You should carefully consider all of the information in this document, including the following risk factors before making any [REDACTED] decision in relation to the H Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The [REDACTED] of the H Shares could fall significantly due to any of these risks, and you may lose all or part of your [REDACTED]. The information given is subject to the cautionary statements in the section headed "Forward-Looking Statements."

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The global smart hardware industry is highly competitive and concentrated among a few major players. If we cannot compete effectively, our market share and profitability could be adversely affected.

The industry is highly competitive characterized by intense price competition, frequent introduction of new products, rapid technological advancement, short product life cycles and evolving consumer preferences. In addition, this industry is concentrated with a limited number of major players accounting for a substantial portion of total market share. We compete primarily based on our product design and quality, R&D capabilities, manufacturing capacity, and cost competitiveness. Our ability to compete effectively depends on our continued investment in technology, talent and manufacturing capabilities. There can be no assurance that such investments will be sufficient to maintain or enhance our competitive position.

We expect competition to intensify in the future as existing competitors or new entrants may develop technologies, products or business models that are superior to ours or more cost-effective, which could render our products less competitive or obsolete. We face increasing competitive pressure as brand owners demand higher technical capabilities, faster delivery timelines and more innovative solutions from their suppliers. Should we fail to maintain our technological edge through sustained R&D investment and talent acquisition, our customers may reduce their reliance on us or shift their orders to competitors. Brand owners may also expand their in-house product development or manufacturing capabilities, which could reduce demand for third-party services in certain product categories. Any loss of competitiveness, reduction in customer orders or erosion of our market position could adversely affect our shipments, market share and profitability, and materially and adversely affect our business, results of operations and financial condition.

We derived a substantial portion of revenue from certain major customers during the Track Record Period and the loss of, or a significant reduction in, revenue from such customers could materially and adversely affect our results of operations.

During the Track Record Period, we generated a substantial portion of revenue from a limited number of customers. For the years ended December 31, 2023, 2024 and 2025, sales to our largest customer accounted for 79.3%, 88.8% and 79.0% of our revenue, respectively, while our five largest customers for the same year accounted for 94.2%, 97.1% and 97.7% of our revenue, respectively. Our current concentration on a few major customers exposes us to the risks of substantial losses if such major customers significantly reduce orders to us, or stop engaging in businesses with us at all. Specifically, any of the following events, among others, may cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations: (i) the reduction, delay or cancellation of purchase orders from one or more of our major customers; (ii) the reduction in the purchase price of our product solutions; (iii) the rejection of product solutions manufactured by us from one or more of our major customers due to manufacturing defects or other reasons; (iv) the loss of one or more of our major customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms; or (v) the failure or inability of any of our major customers to make timely payment for our products.

We anticipate that our concentration on a limited number of customers will continue for the foreseeable future. We cannot assure you that our customer relationships will continue to develop or if these customers will continue to generate significant revenue for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our business, results of operations and financial condition.

We operate in markets characterized by short product life cycles and rapid technological change, and our expansion strategy into new product categories may not deliver the expected results.

Many of our product solutions are subject to relatively short life cycles driven by frequent upgrades, evolving industry standards and rapidly changing customer requirements and preferences. To remain competitive, we must continuously develop and adapt new product solutions in a timely and cost-effective manner. This requires sustained investment in R&D, the recruitment of qualified personnel, and the ability to anticipate technological trends and customer demand. There can be no assurance that our efforts will result in commercially successful products/solutions or that such products/solutions will be introduced within expected timelines.

As part of our growth strategy, we are expanding into new product/solution categories, including, among others, smart eyewear and companion robot. This may require different technological capabilities and production processes from those of our more established business lines. In certain cases, they may be subject to heightened technical, regulatory or performance requirements and involve more complex manufacturing arrangements. If we are unable to effectively manage R&D cycles, allocate resources appropriately, or respond in a timely manner to changes in market conditions and customer preferences, we may fail to capitalize on market opportunities or may incur increased costs, pricing pressure or reduced margins. Any such failure could adversely affect our business, results of operations and financial condition.

The expansion and profitability of our business depend on the level of consumer demand and spending on smart hardware, which could be affected by factors beyond our control.

The success of our business depends, to a significant extent, on consumer demand and spending in the smart hardware market. Numerous external factors beyond our control can influence the level of consumer demand and spending on smart hardware. These factors include, but not limited to, general economic conditions, inflationary pressures, consumer disposable income, recession concerns, unemployment rates, geopolitical tensions, disease outbreaks, availability of consumer credit, interest rates, sales tax rates. If sales of our customers' products decline or if their products do not achieve market acceptance as expected, our profitability could be adversely affected.

The smart hardware market has experienced downturns with declines in average selling prices that have adversely affected, and may in the future materially adversely affect, our business, results of operations and financial condition. According to Frost & Sullivan, industry cycles are typically characterized by breakthrough technologies like AI that ignite periods of exponential growth, followed by phases of market maturation and potential decline in price of existing technologies. Globally, the replacement cycle for consumer electronics ranges from three to five years on average, influencing the product iteration period and market demand. Any extended global economic downturn could lead to decreased discretionary spending in the smart hardware market, causing consumers to reduce their purchases. As a result, we may have difficulty maintaining or expanding our revenue, customer base or profitability, which could materially and adversely affect our business, results of operations and financial condition.

Our success depends on a stable and adequate supply of raw materials which are subject to price volatility and risk of shortages.

The raw materials we procured primarily consisted of electronic components, functional modules and packaging materials. In 2023, 2024 and 2025, our material costs included in cost of sales were RMB1,945.0 million, RMB3,158.5 million, and RMB2,777.8 million, respectively, representing 87.4%, 90.0%, and 86.3% of our revenue for the respective periods. Our production volume and production costs depend on our ability to source quality raw materials at competitive prices. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our production volume, quality of products and profitability may be adversely affected.

Raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, currency fluctuations, fluctuations in transportation costs, changes in governmental policies and natural disasters. During the Track Record Period, our procurement costs of raw materials generally mirrored the cyclical fluctuations of raw material costs in the global consumer electronics industry. There is no assurance that our raw material cost will not increase significantly in the future. We cannot assure you that we will be able to raise the prices of our products sufficiently to cover increased costs resulting from increases in the cost of our raw materials or overcome the interruption of sufficient supply of qualified raw materials for our products. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations. Purchases from our largest supplier accounted for approximately 58.3%, 62.2% and 56.8% of our total purchases in 2023, 2024 and 2025, respectively, while purchases from our five largest suppliers for each respective year in aggregate accounted for approximately 67.8%, 70.3% and 67.3%, respectively. If our current suppliers decide to terminate business relationships with us or if the raw materials supplied by our current suppliers fail to meet our standard, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely manner, which may materially and adversely affect our business, results of operations and financial condition.

