manufacturing of AR eyewear	56,065	8.2	Since 2023
Supplier C ⁽³⁾ . . .	optical components	39,212	5.7	Since 2021
Supplier F ⁽⁶⁾ . . .	renovation services	34,386	5.0	Since 2024
Supplier G ⁽⁷⁾ . . .	electrochromic goggles	15,112	2.2	Since 2023
		<u>236,833</u>	<u>34.5</u>	

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Year Ended December 31, 2023

Supplier	Major products/services purchased by us	Purchase amount	As a percentage of our total purchases	Length of business relationship with us
		<i>RMB'000</i>	%	
Supplier C ⁽³⁾ . . .	optical components	135,560	18.6	Since 2021
Supplier H ⁽⁸⁾ . . .	manufacturing of AR eyewear	36,418	5.0	Since 2021
Supplier B ⁽²⁾ . . .	manufacturing of AR eyewear	20,198	2.8	Since 2023
Supplier I ⁽⁹⁾ . . .	raw materials	16,578	2.3	Since 2022
Supplier J ⁽¹⁰⁾ . . .	marketing services	15,839	2.2	Since 2022
		<u>224,593</u>	<u>30.9</u>	

Notes:

- (1) Headquartered in Shanghai, China, Supplier A is a company listed on the Shanghai Stock Exchange and the Stock Exchange, primarily engages in the manufacturing of smart products and providing integrated services, with a registered capital of RMB470.3 million.
- (2) Headquartered in Jiangsu Province, China, Supplier B primarily engages in the development, manufacturing and sale of smart wearable devices and electronic components, with a registered capital of RMB2.2 billion.
- (3) Headquartered in Hong Kong, Supplier C primarily engages in the sale of electronic products, and is a subsidiary of a public company listed in the Tokyo Stock Exchange and New York Stock Exchange.
- (4) Headquartered in Shenzhen, China, Supplier D primarily engages in providing supply chain management services, with a register capital of RMB20.0 million.
- (5) Headquartered in Guangdong Province, China, Supplier E primarily engages in the research, manufacturing and processing of precision structural components for consumer electronics, with a registered capital of RMB70.0 million.
- (6) Headquartered in Jiangsu Province, China, Supplier F primarily engages in industrial engineering installation projects and integrated intelligent infrastructure engineering services, with a registered capital of RMB79.5 million.
- (7) Headquartered in Guangdong Province, China, Supplier G primarily engages in the research and production of flexible light-control liquid crystal films and related products, with a registered capital of RMB10.0 million.
- (8) Headquartered in Jiangsu Province, China, Supplier H primarily engages in the research and manufacturing of precision functional components and modules for consumer electronic terminals and system integration services, with a registered capital of RMB720.0 million.
- (9) Headquartered in Guangdong Province, Supplier I primarily engages in providing supply chain services, with a registered capital of RMB20.0 million.
- (10) Headquartered in Hong Kong, Supplier J primarily engages in strategic public relations and marketing and brand building services.

All of our five largest suppliers during the Track Record Period were Independent Third Parties. To the best knowledge of our Directors, none of our Directors, their respective associates or any shareholder who owns more than 5% of our issued share capital had any interest in any of our five largest suppliers during the Track Record Period.

Raw Materials

Our principal raw materials for our products include electronic components, optical modules and tailored edge coprocessors. Raw materials are of vital importance as they can directly affect the performance, quality and appearance of our products. We adopt a comprehensive approach to managing raw material cost fluctuations, which not only safeguards short-term profitability but also demonstrates our capabilities in supply chain management, risk control and long-term competitiveness.

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We manage raw material cost fluctuations in the following ways.

- **Full-chain Cost Management.** We have established a full-chain cost management mechanism that emphasizes proactive anticipation and mitigation of cost pressures. For key raw materials, we enter into long-term agreements with suppliers to lock in prices, and strictly implement a “dual-supplier” strategy to enhance supply chain resilience. In addition, we have developed a price monitoring system that provides early warnings of potential risks three months in advance, and actively mitigate cost pressures through technology-driven measures such as value engineering and alternative material development.
- **Transparent Supplier Cooperation.** We uphold compliance, transparency and cooperation as the foundation of our supplier partnerships. We adopt a milestone payments model in contract arrangements, under which fees are paid to the suppliers according to our production milestones, aligning supplier returns closely with our production pace. In addition, any significant material price adjustment must be reviewed by our dedicated Procurement Cost and Pricing Committee and reported to the Board, ensuring that all decisions are transparent and traceable.
- **Reasonable Pass-through of Cost Pressures.** We have the ability to reasonably pass-through cost pressures to safeguard sustainable profitability. Leveraging our technical advantages and market competitiveness, we apply a cost-pricing linkage model to adjust product prices in response to raw material fluctuations. All such pricing adjustments are supported by a “Should-Cost” model that breaks down cost components, ensuring that our pricing not only covers reasonable costs but also reflects market fairness.

We have also established detailed quality standards for raw materials, covering technical specifications and regulatory compliance requirements. We and our manufacturing partners only procure raw materials from qualified suppliers that meet our stringent standards to ensure our products consistently maintain high quality. See “— Quality Control.”

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material incidents of supply interruption or failure to secure sufficient raw materials.

OVERLAPPING OF CUSTOMER AND SUPPLIER

During the Track Record Period, certain of our five largest customers in each year of the Track Record Period also acted as our suppliers, or vice versa. According to iResearch, such arrangements are common in the industry. Our sales and purchases with these overlapping customers and suppliers were not inter-conditional with each other. All of our sales to and purchases from these overlapping customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm’s length basis, and the terms were generally comparable to those with other suppliers and customers.

The following table sets forth the details of our overlapping customers and suppliers (on a group basis) during the Track Record Period. Revenue contribution/purchases include revenue generated from/purchase by its respective affiliates.

Transaction Nature		For the Year Ended December 31,						
		2023		2024		2025		
As customer	As supplier	Revenue	Purchases	Revenue	Purchases	Revenue	Purchases	
<i>RMB'000</i>								
Customer F ⁽¹⁾	AR eyewear and accessories	logistics services and office supplies	46,712	10,265	10,902	11,183	1,234	8,343
Customer D ⁽²⁾	AR eyewear and accessories	marketing services	27,849	340	12,833	311	19,287	140

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Transaction Nature		For the Year Ended December 31,						
		2023		2024		2025		
		As customer	As supplier	Revenue	Purchases	Revenue	Purchases	Revenue
<i>RMB'000</i>								
Customer E ⁽³⁾	AR eyewear and accessories	office supplies	-	-	-	-	12,292	53
Customer H ⁽⁴⁾	technical development services	vehicles	16,289	473	2,932	-	2,393	692
Supplier E ⁽⁵⁾	AR eyewear	structural components	-	-	-	-	12	14,659
			<u>90,850</u>	<u>11,078</u>	<u>26,667</u>	<u>11,494</u>	<u>35,218</u>	<u>23,887</u>

Notes:

- (1) Customer F is a leading e-commerce platform in China. We primarily sell AR eyewear and accessories to Customer F. Meanwhile, Customer F provides us with logistics services and office supplies.
- (2) Customer D is one of our distributors which purchases our AR eyewear and accessories. Meanwhile, Customer D provides us with marketing services.
- (3) Customer E is one of our distributors which purchases our AR eyewear and accessories. Meanwhile, Customer E provides us with office supplies.
- (4) Customer H is an electric vehicle provider in China. We primarily provide technical development services to Customer H. Meanwhile, Customer H provides us with vehicles for corporate use.
- (5) Supplier E is a leading intelligent precision manufacturer in China. Supplier E primarily supplies us with structural components. Meanwhile, we sell AR eyewear to Supplier E.

