An* [REDACTED] *in our H Shares involves various risks. You should carefully consider all the information in this document and in particular the risks and uncertainties described below before making an* [REDACTED] *in our H Shares. The following is a description of what we consider to be our material risks.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We have a limited track record in commercialization in a new and rapidly evolving industry and there can be no assurance that our sales and marketing efforts will succeed.

We are a company with a limited track record in developing, commercializing and marketing our products and solutions. Our ability to successfully commercialize our products and solutions may involve more uncertainties, take longer and cost more than it would if we were a company with a longer track record in commercializing and marketing. In particular, the commercialization of new products and solutions requires additional resources. The success of our sales and marketing efforts depends on our ability to attract, motivate and retain qualified and professional employees in our commercialization team who have, among other things, adequate technical knowledge to communicate effectively with potential customers, sufficient experience in sales and marketing of products and solutions, and extensive industry connections and experience. We may not be able to scale up rapidly enough to generate significant revenue, raise additional capital or operate profitably. We will continue to encounter risks and difficulties frequently experienced by companies at an early stage of commercialization, including marketing our products and solutions, scaling up our operation and headcount, and may incur unforeseen expenses, difficulties or delays in connection with our growth.

Due to our limited track record in the commercialization of our products and solutions, there can be no assurance that our efforts to market and sell our products and solutions will succeed, that the sales results of our products and solutions will meet our expectation, or that third parties will deploy and utilize our products and solutions effectively and meet overall user experience. We may invest significant effort from the time of our initial contact with a customer to the time when they choose to purchase or incorporate our products and solutions into their product offerings. We could expend significant resources pursuing, but fail to achieve, customer orders for our products and solutions. Even after achieving customer orders, the period of time from product design to mass production may be long and we are subject to the risks of termination or postponement of contracts or unsuccessful implementation. In addition, we may experience launch and production ramp delays for new products and features. Any of the above individually or collectively, would materially and adversely affect the commercialization of our products and solutions or cause us to incur sales and marketing expenses which we are not able to recover, and, in turn, materially and adversely affect our business and results of operations.

We have been, and intend to continue investing significantly in R&D, which may adversely affect our profitability and operating cash flow and may not generate the results we expect to achieve.

We have been investing heavily in our R&D efforts. Our research and development costs amounted to RMB54.6 million, RMB76.7 million and RMB59.4 million in 2023, 2024 and 2025, respectively. The industry in which we operate is subject to rapid technological changes and are evolving quickly in terms of technological innovation. We need to invest significant resources, including financial resources, in R&D to make technological advances in order to expand our offerings and make our products innovative and competitive in the market. As a result, we may continue to incur significant R&D expenses in the future.

However, we cannot guarantee that our efforts will deliver the benefits we anticipate or be recognized as expected. Research and development activities are inherently uncertain, and we may not be able to obtain and retain sufficient resources including qualified R&D personnel. Even if we succeed in our R&D efforts and generate the results we expect, we may still encounter practical difficulties in commercializing our development results. New technologies could render our technologies, our technological infrastructure or products that we are developing or expect to develop in the future obsolete or unattractive, thereby limiting our ability to recover related product development costs, which could result in a decline in our revenues, profitability and market share.

Our R&D efforts may not contribute to our future results of operations for several years, if at all, and such contributions may not meet our expectations or even cover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

The industry in which we operate is highly competitive and rapidly evolving. If we fail to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

The markets that we operate in are highly competitive, particularly in the intelligent robotics industry. Our future success will depend on our ability to emerge and sustain as a leader in our targeted markets by continuing to develop and manufacture LiDAR products and solutions in a timely manner and to effectively compete with existing and new competitors. If we compete with market participants that have a longer corporate operating history or more resources than us, or if we do not have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond more quickly and effectively to new or changing opportunities, technologies, regulatory requirements or customer demand than our competitors.

We also face competition from other LiDAR and non-LiDAR developers, some of which may have significantly greater resources than we do. In the intelligent robotics industry, our competitors are also working towards commercialization and advancing their mass production capabilities. Some of our competitors have achieved market adoption and strong brand recognition and may continue to improve. In markets outside of the intelligent robotics industry, our competitors, like us, also seek to develop new LiDAR applications across different industries such as XR and industrial automation. Even in these emerging markets, we face substantial competition from numerous competitors seeking to prove the value of their technology.

We may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining top scientists and innovative talents, enhancing software systems compatibility, and acquiring technologies complementary to, or necessary for, our current and future products and solutions in order to respond to such competitive threats, and we cannot assure you that such measures will be effective. Increased competition may result in pricing pressure and reduced margins and may impede our ability to increase the sales of our products and solutions or cause us to lose market share, any of which will adversely affect our business, results of operations and financial condition.

If we fail to anticipate and adapt to technological developments and transitions in our industry, including alternative technologies, our products and solutions may become less competitive or obsolete, and demand for our products may be adversely affected.

As the industry advances towards more advanced technologies, there is a tangible risk that the existing markets for our current products and solutions could diminish swiftly. Our competitive edge hinges not only on our ability to keep pace with, but also anticipate, future technological advancements. Failure to proactively develop and integrate next-generation technologies into our product lineup could result in a substantial loss of market share and revenue. This underscores the critical need for strategic foresight in planning and developing future technologies. We cannot guarantee that the market environment will remain unchanged, nor can we assure that we will successfully plan for the next generation of technology in advance. The introduction of next-generation technologies, including any technological development and breakthroughs in alternative technologies such as computer vision and ultrasonic sensors, could significantly diminish demand for our existing products and affect our ability to compete with newer offerings, which may adversely affect our business, financial condition, results of operations and prospects.

We depend on a limited number of customers for a substantial portion of our revenue, and the loss of, or a significant reduction in sales to, one or more of our major customers would adversely affect our business, results of operations and financial condition.

Revenue generated from our largest customer in each year during the Track Record Period accounted for 37.1%, 36.1% and 29.0%, respectively, of our total revenue for the respective year. Revenue generated from our five largest customers in each year during the Track Record Period accounted for 93.6%, 89.2% and 80.4% of our total revenue for the respective years. Our business, results of operations and financial condition for the foreseeable future may continue to depend on sales to a relatively small number of customers. Our current major customers may purchase fewer of our products and solutions than they did in the past, shift their business focus, alter their purchasing patterns, or decide not to purchase our products at all. For example, customers and end customers that have purchased our products and solutions in the past may decide to adopt alternative products and solutions or develop in-house products and solutions in lieu of their purchases from us, which may reduce their demand of our products and negatively impact our operational and financial results. Further, the amount of revenue generated from any single major customer, or our major customer concentration generally, may fluctuate in any given period. If our major customers scale back or terminate their business relationship with us, or if we are unable to negotiate favorable contractual terms with them, or if we are unable to secure new customers on favorable or comparable terms or at all, our business, financial condition and results of operations may be materially and adversely affected.