Some of raw materials used in our production are provided by our customers on consignment basis, primarily including SoCs. Under this model, SoCs are procured directly by our customers and then provided to us at no consideration for use in production and accordingly are not recorded as our purchases. If our customers experienced significantly procurement shortage due to factors such as market supply and demand, commodity price fluctuations, currency fluctuations, fluctuations in transportation costs, changes in governmental policies and natural disasters, they may be forced to curtail their own production and shipments, which in turn could lead them to reduce, delay, or cancel their demand for our products and services.

Our reliance on customer-designated supplier pools may limit our sourcing flexibility.

Certain of our customers impose specific requirements on quality standards and brand positioning and require us to procure certain components from designated or pre-approved supplier or brand pools. While such arrangements are intended to ensure product consistency and compliance with customer standards, they may limit our ability to freely select alternative suppliers based on price, availability or lead time considerations.

Our ability to timely secure sufficient quantities of required components may be adversely affected. In addition, our ability to switch to alternative suppliers may be restricted or subject to additional customer approval procedures, which could result in procurement delays, higher replacement costs or disruptions to our production schedules. Any such circumstances could adversely affect our business, financial condition and results of operations.

Our expansion into AIoT-related products exposes us to technological uncertainty, market adoption risk and operational challenges.

We are expanding our product portfolio into AIoT-related devices, including smart wearables, smart eyewear and other intelligent connected hardware. Compared to our more established product lines, the AIoT market is evolving rapidly and remains subject to technological uncertainty, changing user expectations and shifting industry standards. The commercial success of AIoT products depends on factors such as product functionality, user experience and ecosystem compatibility, many of which are difficult to predict.

In addition, AIoT products may incorporate lightweight AI models to enhance functionality and user interaction. The training, optimization and deployment of such models may require substantial computing resources, high-quality data inputs and specialized technical expertise. There can be no assurance that our model development efforts will achieve the intended performance or commercial viability, or that such models can be effectively integrated into our hardware products within expected timelines or cost parameters. If market adoption of our AIoT products is slower than anticipated or if technological evolution renders our products less competitive, our business, financial condition and results of operations may be adversely affected.

We generally do not have long-term purchase commitments from most of our customers, which may subject us to uncertainty and revenue volatility from period to period.

We generally do not have long-term purchase commitments from our customers, and we cannot assure you that order volumes and selling prices will be consistent with our historical record or our expectation. Cancellations, reductions or delays of orders by a major customer or by a group of customers could adversely affect our business, financial condition and results of operations. In the absence of long-term purchase commitments with pre-determined pricing, our selling prices are also subject to fluctuation.

We make production, procurement and resource planning decisions based on estimates of customer demand. However, the nature of customer orders and rapid changes in consumer demand for our customers' products may limit our ability to accurately forecast future requirements. Sudden increases in customer demand may place pressure on our production capacity and operational resources, while demand reductions could negatively affect our financial condition, results of operations and financial condition.

Any disruption to our manufacturing operations, failure to expand production capacity or risks associated with outsourced production may adversely affect our business.

As of December 31, 2025, we had one manufacturing base in Yibin, Sichuan. If we experience any unanticipated situation that forces us to shut down our manufacturing base, our production will be severely disrupted, which may in turn adversely affect our operations. To scale up our manufacturing capacity, we may expand our manufacturing base and upgrade equipment from time to time. Expansion of manufacturing base and upgrading of equipment requires significant capital investment upfront, and it may take considerable time before such manufacturing base or equipment achieve their expected capacity or breakeven point. Failure to successfully execute our capacity expansion and equipment upgrade plans or failure to effectively utilize our manufacturing base in time or at all may adversely affect our business, financial condition and results of operation.

Catastrophic events could also destroy any inventory located in our manufacturing base. The occurrence of any catastrophic event could result in the temporary or long-term closure of our manufacturing base, severely disrupt our business operations and materially and adversely affect our results of operations and financial condition.

Outsourced production exposes us to risks relating to production scheduling, quality control and cost management. We may not be able to monitor third-party manufacturers as directly as our own operations. If such manufacturers fail to meet required standards, experience operational disruptions or increase production costs, we may face delays, higher replacement costs, product quality issues or potential contractual liabilities. Product defects or supply failures attributable to third-party manufacturers could adversely affect our reputation, customer relationships and profitability.

Any quality issues associated with our products may expose us to potential liabilities, subject us to risks relating to warranty claims, result in lost customers and sales, product recalls and increased compliance costs, which could adversely affect our results of operations and financial condition.

Our success depends on our ability to consistently deliver products that meet quality standards and customer expectations. Any deterioration in product quality or failure to meet such expectations could result in customer complaints, product returns or order cancellations. Product defects may also expose us to potential liabilities, including warranty claims or claims for damages.

Addressing quality issues may require us to incur significant costs, including costs associated with product recalls. In the event that our products are found to be defective, we may be required to recall affected products and could become subject to product liability claims, which may result in financial losses and reputational harm. Even if we successfully defend against such claims, we may nevertheless incur substantial costs. Any product quality issues could adversely affect our sales and have a negative impact on our results of operations and financial condition. In addition, we are subject to laws and regulations governing product quality, and any tightening of such requirements may result in additional compliance costs. Historically, we have not experienced any product recalls.

We may need additional capital, and financing may not be available on terms acceptable to us, or at all.

We primarily relied on cash generated from our business operations and bank borrowings to fund our current operations during the Track Record Period. We may require additional cash resources due to changed business conditions or other future developments, including any expansion into new business, marketing initiatives or investments we may decide to pursue. If our business does not generate sufficient cash flow from operations to fund these activities and sufficient funds are not otherwise available from our current or future credit facility, we may need to obtain additional equity or debt financing. If such financing is not available to us on satisfactory terms or in a timely manner, our ability to operate and expand our business or to respond to competitive pressures could be harmed. Moreover, if we raise additional capital by issuing equity securities or securities convertible into equity securities, the ownership of our existing Shareholders may be diluted. The holders of new securities may also have rights, preferences or privileges which are senior to those of existing holders of ordinary shares. In addition, any indebtedness we incur may subject us to covenants that restrict our operations and our ability to effectuate certain corporate decisions for our business and will require interest and principal payments that could create additional cash demands and financial risk for us.

To scale up our manufacturing capacity, we may expand our manufacturing base and upgrade equipment from time to time. Expansion of manufacturing base and upgrading of equipment requires significant capital investment upfront, and it may take considerable time before such base or equipment achieve their expected capacity or breakeven point. Failure to successfully execute our capacity expansion and equipment upgrade plans or failure to effectively utilize our manufacturing base in time or at all may adversely affect our business, financial condition and results of operation.

Our gross profit margin is subject to fluctuations due to factors such as pricing pressure, fluctuations in raw material and other costs, changes in revenue mix and market position.