The revenue generated from the overlapping customers and suppliers were RMB90.9 million, RMB26.7 million and RMB35.2 million in 2023, 2024 and 2025, respectively, accounting for 23.3%, 6.8% and 6.8% of our total revenue for the same periods, respectively. Our purchase amount from the overlapping customers and suppliers were RMB11.1 million, RMB11.5 million and RMB23.9 million in 2023, 2024 and 2025, respectively, accounting for 1.5%, 1.7% and 4.4% of our total purchase amount for the same periods, respectively.

Save as disclosed above, there were no five largest customers in each period during the Track Record Period who were also our suppliers during the Track Record Period, or vice versa.

DATA PRIVACY AND SECURITY

Data security and privacy protection are among our top priorities. In accordance with applicable data privacy and cybersecurity laws and regulations, we have built a comprehensive data collection, processing, storage, deletion, sharing and internal control frameworks to protect data privacy and security.

We collect data from users who directly authorize us. Such data are collected solely for the purposes of providing, maintaining and improving our services. The scope of usage is consistent with that being disclosed in our privacy policies and does not exceed the scope authorized by users. Our user privacy policies clearly describe our data collection, usage, sharing and processing practices and how users can exercise their rights in activities relating to the processing of personal information. In particular, we provide users with prior notice and obtain their consent as to what data are being collected, how such data will be used and undertake to manage and use the data collected in accordance with applicable laws before they use our services.

We process data strictly within the scope authorized by users and in accordance with applicable privacy laws. Our practices emphasize minimal impact on data subjects, anonymization of collected information, and transparency in informing users of the purposes and scope of processing. For domestic platforms, ERP systems automatically desensitize personal information at the point of warehouse fulfillment, retaining only province, city and street-level data for statistical purposes. For overseas platforms, personal order information is subject to strict masking, while independent brand websites allow relatively more complete order data to be accessed under our control.

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We store user data only for the minimum period necessary to fulfill the purposes for which it was collected. For data subject to legally mandated retention periods, we comply with relevant requirements. For other data, we follow the principle of minimum necessary retention, deleting or anonymizing information once the processing purpose has been achieved or upon user request.

We do not share user data with third parties except under limited circumstances disclosed in our privacy policies. Pursuant to our policies, we only grant authorization to third-party business partners to access our user data for legitimate, necessary and specific purposes. Any authorized sharing is subject to user consent, contractual undertakings by business partners, and strict compliance with applicable laws.

INVENTORY MANAGEMENT, WAREHOUSING AND LOGISTICS

Inventory Management

During the Track Record Period, our inventory primarily consisted of raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, our inventory balances amounted to RMB189.5 million, RMB166.4 million, and RMB180.6 million, respectively. Our average inventory turnover days in 2023, 2024 and 2025 were 157 days, 209 days and 187 days, respectively.

Our inventory management is tailored to the characteristics and supply cycles of different categories of materials. For general-purpose or short-cycle components, we maintain relatively low inventory levels. For customized and core materials, including our self-developed optical engines, we typically reserve quantities sufficient for approximately 15 days to one month of usage. For strategic materials such as *XI* chips that are subject to potential supply shortages, we adopt longer inventory cycles of three to six months. Such long-cycle procurement arrangements require company-level special approval to ensure prudent resource allocation. We have also established policies regarding inventory management, including a labeling system to categorize different batches of products, as well as security controls to safeguard against theft, embezzlement, or damage. These measures allow us to balance operational efficiency with supply chain resilience, ensuring that we are able to meet customer demand while mitigating risks associated with material shortages.

Warehousing

We operate a combination of self-operated and third-party warehousing facilities to support our global operations. For our domestic operations, as of December 31, 2025, we have one self-operated raw materials and semi-finished products warehouse in Wuxi, and operate one finished goods warehouse in cooperation with third-party warehouse providers in Taicang. In addition to serving the domestic market, our domestic warehouses also function as transit hubs for allocation and shipment to overseas markets. For our overseas operations, as of December 31, 2025, we operate eight warehouses in Japan, Europe and North America, mainly for storing finished products. All of our warehouses are equipped with ERP systems to enable automated order processing and real-time inventory monitoring. The storage area of our warehouses can be flexibly adjusted according to actual business needs. Our warehousing partners provide integrated services including storage management, loading and unloading, and order fulfillment. We typically enter into service agreements with our warehousing service providers for a term of three years.

Logistics

We engage third-party logistics service providers to efficiently deliver products across our global sales network. We select logistics service providers based on transportation routes, actual business requirements, historical performance and pricing. As of December 31, 2025, we collaborated with seven logistics service providers in China and five logistics service providers overseas, while our internal team oversees overall management to ensure the global circulation of materials and finished products.

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We typically enter into framework logistics agreements for a term of one to three years with our logistics service providers. Our logistics service providers assume risk of loss or damage during transportation and are required to maintain appropriate insurance coverage. We evaluate our logistics service providers based on delivery performance, transportation capacity, and overall service quality.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material delivery disruptions or losses attributable to our logistics service providers that had a material adverse effect on our business operations.

QUALITY CONTROL

We believe our commitment to product quality is one of the key factors contributing to our success. We have established a comprehensive quality control system that oversee all aspects of our production processes. Our quality management strategy operates at every phase of operations, including design, development, sourcing, manufacturing, delivery and after-sales service.

Product Design and Development Stage

During the design and development phase, we focus on identifying and addressing potential quality issues early on, ensuring that quality is embedded into the product from the very beginning. In designing hardware prototypes, optical modules, and structural components, we prioritize product quality considerations to ensure consistent quality stability across all our products. This early-stage focus on manufacturability enables us to identify and resolve potential production challenges before they impact final product quality, reducing the need for costly revisions during mass production. Our design team works closely with our engineering and manufacturing teams to ensure that product designs are not only visually appealing and technically robust, but also optimized for efficient, high-quality manufacturing execution.

Raw Materials and Suppliers

We have established a comprehensive supplier management system, which ensures rigorous supplier selection, ongoing performance evaluation, and full compliance with international quality and sustainability standards. We maintain a dedicated procurement team to exercise overall control and oversight of our procurement activities. For standard materials, our R&D and procurement teams specify the suppliers and pricing for the manufacturers to source materials according to our specifications. For core materials or price-sensitive components, the procurement team directly purchase the items and deliver them to manufacturers for production. We also conduct capability training for suppliers to clarify our product design specifications and material requirements, ensuring standardized supply. This commitment to procurement quality secures product reliability, supporting our ability to rapidly translate complex technologies into stable user experience and efficient delivery.

We conduct careful due diligence and admission review on suppliers through our supplier management system and only purchase raw materials from suppliers who comply with our internal policies. For key raw materials, we have established a comprehensive quality control and on-site supervision mechanism. In addition to performing incoming quality inspections, we implement effective process control by conducting on-site inspections of suppliers and dispatching professional staff to supervise production at supplier facilities. These measures ensure that the quality of raw materials remains stable and reliable. We periodically conduct comprehensive performance evaluations and dynamic assessments of our suppliers based on criteria such as quality, delivery, pricing, and supply reliability. Suppliers who conditionally pass or fail our annual inspection are assigned a dedicated team to support performance improvement, and we also reserve the right to remove them from our list if standards are still not met after such efforts.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with our suppliers, nor did we experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or significant shortage or delay in delivery of supplies from our suppliers.

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Manufacturing Process

In the production phase, we maintain rigorous quality control measures by continuously monitoring and testing our products. We have established a dedicated quality control team within our production operations to conduct quality inspections at each critical production stage, ensuring strict adherence to our production standards, and enabling the early identification and resolution of quality issues. The team also reinforces employee discipline through training, creating a safe and orderly production environment. These efforts directly improve production efficiency, strengthen product quality, and reduce potential quality risks.