Our revenue growth depends critically on retaining existing customers, attracting new ones, and expanding their use of our products. However, customer engagement may decline due to dissatisfaction, pricing pressures, competition, macroeconomic shifts, or changes in customers' own operations. To sustain growth and acquire new clients, we must continuously innovate to meet evolving needs, anticipate industry trends, and maintain a highly qualified sales and marketing team. Because customers are not obligated to continue using our solutions, any failure to retain them, expand their usage, or acquire new clients — or any downturn in our customers' own business performance — could materially and adversely affect our business, financial condition, and results of operations.

In addition, our ability to retain customers and foster long-term relationships depends critically on providing highly efficient customer support and maintaining exceptional product quality. As our enterprise customer base expands, we must scale our technical support capabilities to meet their increasingly complex needs. If we are unable to recruit and retain qualified technical personnel with deep product expertise, our ability to resolve issues promptly and effectively will be impaired. Consequently, any failure — or market perception of a failure — to deliver high-quality maintenance and support services could lead to significant customer dissatisfaction and increased churn, which would materially harm our customer retention rates and overall business success.

The size of the markets in which we operate and the demand for our products and solutions may not increase as quickly as we anticipate due to a variety of factors, which could materially and adversely affect our business, financial condition, results of operations and prospects.

We are pursuing opportunities in markets where it is difficult to predict the timing and size of the opportunities for each of our products and solutions. Our business, financial condition, results of operations and prospects depend on our ability to make timely investments in the correct market opportunities in downstream applications. Even if the markets in the downstream industries grow substantially, we cannot assure you that we will be able to pursue these opportunities. Despite our efforts to market our products and solutions and secure new orders, there can be no assurance that such efforts will be successful or that we will be able to obtain purchase orders from customers as anticipated. Furthermore, even if we are able to obtain orders from our customers, there is no assurance that the sales performance of our products or solutions will meet our expectations or forecasts, as actual results may be affected by changes in market conditions, customer demand, or other factors beyond our control. If one or more of these markets experience a shift in customer demand, our products and solutions may not be able to compete as effectively, or at all.

We may not be able to adjust our inventory level in response to the change in the demand of our downstream markets and the price of our products and solutions may be adversely affected. If we fail to meet the technological development, industry standards or applicable regulatory requirements, our products and solutions may not be adopted by our customers. Given the evolving nature of the markets in which we operate, it is difficult to predict customer demand or the future growth of the markets in which we operate or into which we plan to enter. If we fail to adjust accordingly to changes in the market condition of our downstream industries, our business, financial condition, results of operations and prospects will be adversely affected.

We operate in new and rapidly evolving markets, making it difficult to accurately forecast long-term end-customer adoption rates, product demand, market size, and inventory requirements.

The commercialization of our products by partners may be delayed or impaired because complex applications, such as LiDAR-incorporated robotics, depend on the simultaneous readiness of technologies from multiple companies. Furthermore, factors outside our control — including safety and reliability developments, regulatory changes, or new industry standards (such as specific wavelength requirements for LiDAR) — could significantly delay or restrict the commercial adoption of our solutions. Ultimately, if market demand fails to develop as anticipated, or if we are unable to accurately forecast these evolving market dynamics, our business, financial condition, and results of operations will be materially and adversely affected.

The success of our products and solutions depends in part on the effective deployment and operation by third parties, as well as end-user experience.

The success of our products and solutions will partially depend on our customers and partners effectively deploying and operating our products and solutions in their offerings, and their failure to do so may result from factors beyond our control. Our products and solutions are technologically complex, incorporate many technological innovations, and are typically subject to significant safety testing, and customers generally must devote significant resources to test and validate our products and solutions before deploying and operating them. This results in our investment of resources prior to realizing any revenue. Despite effective deployment and operation, the end products integrated with our products and solutions may generate poor sales results due to poor overall user experience, which, in turn, affect the sales results of our products and solutions.

Our products are complex and may contain defects or otherwise fail to perform in line with expectations, which could reduce the market adoption of our new products, damage our reputation with current or prospective customers, expose us to legal claims and adversely affect our results of operations.

Our products are highly technical and very complex and require high standards to manufacture and have in the past and will likely in the future experience defects, errors or reliability issues at various stages of development. We may be unable to timely release new products, manufacture existing products, correct problems that have arisen or correct such problems to our customers' satisfaction. Additionally, undetected errors, defects or security vulnerabilities, especially as new products are introduced or as new versions are released, could result in serious injury or even death to the end users of technology incorporating our products, or those in the surrounding area, litigation against us, negative publicity and other consequences. Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed by customers, in which case we may incur significant additional development costs and product recall, repair or replacement costs. These problems may also result in claims, including class actions, against us by our customers or others. Our reputation or brand may be damaged as a result of these problems and customers may be reluctant to buy our products, which could adversely affect our ability to retain existing customers and attract new customers and could adversely affect our financial results.

Furthermore, any defects in or significant malfunctioning of our products may weaken customer confidence in products. As the markets for spatial sensing technology applicable to high-precision spatial sensing are emerging and evolving, loss of customer confidence could have a material adverse impact on the future of such markets in general and our business prospects in particular.

We may be subject to product liability claims if our products contain errors, defects, or fail to meet performance specifications, which could result in substantial costs, reputational damage and loss of market share.

Our products are incorporated into a variety of end products. The use of end products that adopt our products could result in an unsafe condition or injury as a result of, among other factors, component failures, manufacturing flaws, design defects or inadequate disclosure of product-related risks or information. These factors could result in product liability or warranty claims; we could be named as a defendant in such claims, and any insurance that we carry may not be sufficient or it may not apply to all situations. Similarly, our customers could be subjected to claims as a result of such accidents and bring claims against us to hold us accountable.

In addition, in the event that our products fail to perform as expected or such failure of our products results in a recall, our reputation may be damaged, which could make it more difficult for us to sell our products to existing and prospective customers and could materially and adversely affect our business, results of operations and financial condition. We typically provide a one or two-year warranty period for our products. The occurrence of any material defects in our products could make us liable for damages and warranty claims. Defending a lawsuit, regardless of its merit, could be costly and may divert management's attention and adversely affect the market's perception of us and our products. We could incur significant costs to correct any defects, warranty claims or other problems, including costs related to product recalls. Warranty, recall, product liability claims, or negative publicity may result in litigation, including class actions, the occurrence of which could be costly, lengthy and distracting and adversely affect our business and operating results.

There is no guarantee that our customers will purchase our products and solutions in any certain quantity or at any certain price even after we obtain design wins, and we are subject to the risks of termination or postponement of contracts or unsuccessful implementation.