In 2023, 2024 and 2025, our gross profit margin was 9.9%, 6.8%, and 9.5%, respectively. The fluctuations in gross profit margins during the Track Record Period were primarily due to changes in product mix and others. See "Financial Information — Review of Historical Results of Operations."

In addition, changes in our revenue mix may also affect our financial performance, particularly our profitability. Our gross profit margins could vary across products, projects and customers, as we generally deliver different products based on the demands of specific customers, which have different cost structures and selling prices. As such, changes in volume, projects, cost structures and development cycles of products that we offer could impact our overall profitability. Our gross profit margin also depends on our market position, the competitive landscape and relative bargaining power in the subsector that we operate in. We cannot assure you that we will be able to maintain our gross profit margin at levels similar to those achieved during the Track Record Period, in particular as we consider the evolvement of revenue mix, customer base and raw material costs.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

A substantial portion of our revenues and cost of sales is denominated in RMB. However, as we also operate a part of our business in certain geographic markets outside of Chinese mainland, we are subject to risks associated with foreign currency exchange fluctuations. We recorded net foreign exchange gains of RMB47 thousand and RMB1 thousand in 2023 and 2024, respectively, and a net foreign exchange loss of RMB603 thousand in 2025.

Changes in the value of foreign currencies could affect the results of our overseas operations. Certain of our income from overseas sales is denominated in foreign currencies such as USD and Hong Kong dollars. It is difficult to predict how external factors may impact the exchange rate of RMB to USD and Hong Kong dollars, or other foreign currencies in the future. Further appreciation of RMB against foreign currencies may affect our overseas operations. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, any depreciation of RMB against the Hong Kong dollar would have a negative effect on the value of, and any dividends payable on, our H Shares.

Fluctuations in commodity prices and geopolitical developments may adversely affect our costs and results of operations

Our business and financial performance may be affected by fluctuations in the prices of certain commodities, particularly oil and cobalt. Changes in oil prices may increase our logistics, transportation and certain upstream material costs, whereas changes in cobalt prices may affect the procurement cost of battery-related materials and components used in some of our product solutions. Significant or sustained increases in the prices of such commodities could increase our production and operational costs. In addition, geopolitical tensions and conflicts in regions that are key to the production or transportation of such commodities may disrupt supply chains, constrain supply or exacerbate price volatility. If we are unable to pass through such cost increases to our customers in a timely manner, our business, results of operations and financial condition may be materially and adversely affected.

Our historical financial and operating results may not be indicative of our future performance.

During the Track Record Period, we experienced fluctuations in our revenue and profits. Our revenue increased from RMB2,225.2 million in 2023 to RMB3,508.5 million in 2024 and decreased to RMB3,219.3 million in 2025, primarily due to the fluctuation of the market demands in the respective year. Our profit for the year increased from RMB56.2 million in 2023 to RMB62.1 million in 2024, and further to RMB70.2 million in 2025, primarily due to an increase in the portion of high profit margin products in our product portfolio. Our past performance is not necessarily indicative of future results. Our financial and results of operations may not meet the expectations of public market analysts or **[REDACTED]**. The effects of changing regulatory, economic, public health, environmental, competitive conditions and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. As we continue our business expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved historically. Accordingly, **[REDACTED]** should not place undue reliance on our historical financial and operating results when evaluating our future prospects.

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

We continuously improve our product pipelines and launch new products that respond to evolving customer preferences, which require us to manage our inventory effectively. Our inventory primarily includes raw materials, work-in-progress and finished goods. As of December 31, 2023, 2024 and 2025, our inventories amounted to RMB109.2 million, RMB452.2 million, and RMB365.7 million, respectively, and we recorded provision for impairment loss on inventories of RMB18.9 million, RMB19.7 million, and RMB15.8 million, respectively. Our inventory turnover days were 31 days, 31 days and 51 days in 2023, 2024 and 2025, respectively.

We base our purchase decisions and inventory management primarily on our understanding of our industry and forecast of market demand for our products. However, our forecast for demand may not accurately reflect the actual market demand. Significant and unpredictable shifts in market demand can affect the accuracy of our market demand forecast and the effectiveness of our procurement and inventory management practice, and we may not be able to timely mitigate the resulting inventory pressure or at all. Moreover, it can also prove challenging to accurately forecast the market demand for our products and determine the optimal inventory levels. Factors such as new product launches, rapid changes in product cycles and pricing, product defects, promotions, changes in consumer spending patterns, and changes in consumer preferences with respect to our products can all affect market demand, leading to unpredictable purchasing behaviors and quantities that may deviate from our expectations.

If we fail to manage our inventory effectively, we may face inventory obsolescence, resulting in decline in inventory values and inventory write-downs or write-offs. Moreover, excessive inventory levels may tie up substantial capital resources, preventing us from using that capital for other important purposes. If we underestimate customer demand, we may experience inventory shortages, which may result in missed sales, additional costs to secure the necessary production, delivery delays, reduced customer loyalty, and lost revenue. Any of the above may materially and adversely affect our business, results of operations, and financial condition.

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

During the Track Record Period, a majority of our trade and other receivables were outstanding for less than one year. We generally grant our customers a credit period of between 15 days to 90 days. Our trade receivables turnover days were 27 days, 84 days and 115 days in 2023, 2024 and 2025, respectively. As of December 31, 2023, 2024 and 2025, our trade and other receivables amounted to RMB222.5 million, RMB1,599.3 million, and RMB672.3 million, respectively. There is no assurance that all such amounts will be settled on time or at all, and we are subject to credit risk in collecting the trade and bills receivables due from the customers. Our performance, liquidity and profitability will be adversely affected if significant amounts due to us are not settled on time. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business.

Our expansion into international markets may be adversely affected by legal, regulatory, political and economic risks.

As part of our global expansion strategy, we have formed partnerships with customers in both domestic and overseas markets. While these initiatives enhance our operational resilience and customer reach, our international operations are subject to various legal, regulatory, political and economic risks beyond our control.

These risks include, among others, changes in local laws and regulations, trade policies and tariffs, import and export restrictions, foreign exchange control policies and challenges in protecting intellectual property rights in foreign jurisdictions. In particular, rising geopolitical tensions and evolving international trade measures, including the imposition of tariffs, retaliatory tariffs, anti-dumping measures or other trade restrictions, may adversely affect global economic conditions and financial markets and could in turn materially and adversely affect our business operations, supply chain arrangements and expansion plans in certain markets. As these policies and measures may continue to evolve rapidly, it may also be difficult for us to accurately assess their full impact on our business operations and financial performance.

We could be subject to changes in our tax rates, the adoption of new tax legislation or exposure to additional tax liabilities. Any reduction or discontinuation of preferential tax treatments could adversely affect our results of operations and financial condition.