We equipped production facilities with advanced processing technologies. For optical engines with stringent quality requirements, we have adopted automated assembly technology to safeguard consistency and minimize quality fluctuations arising from manual operations. We require products to comply with strict domestic and international quality standards. For overseas markets, our products should satisfy local regulatory requirements.

We have established a comprehensive management system to secure the quality and reliability of third-party operations. All third-party manufacturers are required to pass a rigorous and standardized qualification process before being authorized to engage in production activities, ensuring that they meet our requirements in areas such as production capacity, quality control and compliant operations. We also conduct regular rolling inspections, covering various aspects such as production performance, quality management and warehouse operations. Upon completion of third-party manufacturing processes, all products are subject to the quality inspection conducted by our quality control team. Only products that meet our quality standards are approved for delivery to customers. This structured approach ensures that our third-party manufacturing partners meet our expectations in terms of quality, efficiency, and compliance.

We typically conduct comprehensive due diligence, including multiple rounds of on-site factory inspections covering facility layout, equipment conditions, hygiene standards, and production processes, as well as quality system audits and sample testing, before finalizing our cooperative manufacturing arrangements.

Delivery and After-sales Service

Quality control does not end with production. We continue to prioritize quality and customer satisfaction by maintaining close communication with customers after product delivery. We provide after-sales support across major domestic and international sales channels, including leading e-commerce platforms and our own online stores, supplemented by dedicated customer service teams. To closely monitor user experience, we have established a structured feedback mechanism under which cross-functional teams regularly review customer service reports and community feedback from both domestic and overseas markets. This enables us to identify and address key issues in a timely manner and to incorporate customer insights into future improvements.

During the Track Record Period and up to the Latest Practicable Date, we have not experienced any material customer complaints regarding product quality, product liability claims, product recalls, or legal consequences that individually or in aggregate had a material adverse effect on us.

COMPETITION

We operate in a highly competitive and dynamic smart eyewear market, and have established a leading position in the fast-growing AR eyewear segment. We primarily compete with other smart eyewear companies with longer operation history and diverse product offerings in both domestic and international.

We ranked No. 1 globally in the AR eyewear market by sales revenue for each year from 2022 to 2025; and we also ranked No. 2 globally and No. 1 in China in the broader smart eyewear market, comprising AR eyewear and non-display eyewear, by sales revenue in 2025, according to iResearch. We believe that, with our innovation-driven R&D and product development, intelligent manufacturing with strict quality assurance, and a highly engaged community of domestic and international consumers, we are well positioned to reinforce and sustain our market leadership.

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EMPLOYEES

As of December 31, 2025, we had 364 full-time employees, and the vast majority of our employees were based in Chinese mainland as of the same date. The following table sets forth a breakdown of our full-time employees by function as of the same date.

Function	Number of Full-time Employees	% of Total Full-time Employees
R&D	188	51.6
General and administrative	65	17.9
Production, supply chain and quality control	45	12.4
Sales and marketing	66	18.1
Total	364	100.0

We firmly believe that a high-quality workforce is our core competitive advantage and a significant strength. We adopt high standards and strict procedures in our recruitment, including campus recruitment, online recruitment, internal referral and third-party recruiters, to satisfy our demands for different types of talents. To maintain and enhance the knowledge and skill levels of our workforce, we have established a comprehensive training system, aiming to strengthen the working capabilities of our workforce through team building, performance management, organizational development and knowledge sharing. From day one, employees are immersed in our corporate culture that values excellence, innovation, responsibility and openness, which has enabled us to retain key talent and maintain a stable, high-performing organization.

We offer highly competitive remuneration packages, considering factors such as educational background, industry experience, job value and work performance when establishing a fair and reasonable compensation system. Remuneration packages for our full-time employees primarily consist of base salary and performance-based bonus. Performance targets of our full-time employees are set primarily based on their position and department, and performance of our full-time employees are reviewed periodically. Results of such reviews are later used in salary determinations, bonus awards and promotion appraisals. We also align our interest with selected employees by offering them participation in the Pre-[REDACTED] Equity Incentive Plan. See “Appendix IV — Statutory and General Information — D. Pre-[REDACTED] Equity Incentive Plan” for details.

PRC laws and regulations require us to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, maternity insurance, work-related injury insurance and the housing provident fund and pay social insurance premiums and housing provident fund contributions in amounts equal to certain percentages of salaries, including bonuses and allowances, of employees up to the maximum amounts specified by the local government. During the Track Record Period, we made social insurance and housing provident fund contributions in full and on time for all employees as required by relevant PRC laws and regulations.

We believe that we maintain good relationships with our employees, and we had not experienced any strikes or labor disputes with our full-time employees which have had or are likely to have a material effect on our business during the Track Record Period and up to the Latest Practicable Date. None of our employees are currently represented by labor unions.

In addition to full-time employees, we also collaborated with third-party employment agencies during the Track Record Period to dispatch contract workers. The third-party employment agencies arranged suitable workers primarily to take on non-key roles, such as overseas customer service agents and material quality inspectors, to fulfill our job requirements pursuant to mutually agreed terms, and are responsible for arranging the payment of the wages, social insurance premium and housing provident funds of the workers. We typically enter into agreements with third-party employment agencies for a term of 1 year. We had not received any notice or been subject to any administrative penalties or other disciplinary actions relating to labor dispatch from the relevant PRC government authorities.

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PROPERTIES

We occupy certain properties in the PRC in connection with our business operations. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. As of December 31, 2025, the book value of any of our properties has not reached 15% or more of our total consolidated assets. According to Section 6(2) of the Company (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this Document is exempt from compliance with the requirement under Section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance regarding the valuation report of all interests in land or buildings as specified in the Third Schedule, Paragraph 34(2) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Owned Properties

As of December 31, 2025, we did not own any properties.

Leased Properties

As of the Latest Practicable Date, we leased five properties in the PRC with an aggregate GFA of approximately 27,789 sq.m., which were primarily utilized as premises for our offices and production base.

As of the Latest Practicable Date, one leased property with an aggregate GFA of approximately 5,043 sq.m. was leased from a 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. In this event, our operations in such property may be impaired and we may not be adequately indemnified by the landlord for our related losses. We believe that our use of such leased property will not have a material adverse effect on our business, financial condition or results of operations. Such leased property is used as an office. Even if we are required to vacate from any of this property, we believe we will be able to readily find comparable properties to relocate and the costs and expenses we may incur for relocation will be immaterial.

As of December 31, 2025, we had not completed lease registration for five of our leased properties with a GFA of approximately 27,800 sq.m., representing 100% of our leased property area. As advised by our PRC Legal Advisor, failure to register an executed lease agreement will not affect its legality, validity or enforceability. However, 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. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB50,000, which we believe is immaterial. Therefore, we believe that the failure to register these lease agreements will not have any material adverse impact on our financial condition or results of operations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

In addition, as of the Latest Practicable Date, we had not received construction commencement permits, and had not completed the filing procedures for one of our leased properties. According to the Measures for Construction Permission Management of Construction Projects (《建築工程施工許可管理辦法》), for any construction project without a construction permit (施工許可證) being obtained, the relevant government authority may order to suspend the construction, request for rectification within a specified time limit and impose on the owner of the construction project a fine of 1% to 2% of the contract value of the construction project. According to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), the owner of the construction project shall complete the filing formalities for the filing of as-built inspection of the project with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed. If the construction entity fails to comply with such rules, the filing authority shall order it to make a rectification within a time limit, and

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impose a fine of not less than RMB200,000 but not more than RMB500,000. During the Track Record Period and up to the Latest Practicable Date, we have not received any penalties or requests for rectification from the government authorities regarding such construction project. As advised by our PRC Legal Advisor, the failure to obtain this permit or complete relevant filings will not cause material adverse effect to our business operations.

Outside Chinese Mainland, as of December 31, 2025, we leased 3 properties in the United States, South Korea and Japan, with a combined floor area of approximately 390 sq.m., primarily for office use.