When customers choose our products or solutions, we typically receive preliminary estimates of their anticipated order volumes, while such estimates may be revised significantly by the customer, potentially multiple times, and may not be representative of future order volumes, which could be significantly higher or lower than estimated. The period of time from product design to mass production is long and we are subject to the risks of termination or postponement of contracts or unsuccessful implementation. As a result, obtaining indicative orders is not a guarantee of revenue. If the sales results of our products and solutions for which we obtain indicative orders do not meet our forecast, our business, results of operations and financial condition would be materially and adversely affected.

Any disruption to our production facilities, or failure to successfully execute our facility construction and expansion plans, could materially and adversely affect our business, financial condition and results of operations.

We have production bases in different provinces in the PRC. For details and locations of our production bases, see "Business — Production — Production Bases" in this document. Smooth and consistent daily operations of our production facilities are crucial to our business. Regular repair and maintenance programs for our production facilities are scheduled by our production department to ensure that our production facilities are in good conditions. There is no assurance that we are able to discover all the faults and defects whenever they exist or occur so as to execute repair works or take appropriate measures before any harm is caused to our facilities, staff or production. Furthermore, we cannot assure you that there will be no sudden malfunctions or halts of our production facilities during our daily operations due to any natural disasters, power shortage, malicious human acts and other events beyond our control. Accidents happened during the manufacturing of our products could materially affect our operation and may give rise to personal injuries and fatalities, damages to or destruction of properties or production facilities, and pollution and other environmental damages. Any material disruption at our production bases, even for a short duration, could result in decrease in production capacity for a sustained period and delays in deliveries of our products, which could adversely affect our business operations.

In addition, our growth prospects and future profitability depend on, among others, our ability to execute our facility construction and expansion plans. A number of factors could delay our expansion plans or increase our costs, including (i) failure to raise sufficient funds to establish and maintain working capital to operate our business at the new premises, (ii) failure to obtain environmental and regulatory approvals, permits or licenses from the relevant government authorities in a timely manner and (iii) failure to find new sites for our production facilities. Failure to expand our production capacity could hinder our ability to satisfy customer demand and growth prospects. Furthermore, if market demand declines in the future, we may not be able to recoup the costs incurred for the construction of new premises and the maintenance of expanded production capacity.

We depend on third-party suppliers and partners for materials, components, equipment and services critical to our operations. Any interruption in supply, shortage, quality issues or loss of capacity from these partners could materially affect our business operations, product offerings and customer relationships, which may adversely affect our business, financial condition and results of operations.

A large number of suppliers and partners provide materials, components, equipment and services that are used in the production of our products and other aspects of our business. Where possible, we seek to have several sources of supply. However, for certain materials, components, equipment and services, we rely on a single or a limited number of suppliers and vendors. In addition, supplier and partner consolidation or business failures can impact the nature, quality, availability and pricing of the products and services available to us.

Our major suppliers primarily consist of providers for raw materials and components including optical components, structural components and electronic components. Purchases from our largest supplier in each year during the Track Record Period accounted for 8.2%, 9.2% and 8.6% of our total purchases for the respective years, while purchases from our five largest suppliers accounted for 29.7%, 32.3% and 25.7% of our total purchases for the respective years. The stability of operations and business strategies of our suppliers are beyond our control, and we cannot assure you that we will be able to secure a stable relationship with such suppliers. Finding and qualifying alternate or additional suppliers and vendors is often a lengthy process and can lead to production delays, interruptions to our services, or additional costs, and such alternatives are sometimes not available at all. The inability of suppliers or vendors to deliver necessary production materials, equipment or services can disrupt the production processes of our products and make it more difficult for us to implement our business strategy. Suppliers and vendors periodically extend lead times, face capacity constraints, limit supplies, increase prices, experience quality issues or encounter cybersecurity or other issues that can interrupt or increase the cost of our supply and services. Production of our products can be disrupted by the unavailability of resources, such as water, silicon, electricity, gases and other materials. The unavailability or reduced availability of materials or resources would require us to reduce production or incur additional costs, which would harm our business and results of operations.

If we are unable to attract, retain and motivate key individuals, our business, results of operations and financial condition would be materially and adversely affected.

Hiring and retaining key individuals, such as key management, technical staff, qualified executives, developers, engineers and sales representatives are critical to our business, in particular, to the R&D and commercialization of each of our products and solutions. The competition for highly skilled employees in our industries is increasingly intense. Changes in our management team would also disrupt our business. Our management and senior leadership team has significant industry experience, and their knowledge and relationships would be difficult to replace. See "Directors and Senior Management." Changes in our management team may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified personnel. In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. To help attract, retain and motivate key individuals, employee incentives such as share incentive schemes have been, and will continue to be, an important part of our compensation. Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain, and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, financial condition and results of operations.

We may not be successful in executing our business plans and strategies effectively or at all, and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Our business plans and strategies are based on our assumptions of future events which may entail certain risks and are inherently subject to uncertainties. These assumptions may not be correct, which could affect the commercial viability of our business plans and strategies. As such, there can be no assurance that our business plans and strategies will be implemented successfully as scheduled or at all.

If we fail to implement our business plans and strategies effectively and efficiently, we may be unable to expand our operations, manage our growth, take advantage of market opportunities as expected or remain competitive in the industry. Furthermore, even if we implement our business plans and strategies effectively and efficiently, there may be other unexpected events or factors beyond our control that may prevent us from achieving the desirable and profitable results, such as the changes in local laws and regulations and governmental policies, the availability of skilled professionals and changes in customer demand. Moreover, our business plans and strategies may increase our operating costs, such as higher staff costs, as well as greater depreciation for inventories, and increase our cash outflows for operating and investing activities. Accordingly, if our business plans and strategies cannot be successfully implemented, or if they do not yield ideal results, we may have significant difficulties in recovering our costs and therefore experience a material adverse impact on our business, financial condition and results of operations.

Our business and prospects depend on our ability to build our brands and reputation, which could be harmed by any negative publicity regarding our Company, Directors, employees, branding or products, whether warranted or not, could adversely affect our business.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. Well-recognized brands are important to enhancing our attractiveness to our customers. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain our market position. The successful promotion of our brand will depend on the effectiveness of our marketing efforts, the versatility of our products and the amount of customers' word-of-mouth referrals. We may incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. In addition, negative publicity about our Company, Directors, employees, branding or products and solutions, whether warranted or not, may adversely affect our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

We may incur additional expenses to obtain, maintain or renew the necessary approvals, permits, licenses, certificates and other regulatory filings required for our operations and production.