The EIT Law imposes a tax rate of 25% on business enterprises. Our Company and some of our subsidiaries are entitled to preferential tax treatment. For example, our Company and several of our subsidiaries in Chinese mainland have been qualified as High and New Technology enterprises and enjoyed a preferential income tax rate of 15% during the Track Record Period. In 2023 and 2024, we recorded income tax expense of RMB5.1 million and RMB4.7 million, respectively. In 2025, we recorded income tax benefit of RMB0.2 million. Accordingly, they were entitled to a preferential income tax rates during the Track Record Period. To the extent there are any changes in the laws and regulations governing preferential tax treatment or increases in our effective tax rate due to any other reasons, our tax liability would increase correspondingly. In addition, the Chinese government may amend or restate regulations on income, withholding, value-added, and other taxes. Non-compliance with the tax laws and regulations in Chinese mainland may also result in penalties or fines imposed by relevant tax authorities. Adjustments or changes to tax laws and regulations in Chinese mainland and tax penalties or fines could affect our businesses, financial condition and results of operations.

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

Changes in industry standards and technical requirements relevant to our products, solutions and markets could adversely affect our results of operation and business prospects.

Our products are primarily smart hardware that must comply with various industry standards and technical requirements issued by regulatory bodies or industry participants. For example, the *Radio Regulation of the People's Republic of China* (《中華人民共和國無線電管理條例》) promulgated by the

State Council and the Central Military Commission. Furthermore, Industry standards and technical requirements in our market are evolving and may change significantly over time. In addition, large industry-leading smart hardware brands play a significant role in developing standards and technical requirements. Our customers also may design certain specifications and other technical requirements specific to their products. These technical requirements may change as customers introduce new or enhanced products.

Our ability to compete in the future will depend on our ability to identify and comply with evolving industry standards and technical requirements. The emergence of new industry standards and technical requirements could render our product solutions incompatible with product solutions developed by other competitors or make it difficult for our product solutions to meet the requirements of certain of our customers. As a result, we could be required to invest significant time and effort and to incur significant expense to redesign our product solutions to ensure compliance with relevant standards and requirements. If our products or solutions are not in adherence to prevailing industry standards and technical requirements, our business, results of operations and financial condition may be adversely affected.

Our success depends largely on the continued service of our senior management and key technical personnel and our ability to recruit, train or retain qualified personnel or sufficient workforce while controlling our labor costs.

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management team and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

We intend to hire additional qualified employees to support our business operations and planned expansion. Our future success depends, to a significant extent, on our ability to recruit, train or retain qualified personnel, particularly technical, marketing and other operational personnel with experience in the relevant industry. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. The effective operation of our managerial and operating systems also depends on the hard work and quality performance of our management and employees.

Our industry is characterized by high demand and intense competition for talent and labor, while qualified individuals in the relevant industries are in short supply and competition for workers is intense. We can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives. In addition, competition for qualified individuals or workers may require us to pay higher wages, which could result in higher labor costs. Moreover, our ability to train and integrate new employees into our operations may also be limited and may not meet the demand for our business growth in a timely fashion, or at all, and rapid expansion may impair our ability to maintain our corporate culture.

Any damage to our brand and reputation may adversely affect our business.

Our business depends on maintaining our reputation for product quality, technological capability and reliable delivery. Although we operate under a business-to-business model, our brand credibility remains important in securing and retaining customers, particularly as we expand into new product and solutions categories and emerging technology areas. Any product defects, quality incidents, delays in delivery or negative publicity relating to our products or operations may adversely affect our reputation in the industry. In addition, if products developed or manufactured by us fail to meet customer expectations or regulatory requirements, our brand may be harmed.

As we expand into technology-intensive product segments including AIoT-related devices, expectations regarding performance, reliability and innovation may increase. Any perception that our technological capabilities or product quality is insufficient may weaken customer confidence and impair our ability to obtain new orders or maintain existing customer relationships. Any deterioration in our brand reputation or industry standing could adversely affect our business, financial condition and results of operations.

Our future investments, partnerships or acquisitions, including in emerging areas such as smart eyewear, may be difficult to integrate or may not achieve the intended benefits. Failure to address such risk may have an adverse effect on our financial condition and results of operations.

In the future, as a strategic approach to further enhance our market presence, we may enter into partnerships or make acquisition to complement our existing business or expand into emerging product categories, including, among others, smart eyewear and related technologies. As of the Latest Practicable Date, we had not identified any specific target for such acquisition. This strategy entails potential risks that could have a material adverse effect on our business, financial condition, results of operations and prospects, including:

- unidentified or unanticipated liabilities or risks in the businesses which we may acquire;
- inability to successfully integrate the products, services and personnel of the businesses which we may acquire into our operations or to realize any synergies from the acquisitions;
- inability to retain employees and customer base of the businesses acquired; and
- diversion of management attention and other resources.

In addition, investments or acquisitions in emerging technology areas such as smart eyewear, may involve higher levels of technological uncertainty, market acceptance risk and capital commitment. We cannot assure you that any of such investments or acquisitions will result in long-term benefits to us or that we will be able to effectively manage the integration and growth of our operations. Failure to address such risks may have a material adverse effect on our financial condition and results of operations.

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

We, our Directors and our management may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings. Legal proceedings and administrative actions, may seek to recover large indeterminate amounts or to limit our operations, and the possibility that they may arise, and their magnitude may remain unknown for substantial periods of time. In particular, legal proceedings, including regulatory actions, may result from product defects, antitrust scrutiny of market practices for anti-competitive conduct, as well as disputes related to customer payments and product quality, both in Chinese mainland and in other jurisdictions. For example, as we expand our operations globally, antitrust or competition regulatory authorities in certain jurisdictions may find our cooperation with other entities, or our conduct of business with other entities in a coordinated way, is not compliant with certain antitrust or competition laws and regulations. Consequently, we may be subject to certain antitrust investigations, lawsuits or regulatory proceedings, and may be subject to fines, civil liability or criminal liability. Further, the nature of our business and operations is such that we are subject to product liability claims relating to personal injury or property damage. Third parties who are subject to such injury or damage may bring claims or legal proceedings against us. Certain product liability claims may be the result of defects from component and parts purchased from our suppliers. Such claims, including the damages being sought, whether or not they have any basis, may be substantial and could extend beyond the direct losses suffered by our counterparties. A substantial legal liability or adverse regulatory outcome and the substantial cost of defending litigation or regulatory proceedings may have an adverse effect on our business, results of operations, financial condition, cash flows and reputation. Further, such lawsuits, regulatory proceedings and investigations could also divert significant resources from our normal operations.

We may not be able to adequately protect our intellectual property rights or trade secrets and may have intellectual property disputes, which may result in loss of market share to our competitors and affect our business and results of operations.