LEGAL PROCEEDINGS AND COMPLIANCE

Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties by PRC government authorities, nor had we been involved in any non-compliance incidents that were systemic or had a material adverse impact on our business, financial conditions or operating results.

Legal Proceedings

We consider our intellectual property portfolio to be an important asset of our business and take steps to protect our intellectual property rights. As part of these efforts, we have initiated patent enforcement proceedings in multiple jurisdictions against certain competitors in relation to technologies underlying AR devices and optical systems.

European Proceedings

We have initiated patent enforcement actions in Germany in relation to European Patent EP 3 754 409 B1 (“EP’409”), which covers aspects of optical systems for AR devices. On September 22, 2025, we commenced preliminary injunction proceedings before the District Court Munich I against a Vitire affiliate. In such proceedings, we sought an injunction prohibiting the offering, sale and importation into Germany of certain AR products marketed under the “VITURE” brand, including in particular the model “Vitire Pro XR.”

On November 13, 2025, the District Court Munich I issued a preliminary injunction against Eden Future HK Ltd. (“Eden HK”), a Vitire affiliate. The court found that Vitire Pro XR infringed claim 1 of EP’409 and ordered Eden HK to refrain from offering, placing on the market or importing products into Germany that fall within the scope of EP’409, including, in particular, Vitire Pro XR. Eden HK appealed that decision to the Court of Appeals Munich. The preliminary injunction, however, remains in force during the appeal proceedings.

Separately, on November 7, 2025, Eden HK filed an opposition before the European Patent Office against EP’409. Such opposition proceedings were ongoing and did not affect the appeal proceedings described above. As of the Latest Practicable Date, the appeal proceedings remained ongoing, and the hearing for the appeal was expected to be held on November 19, 2026.

As part of our enforcement actions against Vitire, the District Court Munich I issued, on September 29, 2025, an *ex parte* preliminary injunction in a separate proceeding brought by us against Vitire, Inc., another Vitire affiliate, in its capacity as manufacturer. Such preliminary injunction was lifted on November 13, 2025 solely for procedural reasons. On the same date, however, the District Court Munich I issued the preliminary injunction against Eden HK described above, which we believe is of greater practical significance.

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Following our request for preliminary injunctive relief, we also commenced patent infringement proceedings on the merits before the District Court Munich I against Eden HK and Vitore, Inc. in relation to products marketed under the “VITURE” brand, including Vitore Pro XR, Vitore Luma Pro XR and Vitore Luma Ultra XR. We filed our statements of claim in both proceedings on December 23, 2025 and amended them on February 2, 2026, and such proceedings remained ongoing as of the Latest Practicable Date.

We also initiated administrative fine proceedings before the District Court Munich I in connection with the alleged non-compliance with the preliminary injunction described above. On February 25, 2026, the court issued a decision imposing a fine of EUR75,000 on Eden HK, comprising EUR15,000 in respect of Vitore Pro XR and EUR30,000 in respect of each of the two model variants of the Vitore Luma. The court held that Eden HK had continued to offer Vitore Pro XR in a manner that gave visitors to the relevant website the impression that the product was generally available for sale and, accordingly, had not complied with the preliminary injunction dated November 13, 2025. The court further held that Vitore Luma Pro XR and Vitore Luma Ultra XR constituted core infringements and rejected Eden HK’s argument that neither model fell within the scope of the preliminary injunction. Further violations of the preliminary injunction may result in additional coercive penalties being imposed by the German court. As of the Latest Practicable Date, Vitore Pro XR, Vitore Luma Pro XR and Vitore Luma Ultra XR were shown as unavailable for purchase on Amazon Germany through Eden HK, though certain product display pages remained accessible.

United States Proceedings

We have initiated patent infringement proceedings in the United States through our wholly owned subsidiary, Matrixed Reality Wuxi, against certain entities of Vitore, including Eden Future HK Limited and Beijing Xingzhe Wujiang Technology Co., Ltd., in the United States District Court for the Eastern District of Texas.

The proceedings relate to Vitore’s alleged infringement of U.S. Patent No. 11,988,839, titled “Augmented reality apparatus and optical system therefor,” which generally covers aspects of AR devices and their optical systems. The claims concern, among other things, the making, selling and importation into the United States of certain AR/XR eyewear marketed under the “VITURE” brand.

In this action, we seek remedies including injunctive relief, monetary damages and other relief as may be determined by the court. The lawsuit was filed on January 15, 2026 and is currently pending and remains at an early procedural stage. We have filed the relevant case initiation documents. As of the Latest Practicable Date, no substantive rulings on the merits had been made and no substantive hearing on the merits had been scheduled. Based on the current procedural status of the case, the next expected step is for the defendants to take further actions by April 20, 2026.

PRC Proceedings

Following our patent enforcement actions against Vitore in Germany and the United States, including the issuance of the preliminary injunction by the District Court Munich I on November 13, 2025 and the filing of our patent infringement action in the United States on January 15, 2026, we also became aware that Vitore, on February 3, 2026, had initiated legal proceedings against us in the PRC.

On March 5, 2026, we received a complaint relating to a utility model patent infringement lawsuit filed by an affiliate of Vitore before the Beijing Intellectual Property Court. According to the complaint, the lawsuit concerns certain of our XREAL-branded AR eyewear products, including *XREAL One*, *XREAL One Pro* and *XREAL IS*. The plaintiff seeks, among other things, an order requiring us to cease the alleged infringing acts, including the manufacture, offer for sale and sale of the relevant products, and compensation for alleged economic losses of RMB20.0 million and reasonable enforcement expenses of RMB1.0 million.

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As of the Latest Practicable Date, however, the proceedings had not entered the substantive hearing stage. We had not received any injunction or other interim relief prohibiting the manufacture or sale of the relevant products or the use of our technologies, and the relevant products continued to be manufactured and sold by us in the ordinary course of business. As of the Latest Practicable Date, we did not believe that these proceedings had resulted in any material adverse effect on our business operations, including our research and development, manufacturing and sales.

We have been advised by our PRC IP litigation counsel that, based on their analysis of the disputed utility model patent, the prior art disclosed before its filing date, and the common general knowledge in the relevant technical field, the currently available evidence indicates a relatively high likelihood that the technical solution protected by the disputed utility model patent will be found to fall within the scope of the prior art, or otherwise lacks the substantive features and progress required under Article 22 of the PRC Patent Law, and therefore does not satisfy the conditions for grant of patent rights under the PRC Patent Law.

Before being served with the notice of response by the Beijing Intellectual Property Court on March 5, 2026, we had already filed, on February 6, 2026, a request for invalidation of the disputed utility model patent (ZL202321662852.8) with the China National Intellectual Property Administration, and such request was officially accepted on February 24, 2026. Such action was taken as a part of our ordinary intellectual property risk prevention measures.

Based on the foregoing analysis and the currently available evidence, including the invalidation proceedings described above, our PRC IP litigation counsel has advised us that the likelihood of the plaintiff prevailing in the lawsuit is low. Under Article 47 of the PRC Patent Law, if the disputed utility model patent is declared invalid, its patent right shall be deemed to have been non-existent from the beginning. Moreover, even in the unlikely event that we are required to pay an aggregate amount of approximately RMB21.0 million as damages and enforcement expenses and to cease the manufacture and sale of the relevant products, we are of the view that the impact on our operations and financial performance would not be material. This assessment is based on the following: (i) the potential compensation amount is not expected to be material in the context of our overall financial position and represents only approximately 4.0% of our total revenue for 2025; (ii) the matters in dispute concern a component-level optical and dimming configuration and the relevant features may be addressed through alternative technical arrangements, non-infringing modifications, or other adjustments within a reasonable timeframe; (iii) as these proceedings are brought in the PRC, any direct operative effect of an adverse ruling would principally arise in relation to the relevant products and activities in the PRC; and (iv) as of the Latest Practicable Date, no injunction or other interim relief had been granted, the proceedings had not entered the substantive hearing stage, and the relevant products continued to be manufactured and sold in the ordinary course of business, which provides us with time to assess and implement mitigation measures if necessary.