We are required to obtain and maintain various approvals, permits, licenses and certificates from regulatory authorities for our business operations, including those relating to our production facilities, land use rights and general corporate operations. The intelligent robotics industry and the various industries of our clients to whom we provide our products and solutions are subject to the regulatory oversight of a number of governmental authorities. Obtaining, renewing or maintaining the necessary permits, licenses and certificates required for our business could lead to considerable time and financial costs, which could have a material adverse effect on our business, financial condition and operating results. The adoption of any new laws and regulations or any update to regulatory environment, may restrain our ability to expand our business. Furthermore, as we develop and expand our business, we may need to obtain additional permits and licenses.

We may be subject to the risks associated with export controls, economic sanctions and investment restrictions, and our business, financial condition and results of operations may be materially and adversely affected.

Geopolitics and international trade tensions have led to certain countries and organizations utilizing economic sanctions, export controls, investment restrictions and other restrictive measures targeting high-technology solutions. These policies have introduced uncertainties to global investment activities, increased compliance costs and limited access to critical resources necessary to R&D activities and operations for companies operating in affected industries.

Our global operations may subject us to export control and sanctions risks. We operate in a number of countries and regions and are therefore subject to the relevant export control and sanctions laws and regulations promulgated by different governments and organizations, such as the U.S., United Nations and the European Union. However, these laws and regulations are subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the United Nations and the European Union and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Therefore, such restrictions, and any future export control, sanctions laws, regulations and restrictions imposed by the U.S. or other governments or organizations may be difficult or costly to comply with, and may materially and adversely affect our operations. Additionally, we could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results. We cannot assure you that [**REDACTED**] who are subject to the jurisdictions of the U.S., the European Union, and/or other jurisdictions will be willing to make [**REDACTED**], or may divest their [**REDACTED**], in us, which may have an adverse impact on the [**REDACTED**] and the future prevailing market price of our H Shares. In addition, if any of our customers or suppliers becomes subject to sanctions or export control restrictions in the future, we may have to discontinue our business with such customers or suppliers due to potential sanctions and export controls liability risks. In such events, our financial results may be materially and adversely affected.

In recent years, the United States has expanded export controls restrictions on China through the Export Administration Regulations (the "**EAR**"), administered by the Bureau of Industry and Security of the U.S. Department of Commerce ("**BIS**"). These regulations are designed to restrict the access of certain Chinese companies to sensitive U.S. technologies, particularly in industries like telecommunications, artificial intelligence, and semiconductors. In addition to the United States, various other governments are also imposing controls, licensing requirements and restrictions applicable to exports to China, with specific focus on high-tech goods and services. These types of restrictions could impact our ability to supply customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our solutions.

BIS maintains lists of persons that are subject to enhanced export control restrictions. One such list, the Entity List, includes a list of foreign persons on which certain trade restrictions are imposed, including businesses, research institutions, government and private organizations, individuals and other types of legal persons. The United States in recent years has placed an increasing number of entities, including a number of entities in China, on the Entity List and other restricted or prohibited parties lists. These lists may be updated unpredictably, and once a party is added to the Entity List, it becomes subject to severe restrictions on access to certain U.S.-origin goods and technologies. Given the sudden and unpredictable nature of these determinations, it is difficult to predict developments in this area and we have no ability to influence such determinations. As these export controls laws and regulations continue to expand and evolve, future sanctions and export controls may materially affect or target some of our significant customers or suppliers, raw materials or key components or technologies necessary for our operations, in which event our business may be affected if we fail to promptly secure alternative customers or sources of supply on terms acceptable to us.

In particular, the BIS has significantly expanded export control restrictions targeting the PRC's advanced computer and semiconductor sectors. For example, on October 7, 2022, the BIS released an interim final rule, "Implementation of Additional Export Controls: Certain Advanced Computing and Semiconductor Manufacturing Items; Supercomputer and Semiconductor End Use; Entity List Modification" (the "**October 2022 IFR**"). The October 2022 IFR introduced broad new restrictions aimed at limiting the PRC's access to advanced computing and semiconductor technologies, including certain integrated circuits, and to constrain its domestic production capabilities. On January 17, 2023, the foregoing rules were extended to encompass exports, reexports, or transfers (in-country) destined to or within Macau. On October 17, 2023, the BIS issued two interim final rules, "Export Controls on Semiconductor Manufacturing Items" and "Implementation of Additional Export Controls: Certain Advanced Computing Items; Supercomputer and Semiconductor End Use; Updates and Corrections" ("**October 2023 IFRs**"). The October 2023 IFRs refined and broadened the export controls applicable to advanced computing semiconductors, semiconductor manufacturing equipment, and items supporting supercomputing applications or end-uses in arms-embargoed destinations (including the PRC). On December 2, 2024, the BIS issued an interim final rule, "Foreign-Produced Direct Product Rule Additions, and Refinements to Controls for Advanced Computing and Semiconductor Manufacturing Items" ("**2024 IFR**"). The 2024 IFR further tightened restrictions to limit the PRC's ability to produce advanced-node semiconductors used in next-generation weapons, artificial intelligence, and high-performance computing systems. It introduced new controls over 24 categories of semiconductor manufacturing equipment, three types of semiconductor design or production software tools, high-bandwidth memory products, and included regulatory amendments to strengthen the implementation of earlier controls.

We did not use U.S.-origin software or technology in our product design and manufacturing processes or procure any U.S. components or technology during the Track Record Period. The above-described developments did not result in any of our sales orders being cancelled during the Track Record Period and up to the Latest Practicable Date. As such, we do not consider that any of the above-described developments has any material adverse impact on our Group's business operations or product offerings. Moreover, given our limited sales to overseas regions during the Track Record Period and up to the Latest Practicable Date, the impact of country-specific tariffs on our business operations and financial performance has been immaterial. Nonetheless, to manage our exposure to these and other geopolitical risks, our Group has: (i) conducted ongoing sanctions and export controls screening and monitoring of counterparties; (ii) conducted search on the shareholding structure of customers and suppliers to ensure none of its counterparties is majority-owned or controlled by sanctioned targets; and (iii) continuously enhancing and enforcing the current comprehensive sanctions compliance-related obligations. The future trajectory of U.S. export control laws remains highly unpredictable. Persistent U.S.-China tensions may also dampen overall levels of trade, technological exchange, and investment, contributing to worldwide economic volatility and financial market instability. These broad macroeconomic conditions could, in turn, materially harm our business, financial condition, and operational results, as well as those of our customers.

Moreover, we may be subject to review and enforcement under domestic and foreign laws that govern foreign investment and acquisitions. In both U.S. and non-U.S. jurisdictions, these regulatory requirements may apply different requirements based on the nature of the company and the profiles of the investors involved. As a result, investments by particular investors may need to be filed with local regulators or could even be prohibited under certain circumstances, which limits our ability to engage in strategic transactions that might otherwise be beneficial to us and our investors. These laws are also regularly changed and updated.