Our success depends on our ability to protect the intellectual property rights of our and our customers' intellectual property rights. We cannot assure you that our customers' designs, trademarks, patents and other intellectual property rights that we have access to during the manufacturing process will not be misappropriated. While our suppliers and employees are subject to contractual obligations to protect intellectual property rights of our customers and us, there is no assurance that such measures will effectively prevent leakage of confidential information or infringement of intellectual property rights, or at all. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any incident of failure to protect the intellectual property rights of our customers. In the event that our measures and precautions we have taken do not adequately safeguard our customers' intellectual property rights or at all, customers may initiate legal proceedings against us or even reduce or discontinue their purchase orders with us, which would have a material adverse effect on our business, financial condition and results of operations.

Moreover, we may be subject to claims from other parties such as industry participants and competitors, software developers, and other third parties alleging our infringement of their patents, trademarks and/or other intellectual property rights in the future. Any legal or administrative proceedings resulting from such allegations is likely subject us to significant liability and even to cause a declaration of invalidity of our existing intellectual property rights. These lawsuits or proceedings would be time-consuming and costly to resolve, and would divert much of our managerial attention and administrative resources.

In addition, we rely on a combination of applicable intellectual property laws as well as confidentiality agreements to protect our patents, trade names, copyrights and other intellectual property rights. For details of our intellectual property rights, please refer to "Business — Intellectual Property" and "Appendix VI — Statutory and General Information — B. Further Information about Our Business — 2. Our Material Intellectual Property Rights" to this document. Our intellectual property rights may be subject to various forms of infringement. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, trade names, copyrights, patents or any other intellectual property rights.

Policing unauthorized use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, given that the enforceability and scope of protection of proprietary rights in Chinese mainland are uncertain and still evolving, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our patents against unauthorized use by third parties.

We are subject to stringent environmental protection laws and regulations. Any failure to comply with the relevant laws and regulations could result in significant penalties, operational disruptions, and reputational damage to us.

Our production and operation are subject to various environmental protection laws and regulations. The relevant regulatory authorities may also promulgate new environmental protection laws and regulations and enforce more stringent interpretations of environmental protection laws and regulations in the future. As a result, additional costs may be incurred to introduce relevant preventive or remedial measures, adjust our production process, purchase new pollution control equipment and enhance our compliance and monitoring system to ensure compliance with such amended laws and regulations.

Failure to comply with environmental protection laws and regulations could subject us to, among other things, legal liability, fines, suspension of production, a loss of licenses to operate certain facilities and other sanctions, interruptions to operations, **[REDACTED]** litigation and a general loss of **[REDACTED]** confidence, any one of which could have a material adverse impact on our business, financial performance and brand reputation.

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

In accordance with applicable laws, we contribute to statutory social insurance programs for our employees, including pension, medical, unemployment, work-related injury, and maternity insurance. From an operational risk perspective, we have procured business accident insurance and property insurance. We do not, however, carry insurance in respect of certain risks that we believe are not insured under customary industry practice in China, or which are uninsurable on commercially acceptable terms, if at all, such as key man life insurance. Accordingly, there may be circumstances in which we will not be covered or compensated, in part or at all, for specific losses, damages and liabilities. We cannot guarantee that our insurance coverage is sufficient to cover potential losses.

In addition, we are subject to the risks of losses arising from the misappropriation of cash or other assets by our employees or third parties, which losses may not be sufficiently covered by our insurance policies. Any risk that is not adequately covered by insurance may have an adverse effect on our business, results of operations and financial condition.

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

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

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

- otherwise failing to comply with applicable laws or our internal policies and procedures.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, such internal control procedures may be unable to identify all instances of misconducts of our employees relating to our operations, non-compliance or suspicious transactions in a timely manner, if at all. Furthermore, it is not always possible to detect and prevent fraud and other misconduct and the precautions we take to prevent and detect such activities may not be effective. There is no assurance that fraud or other misconduct will not occur in the future. If such fraud or other misconduct does occur, it may result in negative publicity for us.

Our leased properties may be subject to non-compliances or challenges that could expose us to penalties and incremental costs.

We own and lease properties in Chinese mainland primarily for office, manufacturing, warehousing, and staff dormitory functions. For details, see "Business — Properties." Under PRC law certain leases are required to be registered with the PRC government. As of the Latest Practicable Date, certain of our lease agreements in Chinese mainland had not been registered. Although failure to register does not in itself invalidate the leases, we may be subject to fines if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. However, we cannot assure you that we would not be subject to any penalties and/or requests from local authorities to fulfill the registration requirements, which may increase our costs in the future. If any of our leases is terminated or becomes unenforceable as a result of challenges from third parties, we would need to seek alternative properties and incur relocation costs. Any relocation could lead to disruptions to our operations and adversely affect our business, financial conditions and results of operations.

Failure to comply with anti-corruption laws and regulations, or effectively manage our employees, affiliates and business partners, could severely damage our reputation, and materially and adversely affect our business, financial condition, results of operations and prospects.

We have adopted stringent internal policies to ensure compliance of our business with applicable laws and regulations. However, we are still subject to risks in relation to actions taken by us, our employees, affiliates or business partners that constitute violations of the anti-corruption laws and regulations. We cannot guarantee that we maintain compliance to the applicable laws and regulations at all times or across jurisdictions where we operate our business. If we, our employees, affiliates or business partners violate these laws, rules or regulations, we could be subject to fines and/or other penalties. Actions by PRC regulatory authorities or the courts to provide an interpretation of PRC laws and regulations that differs from our interpretation or to adopt additional anti-bribery or anti-corruption related regulations could also require us to make changes to our operations. Our reputation, corporate image, and business operations may be materially and adversely affected if we fail to comply with these measures or become the target of any negative publicity as a result of actions taken by us, our employees, affiliates or business partners, which may in turn have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations rely on IT systems and networks and our business and reputation may be impacted by IT system failures, network disruptions or cybersecurity breaches.

We rely extensively on IT systems, some of which are supported by third-party vendors, to manage and operate our business. We may have failures of these systems in the future. If these systems cease to function properly, if these systems experience security breaches or disruptions or if these systems do not provide the anticipated benefits, our ability to manage our operations could be impaired, which could have a material adverse impact on our results of operations, financial condition, and cash flows. If the software installed on the computers used by us and our employees is not properly authorized or licensed, we may be subject to claims or litigations from software vendors. We may be subject to IT system failures or network disruptions caused by natural disasters, accidents, power disruptions, telecommunications failures, acts of terrorism or war, computer viruses, physical or electronic break-ins, or other events or disruptions. System redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Such failures or disruptions could adversely impact our business by, among other things, preventing access to our internet services, interfering with customer transactions or impeding the assembling and shipping of our products. These events could materially and adversely affect our reputation, financial condition and operating results.