In addition, we may from time to time be subject to legal or administrative claims and proceedings arising in the ordinary course of our business, whether related to intellectual property or otherwise. Such litigation or proceedings, regardless of outcome, may result in substantial costs and the diversion of our resources, including our management’s time and attention. See “Risk Factors — Risks Relating to Our Business and Industry — 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” and “Risk Factors — Risks Relating to Our Business and Industry — 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.” Any adverse outcome in such matters could have a material adverse effect on our business, results of operations and financial condition.

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INSURANCE

We consider our insurance coverage to be adequate and consistent with general market practice and applicable PRC legal requirements. We provide employee-related social insurance, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance, medical insurance and housing provident fund contributions for our PRC employees based in China. In addition to statutory coverage, we also offer supplemental commercial medical insurance for our employees to enhance their health protection and promote overall well-being.

We maintain commercial general liability and product liability insurance for our products and sales channels, and have also arranged operational insurance coverage. In line with general market practice, we do not maintain any business interruption insurance, key-man life insurance, or insurance policies covering damages to our network infrastructure, data centers or other information technology systems, as such insurance policies are not mandatory under PRC laws. During the Track Record Period and up to the Latest Practicable Date, we had not submitted any material insurance claims, nor had we experienced any material difficulties in renewing our insurance policies.

Our Directors believe that our insurance coverage is adequate and is in line with the industry practice. We periodically review and will make necessary and appropriate adjustments to our insurance coverage. However, the risks relating to our business and operation may not be fully covered by insurance. See “Risk Factors — Our insurance coverage may be insufficient to cover all of our potential losses.”

LICENSES, APPROVALS AND PERMITS

We are required to obtain a number of licenses, permits, approvals and certificates for our business. As advised by our PRC Legal Advisor, we had secured all necessary licenses, approvals and permits from relevant governmental authorities that are material to our business operations in China, and such licenses, permits, approvals and certificates were valid and subsisting as of the Latest Practicable Date.

The following table sets forth the details of the material licenses, permits and certificates for our business operations.

Holder	Jurisdiction	License/Permit/ Certificate	Effective date
Matrixed Reality Wuxi	China	China Compulsory Certification (Declaration of Conformity)	January 3, 2025
XREAL Inc.	Europe	Conformité Européenne (CE)	March 18, 2025
XREAL Inc.	UK	UK Conformity Assessed (UKCA)	March 18, 2025
XREAL Inc.	USA	FCC Supplier’s Declaration of Conformity (FCC-SDoC)	March 18, 2025
XREAL Inc.	Japan	Voluntary Control Council for Interference by Information Technology Equipment Certification (VCCI)	March 18, 2025
XREAL Inc.	Korea	Korea Communications Commission Certification (KCC)	April 2, 2025

We monitor the validity of relevant licenses, permits and certificates and submit renewal applications in a timely manner prior to the expiration date. During the Track Record Period and up to the Latest Practicable Date, there was no material legal impediment to renew the licenses, permits, approvals and certificates required for our operations, as long as we comply with the relevant legal requirements and provided that we take all necessary steps and submit the relevant applications in accordance with the requirements and schedules prescribed by the applicable laws and regulations. However, we cannot assure you that we will be able to obtain or renew such licenses, permits or certificates in the future. See “Risk Factors — 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.”

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RISK MANAGEMENT AND INTERNAL CONTROL

We have established and currently maintain risk management and internal control systems composed of policies and procedures designed to address our operational requirements. We are dedicated to continuously refining these systems to ensure they remain comprehensive and effective. We have adopted and implemented risk management policies in various aspects of our business operations. Our Board of Directors is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional departments.

Compliance and Intellectual Property Risk Management

We have designed and adopted strict internal procedures to ensure that our operations comply with applicable laws and regulations and that our intellectual property rights are properly safeguarded. Before entering into any contractual or business arrangements, our legal department reviews contract terms and supporting documentation, including licenses and permits obtained either by us or our counterparties. During a new R&D project, our intellectual property department conducts IP risk evaluations, and continuously monitors of IP rights throughout the design and R&D phases. All departments are responsible for conducting necessary IP compliance reviews on basic management processes and operational management processes, and our intellectual property department is also responsible for establishing, implementing and maintaining an IP reporting process for attempted, suspected, or actual violations of IP rights.

We have in place detailed internal procedures to ensure that our legal department reviews our services, for regulatory compliance before they are made available to the general public. Our legal department is also responsible for identifying regulatory requirements, securing requisite governmental pre-approvals or consents, and completing any required filings, including preparing and submitting documents to relevant authorities, within prescribed timelines and ensuring timely applications, renewals, and filings for trademark, copyright, and patent registration.

Internal Control Risk Management

We have designed and adopted strict internal control framework to ensure the compliance of our business operations with the relevant rules and regulations. We continually conduct evaluations of our risk management policies and measures to ensure their adequacy and effectiveness.

Our internal controls also cover licensing and operational approvals. We maintain policies and processes to ensure all requisite permits and approvals are obtained and remain valid for our business activities across jurisdictions. We obtain requisite governmental approvals or consents, including preparing and submitting all necessary documents for filing with relevant government authorities within the prescribed regulatory timelines. These measures help us ensure compliance with local regulatory expectations and reduce exposure to operational and reputational risks.

Data Privacy and Security Risk Management

To ensure proper and sufficient protection for user privacy and data security, we have established a robust data privacy and security framework in compliance with both local and international standards. Specifically, for personal identity data, we procure services from established third-party service providers, which hold multiple certifications aligned with local and global security standards. For our public cloud operations, we leverage multiple tools including internal and external firewalls to monitor and remediate service risks. At the interface level, we employ HTTPS secure transmission protocols to protect all user-facing interfaces involving personal data.

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Data security and compliance policies are overseen by our Directors and implemented by a cross-functional management team comprising IT, Legal and other operating divisions. In addition, we also plan to establish a dedicated data security and compliance committee, which will focus on reviewing the compliance with data protection laws and security standards, and on adapting our protocols and policies to meet evolving industry requirements.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure, or any significant leakage or loss of customer data. In addition, as advised by our PRC Legal Advisor, we have not been made aware of any instances where the current or potential laws and regulations in relation to privacy and personal data have materially and adversely affected our business or financial performance. Our Directors are of the view that, as a result of our strict internal control and compliance efforts, our business operations are in compliance with current data security laws and regulations in markets where we operate in all material aspects.

Human Resources Risk Management

A key part of our risk management involves developing a skilled and knowledgeable workforce. We have established internal control policies covering various aspects of human resource management such as recruiting, onboarding, training, work ethic and legal compliance. We maintain high standards in recruitment with strict procedures to ensure the quality of new hires, and provide specialized training tailored to the needs of our employees in different departments. We also conduct periodic performance reviews for our employees, and their remuneration is performance-based.

To mitigate ethical and legal risks, we have also instituted a set of comprehensive anti-corruption and anti-bribery policies within our company to promote and support the compliance with applicable anti-corruption laws and regulations, providing guidance on anti-corruption and anti-bribery practices, the whistleblowing channel, as well as the responsibilities for implementing the policies. All of our employees are required to understand and comply with such policies. For suppliers and other business partners, we explicitly mandate adherence to relevant compliance requirements through contractual provisions. We monitor the implementation of internal risk management policies on a regular basis to identify, manage and mitigate internal risks in relation to the potential incompliance with our code of conduct, work ethics and violations of our internal policies or illegal acts at all levels of our Group.