Executive Order 14105 issued on August 9, 2023, introduced a new mechanism for reviewing U.S. outbound investments in certain national security technologies and products in "countries of concern," targeting investments that could contribute to sensitive technologies and products in the semiconductors and microelectronics, quantum information technologies and artificial intelligence sectors that are critical for the military, intelligence, surveillance or cyber-enabled capabilities of these nations. This Executive Order restricts U.S. investments in Chinese firms involved in sensitive technologies, which could affect their funding sources and partnerships with U.S. entities. On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "**Outbound Investment Rule**") to implement Executive Order 14015, which became effective on January 2, 2025.

The Outbound Investment Rule targets investments involving persons and entities associated with "countries of concern," currently including China, and it imposes requirements (such as prohibition or notification requirements) on a wide range of investments in persons engaged in activities in certain sectors, such as semiconductors and microelectronics, quantum information technologies or artificial intelligence. The Outbound Investment Rule defines these as "covered activities," with persons from countries of concern engaged in covered activities defined as "covered foreign persons." Investments by U.S. persons subject to the Outbound Investment Rule, which are defined as "covered transactions," include acquisitions of equity interests (including purchases of shares in an initial public offering or contingent equity), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund.

We may be deemed a covered foreign person, and investments by U.S. persons in us would likely constitute "notifiable transactions" under the Outbound Investment Rule because we are engaged in the design and development of ASICS integrated circuits, which is a covered activity under the Outbound Investment Rule. Following the completion of the [**REDACTED**], it is expected that U.S. persons will be able to [**REDACTED**] in our H Shares based on the publicly traded securities exception under the Outbound Investment Rule, as long as the [**REDACTED**] made do not afford a U.S. person certain rights that are not standard minority shareholder protections. The Outbound Investment Rule may nonetheless increase the compliance burden of U.S. investors and may cause certain U.S. investors to adopt a more cautious approach in their investments, which may negatively impact our ability to raise capital from U.S. investors.

The rules and regulations regarding U.S. outbound investment may be subject to further development. For example, the current administration issued a National Security Presidential Memorandum titled the "America First Investment Policy" on February 21, 2025, to, among other things, direct the U.S. Secretary of the Treasury to consider expanding restrictions on outbound investment to China into new sectors, as well as expanding coverage over more types of transactions. The memorandum does not change existing law or regulations. However, depending on how such policy is implemented, it may have a significant impact on how the U.S. government regulates U.S. outbound investments in China. U.S. investors seeking to invest in China may face expanded investment restrictions, which may negatively impact our ability to raise capital from U.S. investors.

Our exchange, return and warranty policies may adversely affect our results of operations.

Customers have the right to return or reject the products with defects specified in the agreement by notifying us for prompt inspection, and if confirmed, such replacement or re-shipment expenses shall be borne by us. In addition, we typically provide a warranty period of one to two years for our products, along with timely support depending on the nature and urgency of any malfunction, except for product damage caused by misuse, unauthorized modifications or natural disasters. We may also be required by law to adopt new or amend existing return, exchange and warranty policies from time to time. While these policies improve user experience and promote user loyalty, which in turn help us acquire and retain customers, these policies also subject us to additional costs and expenses, which we may not recoup through increased revenue. We cannot assure you that our return, exchange and warranty policy will not be misused by our customers, which may significantly increase our costs and materially and adversely affect our business and financial condition. If we revise these policies to reduce our costs and expenses, our customers may be dissatisfied, which may result in loss of existing customers or failure to acquire new users at a desirable pace, which may materially and adversely affect our results of operations.

We are subject to cybersecurity risks with respect to operational systems, security systems, IT systems, integrated software in our products, and any material failure, weakness, interruption or breach of security could prevent us from effectively operating our business.

We are at risk for interruptions, outages and breaches of operational systems, including business, financial, accounting, product development or production processes, owned by us or our third-party vendors or suppliers; facility security systems, owned by us or our third-party vendors or suppliers; in-product technology owned by us or our third-party vendors or suppliers; or the integrated software in our products. Such cyber incidents could materially disrupt operational systems; result in loss of intellectual property, trade secrets or other proprietary or competitively sensitive information; compromise certain information of customers, employees, suppliers, or others; jeopardize the security of our facilities; or affect the performance of in-product technology and the integrated software in our products. We cannot guarantee that our information technology measures designed to protect us against intellectual property theft, data breaches and other cyber incidents will be adequate to detect, prevent or mitigate cyber incidents. The implementation, maintenance, segregation and improvement of these systems requires significant management time, support and cost. Moreover, there are inherent risks associated with developing, improving, expanding and updating current systems, including the disruption of our data management, procurement, production execution, finance, supply chain and sales and service processes. These risks may affect our ability to manage our data and inventory, procure parts or supplies or produce, sell, deliver and service our products, adequately protect our intellectual property or achieve and maintain compliance with, or realize available benefits under, applicable laws, regulations and contracts. If we do not successfully implement, maintain or expand these systems as planned, our operations may be disrupted, our ability to accurately and timely report our financial results could be impaired, deficiencies may arise in our internal control over financial reporting, our proprietary information or intellectual property could be compromised or misappropriated, and we may be required to expend significant resources to make corrections or find alternative sources for performing these functions. A significant cybersecurity incident could impact production capability, harm our reputation, cause us to breach our contracts with other parties or subject us to regulatory actions or litigation, any of which could materially affect our business, prospects, financial condition and operating results.

Our risk management and internal control systems may not be thorough or effective in all respects.

We have established risk management and internal control systems consisting of organizational frameworks, policies, procedures and risk management methods that we believe are appropriate for our business operations, and we seek to continue to improve these systems. However, due to the inherent limitations in the design and implementation of risk management and internal control systems, including the identification and evaluation of risks, internal control variables and the communication of information, we cannot assure you that such systems will be able to identify, mitigate and manage all our exposure to risks. Our risk management and internal controls also depend on the proficiency of and implementation by our employees. We cannot assure you that such implementation will not involve any human error or mistakes, which may materially and adversely affect our business, financial condition and results of operations.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business.

We may be involved in claims, disputes, litigation, arbitration or other legal proceedings in the ordinary course of business. Pursuant to the typical sales agreements we enter into with our customers, we are required to fully indemnify our customers and any third parties for any personal injury or property damage caused by defects or faults in our products that endanger personal safety or result in property loss or damage, except where such damage is attributable to the customer. During the Track Record Period, we did not receive any claims for personal injury or property damage to consumers arising from product defects or deficiencies. We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, financial condition, results of operations and prospects.

Our insurance coverage may not be sufficient to cover all losses or potential claims by our customers which would affect our business, results of operations and financial condition.