Our IT systems may be subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyberattacks. We continue to assess potential threats and make investments seeking to address and prevent these threats, including monitoring of our networks and systems and upgrading skills, employee training and security policies for us and our third-party providers. However, because the techniques used in these cyberattacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. During the Track Record Period and up to the Latest Practicable Date, we had not seen any material impact on our business or operations from these attacks. However, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers' databases or systems. If the IT systems, networks or service providers we rely upon fail to function properly or if we or one of our third-party providers suffer a loss, significant unavailability of or disclosure of our business or stakeholder information and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action, including administrative fines. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

Our business operations are susceptible to disruptions from force majeure events, including natural disasters, outbreaks of contagious diseases, and other extraordinary events, which could materially and adversely affect our business and results of operations, and such losses may not be fully covered by insurance.

Our business may be adversely affected by the occurrence of force majeure events, including natural disasters, outbreaks of contagious diseases, and other extraordinary events, such as typhoons, severe storms, earthquakes, floods, fires or other natural disasters or similar events especially in the areas where we operate. In addition, any outbreak of a contagious disease, such as severe acute respiratory syndrome (SARS), Middle East respiratory syndrome, avian influenza or novel coronavirus disease (COVID-19), could disrupt our operations with respect to our global supply chain, production, delivery and sales. Such events could decrease the demand for our products, impact the productivity of our workforce, make it difficult or impossible for us to manufacture and deliver products to our customers in a timely manner, or to receive materials and equipment from our suppliers. Should major public health emergencies, including pandemics, arise, we could be adversely affected by more stringent employee travel restrictions, additional requirements in freight, relevant policies affecting the movement of products between regions, delays in the ramp-up of the manufacturing capacity and disruptions in the operations of our suppliers. In the event of a natural disaster, we could incur significant losses, which could require substantial recovery time and result in significant expenditures in order to resume operations.

RISKS RELATING TO GOVERNMENT REGULATIONS

Developments in social and economic policies, as well as the interpretation and enforcement of laws, rules and regulations, may affect our business, financial condition, results of operations and prospects.

We operate in Chinese mainland and some overseas regions and therefore our business, financial condition, results of operations and prospects may be affected by local economic, social and legal policies. We cannot guarantee that our business operations will be able to benefit from such measures. In addition, laws, rules and regulations may also be amended from time to time, and the application, interpretation and enforcement of such evolving laws, rules and regulations may affect our business operations. Any of the foregoing may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Failure to comply with labor laws and regulations, including regulations in relation to social insurance and housing fund contributions for our employees, could subject us to legal liabilities, fines and other legal or administrative sanctions, and reputational harm.

We employ some of our workforce through labor dispatch arrangements, wherein workers are hired by third-party staffing agencies but perform services for us. On December 28, 2012, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) was amended to impose more stringent requirements on labor dispatch and such amendments became effective on July 1, 2013. For example, dispatched workers may only engage in temporary, auxiliary or substitute work. In addition, the number of dispatched workers engaged by an employer may not exceed a certain percentage of its total number of workers, to be decided by the Ministry of Human Resources and Social Security. Pursuant to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》)(the "**Interim Provisions on Labor Dispatch**") which has become effective since March 1, 2014, an employer shall strictly control the number of dispatched workers engaged, which shall not exceed 10% of the total number of its workers (the "**Limit**").

During the Track Record Period, the number of dispatched workers engaged by us exceeded the Limit, primarily because with the customers' order demand growth, we need additional workers to deliver customer orders in short term, resulting in the number of dispatched workers exceeding the stipulated Limit in relevant periods. As of the Latest Practicable Date, we had enhanced our dispatched worker arrangements to ensure the number of dispatched workers engaged by us was within the Limit. For details, see "Business — Employees." However, we cannot assure you that the relevant government authorities will not impose penalties on us and our subsidiaries for such historical non-compliance, which may adversely affect our business, profitability and reputation.

In addition, we are required to contribute to a number of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance, maternity insurance and housing provident fund on behalf of our employees in Chinese mainland. According to the Regulation on the Administration of Housing Provident Funds (《住房公積金管理條例》), an enterprise in Chinese mainland is required to set up housing provident fund accounts (住房公積金賬戶) and pay the housing provident fund in time and in full for its employees. According to the PRC Social Insurance Law (《中華人民共和國社會保險法》), an enterprise in Chinese mainland is required to complete social insurance registration for its employees and to pay the social insurance contributions in time and in full. On July 31, 2025, the Supreme People's Court promulgated Interpretation II of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》)(the "**New Judicial Interpretation**"), which stipulated, among others, that effective September 1, 2025, if an employer and an employee agree or if the employee undertakes that social insurance contributions need not be paid, the People's Court shall deem such agreement or undertaking invalid. Our PRC Legal

Advisors are of the view that the New Judicial Interpretation does not repeal or revise the social insurance laws and regulations currently in force in the PRC, and would not cause us to undertake additional social insurance exposure. For details, see "Regulatory Overview — Overview of the Laws and Regulations in the PRC — Laws and Regulations on Labor — Social Insurance and Housing Provident Fund."

During the Track Record Period, we did not pay social insurance and housing provident fund in full for some of our employees. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties in connection with our contribution of social insurance plans during the Track Record Period. For details, see "Business — Employees — Social Insurance and Housing Provident Funds." We cannot guarantee you that the competent government authorities will not require us to settle the outstanding amount within the specified time limit or impose late payment penalties on us based on such complaints, reports or other claims. In the event of any such non-compliance, we may be required to pay any shortfall in social insurance contributions within a prescribed time period and to pay penalties if we fail to do so. Under the Notice on Implementing the Comprehensive Plan for Lowering Social Insurance Premium Rates (《人力資源社會保障部、財政部、稅務總局、國家醫保局關於貫徹落實〈降低社會保險費率綜合方案〉的通知》), relevant authorities are prohibited from collectively initiating proactive collection of historical outstanding social insurance contributions from enterprises. As such, the likelihood that we would be subject to material administrative penalties or required by relevant authorities to make up historical shortfalls in social insurance contributions on a collective basis is considered remote. However, there can be no assurance that we will not be required by competent authorities to make up any shortfalls and/or pay overdue fines on an individual basis. In the event that we are required to do so, our financial condition and results of operations may be adversely affected.

In addition to the above, if we fail to comply with any other relevant labor laws and regulations, we may be exposed to penalties or be required to pay damages to employees. Compliance with the relevant labor laws and regulations could substantially increase our labor costs. Increases in our labor costs and future disputes with our employees could adversely affect our business, financial condition and results of operations. In particular, an increase in labor costs could increase our future production costs. We might not be able to pass these increases on to our consumers due to competitive pricing pressure.

We are exposed to risks in relation to work safety and occurrence of accidents as well as other operational, occupational and environment related risks, which could materially and adversely affect our business, financial condition and results of operations.