Financial Reporting Risk Management

We have established internal controls to ensure the accuracy, timeliness, and reliability of our financial reporting. These controls include formal policies on financial planning, budget approval, cash flow management, and the preparation of statutory and management accounts. We have various procedures and IT systems in place to implement our accounting policies, and our finance department monitors compliance with such policies and conducts periodic internal reviews to maintain integrity across reporting systems. We also provide regular training to our finance department employees to ensure that they understand our financial management and accounting policies and implement them in our daily operations.

AWARDS AND RECOGNITIONS

The table below sets forth an indicative list of some of the awards and recognitions we had received as of the Latest Practicable Date.

Year	Product	Award/Recognition	Issuing Authority
2024, 2025, 2026 . . .	XREAL	The Most Innovative Companies	Fast Company
2025	XREAL <i>One/One Pro</i>	TIME BEST INVENTIONS 2025	TIME
2025	XREAL X1 Edge Coprocessor	2025 Edison Awards, Gold	The America Marketing Association

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to bringing lasting and positive impact to our customers, suppliers, and communities affected by our operations in the field of Environmental, Social, and Governance (“ESG”), and are committed to conducting our business in a legal, ethical, and responsible manner. Our management attaches great importance to ESG issues and has established corresponding operational mechanisms and implemented them.

Governance

We have established a three-tiered governance structure comprising the decision-making, management, and execution levels. The Board of Directors serves as the highest decision-making body for ESG matters and assumes ultimate responsibility. As an independent oversight function, Internal Audit and Internal Control conducts an annual special assessment of the effectiveness of the ESG management system, reports its oversight findings to the Board of Directors and the Audit Committee, and provides recommendations for remediation.

- The Board of Directors is responsible for approving ESG strategies, management systems, annual goals, and major ESG resolution plans.
- The Audit Committee assists the Board of Directors in supervising the effectiveness of the ESG system, verifying the authenticity of ESG data, compliance with disclosure, and implementation of corrective actions.
- The ESG Working Group is responsible for formulating ESG implementation plans, coordinating data collection and report preparation, facilitating cross-departmental collaboration, and tracking progress against targets. Each business department and subsidiary serves as an ESG execution unit and implements specific requirements in accordance with its respective responsibilities.

Strategy

We have integrated the concept of sustainable development into our corporate strategy and developed an ESG strategic framework. We have identified a series of ESG issues related to our environmental, social impacts, and performance, evaluated their potential impacts, and proposed mitigation measures.

Major ESG Issues	Potential Risks, Opportunities, and Impacts	Mitigation Measures
Environmental . Resource Consumption	<ul style="list-style-type: none"> • Our production and operation processes consume a large amount of resources, and inefficient utilization can drive up costs and affect the supply chain. Improving resource efficiency can reduce costs and meet sustainable procurement needs through green design, forming a competitive advantage in the market. 	<ul style="list-style-type: none"> • We will set energy-saving and consumption reduction targets in various operational stages, promote green procurement and ecological design. We are committed to reducing resource consumption throughout the entire chain by optimizing services and extending product lifespan.

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Major ESG Issues	Potential Risks, Opportunities, and Impacts	Mitigation Measures
	<ul style="list-style-type: none"> Improper management of various emissions and waste generated in our operations can bring compliance and reputation risks. Establishing a leading recycling and management system not only meets regulatory requirements, but also enhances stakeholder confidence and explores new business opportunities. 	<ul style="list-style-type: none"> We ensure that all emission treatments comply with national standards and regularly disclose performance. We establish a product recycling and treatment system and continuously invest in clean technologies to reduce pollution from the source.
Social	<ul style="list-style-type: none"> A lack of competitive incentive and development system can lead to the loss of key talents and weaken the company’s foundation. Building an outstanding employee value proposition can enhance team creativity and dedication, and a diverse team can help us better serve the global market. 	<ul style="list-style-type: none"> We provide competitive compensation and clear promotion channels, provide systematic training and career development support for employees, actively create an inclusive and respectful corporate culture, and maintain smooth communication.
	<ul style="list-style-type: none"> Workplace safety accidents can lead to personal injury, operational interruption, and legal risks. Achieving high-level safety management not only ensures the well-being of employees, but also serves as the foundation for us to gain the trust of international customers and achieve stable operations. 	<ul style="list-style-type: none"> We have established and continue to improve a safety management system aligned with international standards, and we regularly conduct safety training and emergency drills. We provide employees with health checks and safety protection, and encourage the reporting of potential hazards.
	<ul style="list-style-type: none"> Insufficient R&D investment or misaligned R&D direction may lead to technical lag and loss of market share. Focusing on the development of more precise, intelligent, and breakthrough products is key to building our long-term competitive advantage. 	<ul style="list-style-type: none"> We maintain a high intensity of research and development investment and work closely with clinical and research institutions. We strictly adhere to ethical and data security standards throughout the entire innovation process. We actively explore the next generation solutions for applying cutting-edge technologies to ophthalmic diagnosis and treatment.

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Major ESG Issues	Potential Risks, Opportunities, and Impacts	Mitigation Measures
Governance . . . Business Ethics	<ul style="list-style-type: none"> Improper business practices within the industry can trigger global sanctions and brand crises. Taking integrity as a core value and establishing a compliance system can earn us long-term trust and serve as the foundation for attracting responsible investment. 	<ul style="list-style-type: none"> We strictly enforce our code of business conduct and anti-corruption policies, provide comprehensive compliance training to all employees, and maintain a confidential whistleblowing mechanism.

Risk Management

We conducted an ESG materiality assessment covering both internal and external stakeholders, and incorporated the identified material ESG issues into our overall risk management system. Our risk management mechanism follows the process below:

- Risk Assessment:** Each department aligns with our strategic objectives to identify and assess various risks within its scope of business, prioritize them based on likelihood and potential impact, and develop a departmental risk register. The President’s Office is responsible for reviewing these registers and ultimately determining, maintaining, and updating our risk register on a regular annual basis.
- Risk Response:** Based on the results of risk assessment, we adopt differentiated response strategies. General risks are handled by departments in the course of daily operations. Major risks are reviewed and decided by the President’s Office, which also coordinates resources, while the relevant departments are responsible for implementation and reporting. Particularly significant risks are submitted to the Board of Directors for review. Through the continuous improvement of our policies and the implementation of a tiered decision-making mechanism, we ensure that risks remain under control.
- Risk Monitoring and Enhancement:** We have established mechanisms for risk tracking, oversight, and reporting. The President’s Office oversees the response to major risks and adjusts strategies in light of changing circumstances. The internal audit function evaluates the effectiveness of the risk management system on an annual basis, and management reports to the Board of Directors. Relevant risk management work is also incorporated into performance assessment to drive the continuous enhancement of our risk management system.

Indicators and Targets

Table: ESG Indicators and Targets

Environmental Protection Targets	<p>Resource Consumption Targets: The consumption of office paper will decrease by 15% compared to 2025, and the total energy consumption of office will decrease by 5% year-on-year.</p> <p>Emissions Management Targets: Achieve a 100% recycling rate for electronic waste, with no improper disposal of discarded electronic equipment.</p>
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Greenhouse Gas Emission Control Targets: Complete the first inventory of greenhouse gas emissions within the office area and establish a greenhouse gas emission accounting system.

Social Value Targets Employee Training Targets: 100% coverage of ESG training for new employees. The coverage rate of ESG training for all employees shall not be less than 90%. The pass rate of training assessment shall not be less than 95%.

Supply Chain Management Targets: Achieve a 100% ESG compliance rate for new supplier admission, maintain an ESG reassessment pass rate of no less than 90% for core suppliers, and ensure a 100% completion rate for corrective actions by non-compliant suppliers.

Employee Rights and Well-being Targets: Maintain an employee health check participation rate of no less than 95%, and achieve a mental health service utilization rate of no less than 10%.