We believe that our insurance coverage is in line with the industry practice and adequate to cover our key assets, facilities and liabilities. In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We also do not maintain key man life insurance, insurance policies covering damages to our network or information technology systems or any specialized insurance policies for our properties. While we believe that the amount of our insurance coverage is in line with the customary standard in the industry and is adequate for our operations, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. For example, insurance covering losses from acts of war, terrorism, or natural disasters is either unavailable or cost-prohibitive. In addition, our insurers review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms or at all. Our current insurance coverage may not be sufficient to prevent us from suffering any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, financial condition, results of operations and prospects.

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

To identify, manage, and mitigate ESG risks, we may incur additional costs and expenses which could impact our financial performance. We monitor environmental and climate-related risks that may impact on our business, strategy and financial performance and evaluate the magnitude of the resulting impact over the short-, medium- and long-term horizons. This commitment may entail incurring substantial additional costs and would potentially impact our profitability. See "Business — Environmental, Social and Governance" for details. Increasing ESG-related regulatory requirements, including various disclosure mandates in the jurisdictions where we operate, may lead to rising compliance and sales costs, and failure to adapt to new regulations or meet evolving industry expectations could result in customers choosing products and services from other companies, materially and adversely affecting our results of operations and financial condition.

RISKS RELATING TO OUR INTELLECTUAL PROPERTY RIGHTS

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time-consuming and unsuccessful.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. Litigation may be necessary to enforce or defend our intellectual property rights, protect our trade secrets, or determine the validity and scope of proprietary rights, and any claims we assert against perceived infringers could provoke counterclaims alleging that we infringe their intellectual property rights. Many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce or defend their intellectual property rights than we do, and despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property. An adverse result in any litigation proceeding could put our patents, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable, or interpreted narrowly. The substantial discovery required in intellectual property litigation could also compromise our confidential information, and third parties may raise claims of invalidity or unenforceability before administrative bodies in China or abroad, potentially resulting in revocation or amendment of our patents such that they no longer cover our products and solutions. Such a loss of patent protection could materially and adversely affect our business.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue selling the products involved.

Companies operating in our industries routinely seek patent protection for their product and solution designs. Some of our competitors have large patent portfolios with broad claims that may be alleged to cover certain features of our products or solutions. Our competitors may initiate legal proceedings alleging infringement, misappropriation, or other violations of their intellectual property rights, and may use such litigation to gain a competitive advantage. Whether a product or solution infringes a patent involves complex legal and factual analysis, and the determination is often uncertain. We may also face exposure where employees previously employed by competitors use proprietary know-how or trade secrets in their work for us, or where competitors have filed for patent protection not yet publicly known or hold trademark rights not revealed through our searches. Any claims of patent or other intellectual property infringement, regardless of merit, could be expensive and time-consuming to defend, require us to pay substantial damages, prevent us from making or selling affected products or solutions, require us to redesign or rebrand our offerings, require us to enter into royalty or licensing agreements that may not be available on acceptable terms, divert the attention of management, or result in customers terminating, deferring, or limiting their purchases. New patents obtained by our competitors could also threaten the continued viability of our products or solutions in the market even after they have been introduced.

Obtaining and maintaining our patent protection depends on compliance with various procedural, documentary, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

The CNIPA and various governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and over the lifetime of the patent. Non-compliance events, including failure to respond to official actions within prescribed time limits, non-payment of periodic maintenance fees, and failure to properly legalize and submit formal documents, can result in abandonment or lapse of the patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction. In any such event, our competitors might be able to enter the market, which would materially and adversely affect our business.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our products.

The scope of patent protection in various jurisdictions is uncertain. Changes in either the patent laws or their interpretation in China or other countries may diminish our ability to protect our inventions, obtain, maintain, defend and enforce our intellectual property rights and, more generally, could affect the value of our intellectual property or narrow the scope of our patent rights. We cannot predict whether the patent applications we are currently pursuing and may pursue in the future will issue as patents in any particular jurisdiction or whether the claims of any future granted patents will provide sufficient protection from competitors. The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

We may be unable to protect the confidentiality of our trade secrets or other proprietary information, and we may be subject to claims that our employees or third parties have wrongfully used or disclosed alleged trade secrets or other proprietary information owned by others.

We may be unable to protect the confidentiality of our trade secrets or other proprietary information. In addition to our issued and pending patents, we rely on trade secrets, unpatented know-how, technology, and other proprietary information to maintain our competitive position, which we seek to protect through non-disclosure, confidentiality, and non-compete agreements with employees, business partners, and other parties. Nevertheless, unauthorized use or disclosure of our proprietary information may occur, whether intentionally or inadvertently, and a competitor may gain access to such information, compromising our competitive position. Trade secrets are inherently difficult to protect, and enforcing claims against misappropriation is expensive, time-consuming, and unpredictable in outcome. We also seek to enter into invention assignment agreements with our employees, though we may not obtain such agreements in all circumstances, assignments may not be self-executing, and employees may breach or violate the terms of these agreements. Disputes may also arise regarding the ownership of intellectual property where our employees or business partners use intellectual property owned by others in their work for us. If we fail in prosecuting or defending any such claims, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and R&D personnel.

RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

We incurred net losses during the Track Record Period, and we may not be able to maintain profitability in the future.

In 2023 and 2024, we incurred net losses of RMB0.9 million and RMB31.4 million, respectively. While we recorded net profit of RMB2.2 million in 2025, there is the possibility of losses in the future due to increases in costs and expenses along with our business expansion, as well as our continuous investment in research and development. If we are unable to generate sufficient revenue and effectively manage our expenses, we may continue to experience significant losses and may not sustain profitability. We may not be able to achieve profitability in the future. We plan to consistently invest in developing new technologies, improving user experience, implementing effective commercialization strategies, and introducing new products and solutions, which are considered crucial for our sustainable growth. Therefore, it is important not to rely entirely on past revenue figures as an indication of our future performance.

We recorded net operating cash outflows during the Track Record Period and there can be no assurance that we will not have net cash outflow in the future.

We recorded net cash used in operating activities of RMB34.8 million, RMB40.0 million and RMB9.0 million in 2023, 2024 and 2025, respectively. For details, see "Financial Information — Liquidity and Capital Resources — Cash Flows." Net operating cash outflow could impair our ability to make necessary capital expenditures and constrain our operational flexibility as well as adversely affect our ability to meet our liquidity requirements.

While we believe we have sufficient working capital to fund our current operations, we may, however, experience net cash outflows from our operating activities in the future. If we are unable to maintain adequate working capital, we may default in our payment obligations and may not be able to meet our capital expenditure requirements or pursue our growth strategies, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Increases in costs of the parts and components that we use in our products would adversely affect our business, financial condition and results of operations.

Significant changes in the markets in which we purchase parts, components and other supplies for the production of our products may adversely affect our profitability. Our raw material costs amounted to RMB198.3 million, RMB282.2 million and RMB379.2 million in 2023, 2024 and 2025, respectively. In the event of such changes, competitive and market pressures may limit our ability to recover increases in costs through increases in prices we charge to our customers. The inability to pass on price increases to our customers when part or component prices increase rapidly or are significantly higher than historical levels would adversely affect our business, results of operations and financial condition.