Our business and production are subject to various risks, including operational risks and occupational and environmental hazards. We must comply with the extensive environmental, handling of hazardous substances, chemical manufacturing, health and safety laws and regulations and stringent standards in relation to the manufacturing and sale of products which are promulgated by the government authorities in Chinese mainland. According to these laws and regulations, we are required to maintain safe production conditions and protect the occupational health of our employees. For example, if any of our subsidiaries in Chinese mainland engaging in manufacturing fails to comply with the relevant laws on prevention and treatment of occupational diseases, then such subsidiary may be subject to fines and other administrative penalties, and also, any employees who are deemed to suffer from occupational diseases may have rights to seek compensation from us. We may experience various types of difficulties in connection with the manufacturing of our products. Accidents, if they occur, could materially affect our production and may give rise to personal injuries and fatalities, damages to or destruction of properties or manufacturing base, and pollution and other environmental damages. Any of these consequences, if significant, could result in business interruption, legal liability and damages to our reputation and corporate image. While we conduct regular inspections of the manufacturing base we operate and conduct regular equipment maintenance to ensure that our operations comply with applicable laws and regulations, we cannot assure you that we will not experience any major accidents or work-related injuries in our future production processes.

Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection domestically and aboard. Any losses or unauthorized access to or unauthorized releases of confidential information and personal data could subject us to significant reputational, financial, legal and operational consequences.

Our business involves the utilization and storage of certain information. The types of data we collect may include product performance and testing data generated during design validation and production processes, operational and supply chain data, specifications and technical documentation provided by customers and internal system usage data. We do not transfer personal information or important data collected and generated during operations within Chinese mainland to outside of Chinese mainland. We also do not allow foreign institutions, organizations or individuals to access, retrieve, download or export data stored within Chinese mainland. For details, see "Business — Data Protection." We are subject to laws relating to the collection, use, retention, protection and transfer of personal information domestically and aboard. During the Track Record Period and up to the Latest Practicable Date, we complied with all relevant laws and regulations in relation to data privacy and security in the jurisdictions in which we operate in all material respects. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices. Non-compliance could result in significant penalties or legal liability. Any failure by us to comply with other domestic and foreign privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others, which may lead to reputational impacts and significant legal liabilities.

We are also subject to various cybersecurity laws and regulations that govern the protection of digital infrastructure, data integrity, and network security. These laws often require businesses to implement robust cybersecurity measures, report incidents of data breaches, and ensure compliance with security frameworks. Failure to comply with these laws to the extent applicable to us or a cybersecurity incident could result in severe financial penalties, operational disruptions, and reputational damage. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other non-compliant incidents.

We could be adversely affected as a result of our operations and business activities being subject to evolving economic sanctions, export control and trade restriction laws and regulations as well as changes in international trade policies, tariffs and rising geopolitical tensions.

The United States and other jurisdictions or organizations, including, among others, the EU, the U.K., the United Nations and Australia, have comprehensive or broad economic sanctions and trade restrictions targeting certain countries, territories, industry sectors, entities and individuals. We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or the interpretation or implementation of any policy by the EU, the U.K., the United Nations, Australia or the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us, our subsidiaries, our customers, suppliers, distributors, service providers or other business counterparties. In the ordinary course of business, we may engage in transactions or business relationships with customers, suppliers, business partners or other counterparties that are, or may in the future become, subject to applicable international sanctions, export controls or trade restrictions. If such sanctions, export controls or trade restrictions are further expanded, tightened, amended or interpreted in a restrictive manner, our existing or future business activities, transactions or relationships with relevant counterparties may be prohibited, restricted, suspended, terminated or require prior licenses, approvals or notifications that may be difficult or impossible to obtain. In response, we will continue to closely monitor changes in relevant laws and regulations as well as the international policy environment, and conduct periodic assessments of the relevant risks. In addition, such developments, including tariffs, trade restrictions or rising geopolitical tensions,may adversely affect global economic conditions, supply chains, market access and the competitiveness of our products and services, or those of our customers. Any such event could materially and adversely affect our business, financial condition, results of operations and prospects.

Any lack of requisite approvals, licenses or permits applicable to our business, or any non-compliance with relevant laws and regulations as a result of the complexity of laws and regulations and revisions of laws and regulations from time to time, may have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our business is subject to supervision and regulation by various competent regulatory authorities. These authorities promulgate and enforce laws and regulations governing a wide range of business activities relevant to our operations. Such regulations typically govern market entry, the permitted business scope and the requisite approvals, licenses, permits, filings and registrations. According to our PRC Legal Advisors, we had obtained all material licenses and approvals necessary for our main business during the Track Record Period and up to the Latest Practicable Date. For details, see "Business — Licenses and Approvals."

In addition to obtaining the necessary approvals, licenses and permits, we are also required to comply with applicable laws and regulations in the course of our operations. Certain aspects of our business are subject to a complex and evolving regulatory regime and extensive government oversight. Given the pace and complexity of regulatory developments, we may not always be fully informed of new or updated requirements in a timely manner. Even where we are aware of such developments, the interpretation and scope of the applicable rules may remain unclear, making it difficult to determine whether our conduct is fully compliant. In some cases, we may not be able to adapt our operations or offerings promptly in response to changes in the regulatory environment, which may lead to instances of non-compliance.

Furthermore, as the applicable laws and regulations, including their interpretation and enforcement, may change from time to time, there can be no assurance that we have obtained, or will be able to obtain, all necessary approvals, licenses, permits, filings or registrations required for our operations, or that we will be able to maintain or renew them or complete the requisite annual inspections (as applicable) in a timely manner. Any failure to do so, or any non-compliance with relevant laws and regulations, could result in administrative penalties, fines or other regulatory actions, and could disrupt our business operations. In certain circumstances, we may be required to suspend or adjust certain aspects of our business, which could materially and adversely affect our business, financial condition and results of operations. We are also subject to approval/filing requirements in respect of our outbound investment. If any of our historical or future outbound investment was regarded as failed to comply with the requisite approval/filing requirements, we may be subject to administrative penalties and/or any other liabilities, including order us to suspend or terminate such implementation of our outbound investments.

We are subject to certain regulatory requirements over foreign currency conversion and remittance.

We receive a majority of payments from our operations in Chinese mainland in RMB and may need to convert certain Renminbi into other currencies for payment of dividends, if any, to holders of our Shares, and to fund our business activities outside of Chinese mainland, among other things. The convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Chinese mainland are subject to related regulatory requirements. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends or other payments, or otherwise fulfill our foreign currency denominated obligations. Under current foreign exchange regulations of Chinese mainland, payment of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the SAFE or its local branches, through licensed banks for foreign exchange business, by complying with certain procedural requirements. If we cannot fulfill the regulatory requirements over foreign currency conversion to obtain sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. However, prior registration and other procedures with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of Chinese mainland to pay capital expenses. Further, there is no assurance that new regulations will not be promulgated in the future that would have further requirements on the remittance of Renminbi into or out of Chinese mainland. Any existing and future requirements on currency exchange may limit our ability to purchase raw materials and components outside of Chinese mainland or otherwise fund any future business activities that are conducted in foreign currencies.