Corporate Governance Targets Anti-Corruption Compliance Targets: Achieve 100% employee coverage for anti-corruption training, ensure a 100% timely response rate to reported leads within seven working days, and maintain zero occurrence of material anti-corruption violations.

Conflict of Interest Remediation Targets: Achieve a 100% declaration rate for conflicts of interest upon employee onboarding or position changes, and a 100% remediation rate for identified conflict of interest issues.

ESG Information Disclosure Targets: Complete the preparation of annual ESG reports, with 100% completeness of disclosed data, and comply with the disclosure requirements of the Hong Kong Stock Exchange.

Corporate Governance

Board Diversity

In selecting Directors, we take diversity factors into consideration, including but not limited to gender, age, cultural and educational background, industry experience, technical capabilities, professional qualifications and skills, knowledge, length of service, and other relevant factors, continuously aligning the Board’s composition with the Company’s development needs. At present, we have one female Director, representing 10% of the total number of Board members.

Business Ethics

We have established a business ethics and anti-corruption management structure under which the Board of Directors provides overall leadership, the Audit Committee exercises oversight, functional departments take the lead, and all employees participate. We have formulated the *XREAL Code of Business Conduct and Business Ethics Compliance Management Policy* and rely on the “three lines of defense” framework to implement full-process control.

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To strengthen business ethics management, we have established a whistleblower protection mechanism, which strictly guarantees the confidentiality of the whistleblower’s identity, the content of the report, and all related materials, and strictly prohibits any form of retaliation. We will provide appropriate rewards in accordance with internal regulations for verified and effective reporting.

We regularly conduct business ethics education and training at the management and relevant functional departments. In 2025, we did not experience any corruption or bribery incidents.

Environmental

Environmental Management

We comply with relevant laws and regulations such as the *Environmental Protection Law of the People’s Republic of China*, the *Water Pollution Prevention Law of the People’s Republic of China*, the *Air Pollution Prevention Law of the People’s Republic of China*, and the *Environmental Noise Pollution Prevention and Control Law of the People’s Republic of China*, and have formulated internal policies such as the *Compliance Obligation List*, the *Environmental and Occupational Safety Operation Control Procedure*, and the *Environmental Safety Monitoring and Measurement Control Procedure* to strengthen environmental management. We have introduced some electric trucks in the logistics transportation process and plan to gradually establish an environmental compliance monitoring mechanism and conduct annual environmental compliance self-inspections.

Our intelligent display optical module production and related management activities have passed the ISO 14001 certification. From 2023 to 2025, we did not experience any environmental penalties.

Resource Consumption

We strictly implement laws and regulations such as the *Energy Conservation Law of the People’s Republic of China*, formulate the *Energy and Resource Control Procedure* to regulate production, and adhere to integrating energy conservation and emission reduction into daily operations. Our factory has been equipped with a rooftop photovoltaic power generation system to improve energy efficiency and reduce carbon emissions. To reduce office electricity consumption, we implement zoning control for lighting and air conditioning, and configure intelligent metering devices in the office area to monitor the consumption of water, electricity, and other resources, and carry out energy-saving management.

Table: Energy consumption performance from 2023 to 2025

Energy usage	Unit	2023	2024	2025
Total energy consumption . . .	Tons of standard coal	876.92	572.66	755.21
Energy consumption intensity	Tons of standard coal/RMB10,000 revenue	0.022	0.015	0.015
Purchased heat	GJ	17,335.00	8,945.00	10,460.00
Purchased electricity	Kilowatt hour	2,322,630.80	2,176,217.40	3,240,985.10

We follow laws and regulations such as the *Water Law of the People’s Republic of China* and the *Water Pollution Prevention and Control Law of the People’s Republic of China*, and implement water-saving practices in accordance with relevant internal systems. We are committed to reducing water usage in office spaces, fully utilizing automatic sensing fixtures, and establishing a daily inspection mechanism for water equipment. We promptly stop using and repair faulty equipment to improve water resource utilization efficiency.

Table: Water Resource Consumption Performance from 2023 to 2025

Water consumption	Unit	2023	2024	2025
Water resource consumption	Tons	14,011.00	9,914.00	13,710.00
Water resource consumption intensity	Tons/RMB10,000 revenue	0.36	0.25	0.27

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Emissions

We strictly abide by relevant laws and regulations on emissions management such as the *Air Pollution Prevention and Control Law of the People’s Republic of China*, and in accordance with internal regulations such as the *Waste Management Procedure*, we control operational emissions and reduce environmental impact. We classify and control the wastewater, exhaust gas, and solid waste generated during the production process to ensure compliance in emissions. We implement the following main measures:

- domestic sewage, purified wastewater, and cleaning wastewater are all discharged into the municipal domestic sewage pipeline network according to the environmental impact assessment requirements;
- the exhaust gas generated in the alcohol cleaning process is discharged according to regulations;
- general solid waste such as cardboard and plastic are entrusted to a third party for recycling or disposal, while hazardous waste such as dust-free cloth, waste chemical packaging, and waste activated carbon are transported and disposed of by qualified institutions;
- clean room masks, gloves, and disposable mesh caps are uniformly recycled and reused by the original factory, and domestic waste is cleaned and transported daily by the park property.

Table: Waste Emission Performance from 2023 to 2025

<u>Hazardous waste</u>	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total amount of hazardous waste	kg	10.34	10.84	11.37
Hazardous waste density	kg/RMB10,000 revenue	0.00027	0.00028	0.00022
Printer waste toner cartridge	kg	9.60	9.60	9.60
Waste electronic equipment	kg	0.00	0.00	0.00
Waste battery	kg	0.74	1.24	1.77
<u>Non-hazardous waste</u>	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Total amount of hazardous waste	Tons	24.00	15.67	29.17
Non-hazardous waste density	Tons/RMB10,000 revenue	0.00062	0.00040	0.00057
Domestic garbage	Tons	18.00	10.00	23.00
Paper usage	Tons	6.00	5.67	6.17
<u>Wastewater</u>	<u>Unit</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Domestic sewage	Tons	9,807.70	6,939.80	9,597.00

Climate Change

We attach great importance to climate change risks and incorporate relevant factors into our overall development strategy. We have established a management mechanism to address climate change risks, with the board of directors responsible for reviewing climate change related risks and response strategies, the ESG working group responsible for coordinating cross departmental climate change risk identification and assessment, each department head carrying out climate change risk identification based on their own business areas and ensuring the comprehensiveness of the identification work.

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We have identified climate risks that may affect the company’s operations and strategy based on the recommended framework of the Task Force on Climate-Related Financial Disclosures (TCFD), and developed corresponding risk response measures in conjunction with relevant internal systems such as the *Emergency Preparedness and Response Control Procedure*.

Table: Climate Change Risks and Identification and Response

Risk type	Risk description	Response measures
Transition risk	<p>Policy risk</p> <p>Global and Chinese carbon emission management policies continue to enhance, and carbon emission accounting, information disclosure, and energy conservation and emission reduction standards may further become stricter. If the company fails to adapt to relevant policy changes in a timely manner, it may face an increase in compliance costs.</p> <p>Technology risk</p> <p>The company is facing the continuous development of low-carbon technology and green manufacturing technology, such as energy-saving production equipment, low energy electronic components, and green material applications. If the company fails to introduce relevant technologies in a timely manner, it may face certain pressure in terms of energy efficiency and green manufacturing.</p> <p>Reputation risk</p> <p>[REDACTED], clients, and other stakeholders are increasingly paying attention to the performance of companies in addressing climate change. If the company’s performance in climate risk management and environmental information disclosure is insufficient, it may have a certain impact on the company’s brand image and market competitiveness.</p>	<ul style="list-style-type: none"> • Continuously track national and local policy requirements for carbon emission management, energy conservation and emission reduction, and environmental information disclosure, improve the company’s carbon emission data management and monitoring mechanism, and timely evaluate the impact of policy changes on the company’s operations, optimize the company’s energy conservation and emission reduction measures and carbon management plans in a timely manner. • Pay attention to the development trends of energy-saving production equipment, low-power electronic components, and green materials, and gradually optimize production processes and energy efficiency levels in production operations and product design processes. • Enhance the transparency of information disclosure related to climate change, strengthen communication with regulatory agencies, [REDACTED], customers and other stakeholders, and enhance the company’s environmental management level by promoting energy-saving, emission reduction, and green operation measures.