We are exposed to credit risks related to our trade receivables.

Our trade receivables primarily arise from sales of our products. As of December 31, 2023, 2024 and 2025, our trade and bills receivables (net of impairment) was RMB74.4 million, RMB137.9 million and RMB185.7 million, respectively. The collection of amounts due from our customers may not be timely. This might result in slow turnover of our trade receivables and restrict our working capital resources. In 2023, 2024 and 2025, our trade receivables turnover days were 75 days, 88 days and 95 days, respectively. See "Financial Information — Discussion of Key Items of Consolidated Statements of Financial Position." We cannot assure you that we will be able to recover all or any part of the amounts due from our customers within the agreed credit terms, or at all. If we fail to receive payments from our customers on a timely basis, our cash flows and financial position could be adversely affected. In addition, disputes that arise due to default in payment by customers may also be time-consuming and costly for us in the event we decide to claim for such payments, and we may not be successful, in which case our liquidity, business, financial condition and results of operations may be adversely affected.

If we fail to obtain or generate sufficient capital to maintain our operations and finance our growth strategies, or fail to do so on favorable or commercially acceptable terms to us, our operations and prospects could be negatively affected.

Our business and future strategies are capital-intensive and require substantial investments in areas including research and development and products promotion and marketing. Although we plan to fund these needs through cash flows from our operations and external financing, our future capital requirements are subject to uncertainty and may exceed our current expectations. Failure to obtain sufficient capital in a timely manner or on acceptable terms could require us to significantly reduce our spending, delay or cancel our planned activities, or substantially change our corporate strategy, which may materially and adversely affect our business, financial condition, results of operations and growth prospects.

If we fail to maintain adequate inventory, or if we mismanage our inventory, we could lose sales or incur high inventory-related expenses, which could negatively affect our operating results and financial performance.

Our inventories primarily include raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, we had inventories of RMB27.2 million, RMB52.9 million and RMB59.1 million, respectively. Our business expansion requires us to manage our inventories effectively. We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue. We also cannot guarantee that all of our inventory can be sold as products within a reasonable period of time. If we fail to manage our inventory effectively, we may be subject to increased inventory storage costs, a heightened risk of inventory obsolescence, a decline in inventory value and inventory write-offs. Any of the above may materially and adversely affect our results of operations and financial condition. On the other hand, if we underestimate demand for our products, or if our suppliers fail to supply in a timely manner, we may experience inventory shortages, which might result in diminished customer base and lost of revenue, any of which could harm our business, financial condition and results of operations.

We may be exposed to risks arising from changes in financial assets at fair value through profit or loss.

As of December 31, 2023, 2024 and 2025, we recorded financial assets at fair value through profit or loss of RMB100.3 million, RMB65.1 million and RMB123.6 million, respectively. Our financial assets at fair value through profit or loss recorded as current assets represented investments in wealth management products and structured deposits. Our financial assets are measured at fair value, subject to changes beyond our control. The investment income on financial assets at fair value through profit or loss is recorded under other income and gains. In 2023, 2024 and 2025, our investment income from financial assets amounted to RMB1.0 million, RMB1.0 million and RMB0.6 million, respectively; we also recorded fair value gains on financial assets at fair value through profit or loss of RMB1.2 million, RMB1.2 million and RMB0.5 million in the respective years. Our financial assets at fair value through profit or loss may fluctuate, which may affect our results of operations and financial condition.

Our results of operations may be affected due to the seasonality of our business and fluctuations in our operating costs.

Our results of operations may be affected from period to period by many factors, including seasonal factors that impact the demand for our products, as influenced by the downstream market trends, such as consumer-grade intelligent robots. In particular, due to the impacts of the public holidays such as the Spring Festival and the stocking and sales cycles of customers before or around holidays, we typically experience higher sales in the second and fourth quarters during the year. Our results of operations could also suffer if we do not achieve revenue consistent with our expectations for this seasonal demand because many of our expenses are based on anticipated levels of annual revenue. Due to the foregoing factors, our financial condition and results of operations for future periods may continue to fluctuate and our historical periodical results may not be comparable to future periods. Moreover, due to our relatively limited operating history, the seasonal trends that we have experienced in the past may not apply to, or be indicative of, our future operating results. As a result, the trading price of our shares may fluctuate from time to time due to seasonality.

Failure to obtain or maintain any of the government grants or preferential tax treatments could adversely affect our business, financial condition, results of operations and prospects.

During the Track Record Period, we benefited from government grants, many of which are non-recurring in nature or are subject to periodic review. As of December 31, 2023, 2024 and 2025, the government grants we recognized amounted to RMB5.1 million, RMB4.2 million and RMB4.8 million, respectively. In addition, our Company was qualified as a high and new technology enterprise and was subject to income tax at a preferential tax rate of 15%. For details of the preferential tax treatments, see Note 11 to the Accountants' Report in Appendix I to this document.

The PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or, in extreme cases such as fundamental changes in government policies or retrospective amendments to grant program terms and conditions, or the retroactive rescission or termination of certain government funding programs, require us to repay part or all of the government grants we previously received at any time, which could adversely affect our business, financial condition, results of operations and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses.

Most of our revenue and expenditures were denominated in Renminbi. Any significant revaluation of the Renminbi may adversely affect our financial condition and results of operations. In addition, the [**REDACTED**] from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rates among the Renminbi, the Hong Kong dollar, the U.S. dollar and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the [**REDACTED**] from the [**REDACTED**]. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us, thereby adversely affecting our business, financial condition and results of operations. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or the U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial condition or results of operations.

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

In recognition of the contributions of, the employees of our Group, and to incentivize them to further promote our development, we adopted the pre-[**REDACTED**] share incentive schemes. For the principal terms of our share incentive schemes, see "Appendix VI — Statutory and General Information — Share Incentive Schemes." We may incur additional share-based payment expenses in the future to attract, retain, and motivate key individuals. Such expenses may increase our operating expenses and negatively affect our financial performance, and the issuance of additional Shares in connection with share-based payments may dilute the shareholding of our Shareholders and result in a decline in the value of our Shares.

RISKS RELATING TO DOING BUSINESS IN JURISDICTIONS ASSOCIATED WITH OUR OPERATIONS

We face risks relating to changes in global and regional macroeconomic conditions, natural disasters, geographical tensions, regional conflicts, health epidemics and other outbreaks of contagious diseases.