Non-PRC resident holders of [REDACTED] may be subject to Chinese mainland income tax obligations.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the Chinese mainland and a non-Chinese mainland investor's jurisdiction of residence that provides for a different income tax arrangement, Chinese mainland withholding tax at the rate of 10% is normally applicable to dividends from Chinese mainland sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in Chinese mainland, or which have an establishment or place of business in Chinese mainland if the relevant income is not effectively connected with such establishment or place of business. Any gains realized on the transfer of shares by such investors are subject to a 10% Chinese mainland income tax rate if such gains are regarded as income from sources within Chinese mainland unless a treaty or similar arrangement provides otherwise.

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within Chinese mainland paid to foreign individual investors who are not PRC resident individuals are generally subject to a withholding tax at a rate of 20% and gains from Chinese mainland sources realized by such investors on the transfer of shares are generally subject to a 20% income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in Chinese mainland. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of Chinese mainland at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between Chinese mainland and the jurisdiction in which the non-PRC resident individual holder of **[REDACTED]** resides as well as the tax arrangement between Chinese mainland and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with Chinese mainland are subject to a 20% withholding tax on **[REDACTED]** from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. In addition, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167) which states that individuals' income from the transfer of listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restrictions as defined in the Supplementary Circular on Relevant Issues Concerning the

Collection of Individual Income Tax over the Income Received by Individuals from Transfer of the Listed Shares Subject to Sales Limitations (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》)(Cai Shui [2010] No. 70). As of the Latest Practicable Date, the aforesaid provision had not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. If Chinese mainland income tax is imposed on gains realized from the transfer of our **[REDACTED]** or on **[REDACTED]** paid to our non-Chinese mainland resident **[REDACTED]**, the value of your **[REDACTED]** in our **[REDACTED]** may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with Chinese mainland may not qualify for benefits under such tax treaties or arrangements.

You may experience difficulties in effecting service of process upon or enforcing foreign judgments against us or our Directors or senior management.

Most of our assets are situated in Chinese mainland. In addition, most of our Directors and senior management reside in Chinese mainland, and are citizens of Chinese mainland. As cross-border service of process is typically cumbersome and time-consuming, it may be difficult for **[REDACTED]** outside of Chinese mainland to effect service of process upon us or our management residing in Chinese mainland. On January 18, 2019, the Supreme People's Court and the Hong Kong Government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》)(the "**Arrangement**"), which came into effect on January 29, 2024 and seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the Chinese mainland. The Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. After the Arrangement became effective, a judgment rendered by a Hong Kong court can generally be recognized and enforced in the Chinese mainland even if the parties in the dispute do not enter into a choice of court agreement in writing. However, we cannot guarantee that all judgments made by Hong Kong courts will be recognized and enforced in the Chinese mainland, as whether a specific judgment will be recognized and enforced is still subject to a case-by-case examination by the relevant court in accordance with the Arrangement.

RISKS RELATING TO THE [REDACTED]

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

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

The price and trading volume of [REDACTED] may be volatile, which could lead to substantial losses to [REDACTED].

The price and trading volume of **[REDACTED]** may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. The Stock Exchange and other securities markets have, from time to time, experienced significant price and trading volume volatility that are not related to the operating performance of any particular company. The business and performance and the market price of the shares of other companies engaging in similar business may also affect the price and trading volume of **[REDACTED]**. In addition to market and industry factors, the price and trading volume of **[REDACTED]** may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our business partners, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange have experienced price volatility in the past, and it is possible that **[REDACTED]** may be subject to changes in price not directly related to our performance.

Holders of [REDACTED] are subject to the risk that the trading price of [REDACTED] could fall during this period before the trading of [REDACTED] begins.

The **[REDACTED]** of **[REDACTED]** is expected to be determined on the **[REDACTED]** Date. However, **[REDACTED]** will not commence trading on the Stock Exchange until they are delivered, which is expected to be several business days after the **[REDACTED]** date. As a result, **[REDACTED]** may not be able to sell or otherwise deal in **[REDACTED]** during that period. The price of **[REDACTED]** could fall before trading begins due to adverse market conditions or other adverse developments between the time of sale and the date on which the trading begins.

You will incur immediate and substantial dilution, and may experience further dilution in the future.

The **[REDACTED]** of **[REDACTED]** is higher than the net tangible asset value per H Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the **[REDACTED]** will experience an immediate dilution in **[REDACTED]** consolidated net tangible asset value. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of **[REDACTED]** may experience dilution in the net tangible asset value per H Share of **[REDACTED]** if we issue additional Shares in the future at a price which is lower than the net tangible asset value per H Share at that time. Furthermore, **[REDACTED]** may **[REDACTED]** pursuant to any existing or future share option incentive scheme, which would further dilute **[REDACTED]** interests in **[REDACTED]**.

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

The market price of **[REDACTED]** and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of **[REDACTED]** or other securities relating to **[REDACTED]** in the public market, especially by our Directors, executive officer, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, **[REDACTED]** Shareholders may experience dilution in their holdings if **[REDACTED]** issue more securities in the future. Furthermore, **[REDACTED]** may issue shares pursuant to any existing or future share option incentive schemes, which would further dilute **[REDACTED]** Shareholders' interests in **[REDACTED]**. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by **[REDACTED]**. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the market price of **[REDACTED]**.

In addition, while **[REDACTED]** shares in the **[REDACTED]** are not subject to any restrictions on the disposal of **[REDACTED]**, they may have existing arrangements or agreement to dispose part or all of the **[REDACTED]** immediately or within certain period upon completion of **[REDACTED]** for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the **[REDACTED]** Date. Any sale of the **[REDACTED]** pursuant to such arrangement or agreement could adversely affect the market price of **[REDACTED]** and any sizeable sale could have a material and adverse effect on the market price of **[REDACTED]** and could cause substantial volatility in the trading volume of **[REDACTED]**

There can be no assurance whether and when we will pay dividends in the future.

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

This document contains certain facts, forecast and other statistics derived from various government resources. These have not been independently verified and may not be reliable.

This document contains certain facts, forecasts and other statistics derived from various government resources. Such information has been obtained from sources that we believe to be appropriate and reliable. However, such information has not been independently verified by us or any other parties involved in the **[REDACTED]**. Accordingly, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our **[REDACTED]** that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. **[REDACTED]** should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements are based on assumptions and expectations currently available to our Directors and management. They involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. These forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and **[REDACTED]** should not place undue reliance. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

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

Prior to and following the publication of this document, there may be media coverage, analyst commentary or market speculation regarding us, our business, our financial condition, our Shares or the **[REDACTED]**. Such information may include, among other things, financial data, operating metrics, projections, valuations or other information that is not included in, or that differs from, the information contained in this document. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation or warranty, express or implied, as to the accuracy, completeness or reliability of any such information. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and our **[REDACTED]** should not rely on such information. Prospective **[REDACTED]** should rely solely on the information contained in this document in making an **[REDACTED]** decision.