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Risk type		Risk description	Response measures
Physical risks . . .	Acute risk	Extreme weather events (such as heavy rainfall, floods, or typhoons) may have an impact on the company’s production facilities, logistics transportation, and supply chain stability, thereby affecting the continuity of production operations.	<ul style="list-style-type: none"> Continuously monitor extreme weather warning information, improve emergency management mechanisms and conduct relevant drills, while strengthening supply chain risk management to reduce the impact of extreme weather on the company’s production and operation. Continuously promote energy-saving management measures, improve energy efficiency through production technology improvement, and gradually increase the proportion of renewable energy use to reduce energy consumption and greenhouse gas emissions.
	Chronic risk	Global climate change may lead to rising temperatures and changes in energy demand, affecting factory production environment control and energy consumption levels, and increasing operating costs.	

We continue to pay attention to greenhouse gas emission management. Our business does not involve direct energy use, and the main source of greenhouse gas emissions is purchased electricity. For scope three, we have completed emission accounting for Category 1 (purchased goods and services) and Category 6 (business travel), and will continue to improve the emission statistics scope for scope three.

Table: Greenhouse Gas Emissions from 2023-2025

Categories of greenhouse gases	Unit	2023	2024	2025
Scope 1 Greenhouse gas emissions	Tons of carbon dioxide equivalent	0.00	0.00	0.00
Scope 2 Greenhouse gas emissions ¹	Tons of carbon dioxide equivalent	153.17	2,151.71	2,889.71
Scope 3 Greenhouse gas emissions ²	Tons of carbon dioxide equivalent	210,731.99	263,725.54	254,419.46
Total greenhouse gas emissions	Tons of carbon dioxide equivalent	213,885.16	265,877.25	257,309.17
Greenhouse gas emission density	Tons/RMB10,000 revenue	5.48	6.74	4.99

1 The greenhouse gas accounting method and coefficient for Company Scope 2 are based on the “2022 Electricity Carbon Dioxide Emission Factors” issued by the Ministry of Ecology and Environmental Protection of the People’s Republic of China.

2 The company’s Scope 3 emissions is calculated using an expense based method based on the amount of business travel for our employees.

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Social

Employment

We strictly abide by the *Labor Law of the People’s Republic of China*, strictly prohibit the employment of child labor and any form of forced labor, and ensure that all employment behaviors are legal and compliant. We uphold the values of equality, diversity, and inclusiveness, and strictly guarantee that employees are not discriminated against based on gender, ethnicity, age, and other factors in the recruitment, hiring, training, promotion, and other processes. We are committed to providing fair development opportunities and a work environment for all employees.

In terms of training, we have established a development support system for employees. New employees participate in onboarding training to help them integrate into the organization quickly, while existing employees take part in professional knowledge and skills training across business functions to enhance their job capabilities. We also provide management capability development programs for managers to support them in achieving team objectives.

In terms of career development, we continue to improve our employees’ career development channels and support their diversified growth through clear vertical promotion and horizontal mobility mechanisms. We have established a multi-dimensional performance evaluation system based on daily performance, annual performance, and value practice. We have set five performance levels and combined them with ability assessment, internal rotation, and team role adjustment to provide systematic support and opportunity protection for employees’ career development.

Occupational Health and Safety

We have developed and implemented occupational health and safety management systems such as the *Occupational Health Surveillance and Occupational Disease Control Management System* and the *Accident Handling Management System*, clarifying management requirements for workplace risk prevention, occupational disease hazard control, accident reporting and emergency response. We create and maintain a safe and healthy working environment for all employees through institutional norms, regular training, on-site inspections, and continuous improvement.

Supplier Management

We have developed a responsible procurement policy that comprehensively considers the environmental performance, social responsibility, and governance level of suppliers in their admission, evaluation, and continuous cooperation. By conducting supplier due diligence, clarifying behavioral standards, and implementing performance management, we are committed to promoting supply chain partners to jointly enhance their sustainable development capabilities.

R&D and Innovation

We have made significant breakthroughs in research and innovation projects. In 2024, 2025 and 2026, XREAL won the World’s Most Innovative Companies awarded by the *FAST Company*; our product XREAL X1 edge coprocessor won Gold at the 2025 Edison Awards; Beijing Unicorn Technology Co., Ltd. as won honors and awards such as the seventh batch of national level specialized, refined, differentiated and innovative “Little Giant” enterprise titles.

We have strengthened intellectual property management and established a mechanism for result mining and layout driven by the intellectual property team and product business leaders, ensuring that patents, trademarks, and copyrights generated in research and development activities can be identified and effectively protected in a timely manner. At the risk prevention level, we regularly conduct infringement risk assessments to identify and mitigate potential infringement risks. We continuously monitor key trademarks in major global markets and build a brand protection network.

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Product Quality and Safety

We have developed and implemented internal systems such as the *Product Quality Standard List* and the *Product Monitoring and Measurement Control Procedure*, and established a full process quality management system covering incoming material inspection, production process quality control, and finished product shipment inspection. The Wuxi factory has successfully obtained the ISO 9001 Quality Management System certification, which covers 100% of the company’s overall operating units.

We have established an employee product quality training system and conduct regular training programs such as the *Basic Service Skills Training*, the *Weekly Technical and Service Knowledge Update Training*, and the *Internal Learning of Product Quality Issues*. We organize weekly training focused on service specifications, product knowledge, and standard business processes. Through a combination of reading assessment and scenario simulation, we test and strengthen employees’ practical application and emergency response capabilities. We organize employees to conduct industry learning and market research every quarter, continuously gaining insight into trends and optimizing overall service levels.

Customer Service

We have established a customer service and after-sales management system that covers the global market. In both domestic and overseas markets, we have developed systems such as the *XREAL Domestic Customer Service Guidelines*, the *XREAL Global After Sales Management System*, and the *XREAL Maintenance Center Management System*, which clarify service management requirements such as service guidelines, job responsibilities, and behavioral norms.

In terms of customer complaint handling, we have implemented a full process closed-loop processing through customer response centers in overseas markets, regularly reviewing and promoting performance improvement. The domestic market implements a graded management mechanism for customer complaints, achieving rapid, closed-loop resolution.

In terms of improving customer experience and satisfaction, we have expanded our Chinese maintenance centers overseas to shorten maintenance cycles and established a SWAP (Spare/Warranty Advanced Processing) rapid renewal system in self operated regions such as Europe and America. In China, we have launched an intelligent customer service robot to optimize response efficiency and effectively reduce return rates.

Information Security and Privacy Protection

We have established an information technology risk management and security guarantee mechanism. In response to the risks of information system interruption and network attacks, we assess the risks and costs of business scenarios and adopt differentiated data backup strategies to control the business impact within an acceptable range. For production systems with high real-time requirements (e.g., MES), real-time data backup is adopted. For business systems with low real-time requirements (e.g., ERP), perform scheduled backups twice a day.

In terms of data security management, we regularly conduct data recovery tests to verify the availability of backup data and the effectiveness of the recovery process. We organize two special training sessions annually for information security specialists and related positions in major departments, continuously strengthening the awareness of data security risks in key positions, and building a solid internal information security defense line.