Uncertainties about global economic conditions, regulatory changes, geographic tensions and other factors, including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our products. The escalated Palestinian-Israeli conflict, the conflict in Ukraine and the imposition of broad economic sanctions on Russia could raise energy prices and disrupt global markets. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. The relationship between China and other countries with respect to trade policies, treaties, government regulations and tariffs, among other matters, may affect the macroeconomic environment, both domestically and internationally, and potentially leave an impact on the market we operate in. In addition, natural disasters, widespread health epidemic, acts of war, terrorism or other force majeure events beyond our control may disrupt our research and development, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects.

Changes in economic, social conditions and policies may impact our business, financial condition, results of operations and prospects.

Substantially all of our revenue is derived from our business in the PRC during the Track Record Period. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic and legal developments in the PRC. While China's economy has experienced significant growth over past decades, the PRC government may continue to adjust economic policies and measures across industries and regions, and any significant adverse changes in macroeconomic conditions or the business environment in China may materially and adversely affect demand for our products, our ability to maintain operations, and our financial condition, results of operations, and future prospects.

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

Pursuant to the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知) promulgated by SAFE on February 15, 2012, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas listed company, and complete certain other procedures. In addition, an overseas entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We, our Directors, executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted share-based awards will be subject to these regulations when we become an overseas [**REDACTED**] company upon the completion of this [**REDACTED**]. Failure to complete the required registrations may subject them to fines, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our Directors, executive officers and employees under PRC law. In addition, our PRC subsidiaries are obligated to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes from employees who exercise their options, and any failure to do so may result in sanctions imposed by the tax authorities or other PRC governmental authorities.

Governmental regulation of currency conversion may limit our ability to utilize our revenue effectively and affect the value of your [REDACTED].

The conversion of Renminbi is subject to applicable laws and regulations in the PRC. We may need to convert Renminbi into foreign currencies for the payment of dividends, if any, to holders of our H Shares. While we are currently able to pay dividends in foreign currencies by complying with certain procedural requirements without prior SAFE approval, future restrictions on foreign currency access for current account transactions could impair our ability to do so. Foreign exchange transactions under our capital account remain subject to foreign exchange controls and require SAFE approval, which could affect our ability to obtain foreign exchange through equity financing or for capital expenditures. Most of our revenue is denominated in Renminbi, and limited instruments are available to reduce our foreign currency risk exposure at reasonable costs. Any of these factors may materially and adversely affect our business, results of operations, financial condition, and prospects.

We face certain risks relating to our leased properties, which may disrupt our operations and relocation costs.

As of the Latest Practicable Date, we primarily leased properties for offices, research and development, production and warehousing purposes. Any limitations on the leased properties, defects in the lessors' title to such properties, or discrepancies between the registered and actual use of the properties may impact our use of the leased properties or, in extreme cases, result in relocation, which may adversely affect our business operations and incur additional costs.

Pursuant to applicable PRC laws and regulations, all lease agreements are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, five of our leased properties in China had not completed such lease registration procedures with the relevant PRC government authorities. For details, see "Business — Properties." Although failure to do so does not in itself invalidate the leases, we may be subject to fines if we fail to rectify within the prescribed time period after receiving notices 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. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. As of the Latest Practicable Date, we were not aware of any notice or allegation of penalty from PRC government authorities for our failure on the registration of lease agreements.

We cannot assure you that our use of such leased properties will not be challenged in the future. In the event that our use of properties is challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with the property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to material liability resulting from third parties' challenges on our use of such properties. As a result, our business, financial condition and results of operations may be adversely affected.

We may be subject to fines and penalties as a result of our non-compliance with certain PRC laws and regulations regarding the social insurance and housing provident fund during the Track Record Period.

Under the applicable PRC laws, we are required to contribute, as an employer, to social insurance (including pension insurance, unemployment insurance, medical insurance, work-related injury insurance and maternity insurance) and housing provident funds for the benefit of our employees. According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), if an employer engages third-party human resource agencies to pay the social insurance or fails to make social insurance contributions in full, the relevant authorities could order the employer to pay, within a prescribed time limit, the outstanding amount with an additional late payment penalty at the daily rate of 0.05%, and if the employer fails to make the overdue contributions within such time limit, a fine equal to one to three times the outstanding amount may be imposed. According to the Housing Accumulation Funds Regulation (《住房公積金管理條例》), if the employer engages third-party human resource agencies to pay the housing provident funds or fails to register and establish an account for housing provident fund, the authority could order the employer to correct it within a prescribed time limit, where failure to do so at the expiration of the time limit shall results in a fine of not less than RMB10,000 nor more than RMB50,000 being imposed. Where an employer is overdue in the payment and deposit of, or underpays, the housing provident fund, the authority could order it to make the payment and deposit within a prescribed time limit, and where the payment and deposit has not been made after the expiration of the time limit, an application may be made to a People's Court of the PRC for compulsory enforcement.

During the Track Record Period, we engaged third-party human resource agencies to pay social insurance and housing provident fund for two of our employees at their request because we accommodated their preferences for participating in social insurance and housing provident fund schemes in their respective place of residency. In addition, we did not make social insurance contributions and housing provident funds in full for certain employees, primarily due to varying individual preferences regarding participation levels in social benefit programs. We may be ordered by the relevant authorities, or be subject to complaints from our employees to pay the outstanding amount within the prescribed period, failing which we may be subject to a penalty or subject to specific enforcement by the People's Court of the PRC. Our PRC Legal Advisor is of the opinion that the risk of that we will be subject to centralized collection of historical shortfall of social insurance and housing provident fund contributions, or material administrative fines or penalties by relevant government authorities for such shortfalls, is remote on the basis that (i) under the current applicable policies and regulations, primarily including the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Guidelines of the Executive Meeting of the State Council to Effectively Doing a Good Job in Stabilizing the Collection of Social Insurance Premiums (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), local governments are mandated to refrain from self-initiating investigations or collection efforts for arrears resulting from social insurance and housing provident fund contribution shortfalls, and (ii) based on the telephone consultations by our PRC Legal Advisors with the competent authorities for social insurance and housing provident funds in certain regions where our operating entities are located, those authorities have represented that they typically do not proactively conduct audits or require supplementary payments unless prompted by employee complaints. As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed against us by relevant authorities with respect to our under-contribution to employees' social insurance or housing provident fund, nor had we received any order to make up for the underpaid amount. We do not anticipate material adverse impact on our operations or financial performance from this matter. To prevent recurrence of similar non-compliances, we will implement enhanced internal control measures including ongoing employee education about statutory benefits, increasing our contribution base amount gradually with plans for further progressive increases, and committing to timely remediation if required by relevant authorities. We will also establish local operational entities to handle social insurance and housing provident fund contributions directly instead of using third-party agencies. However, we cannot assure you that we will not be subject to any order to rectify this non-compliance incident in the future. Any such order or employee complaint may adversely and materially affect our business, financial condition, results of operations and prospects.

We are subject to PRC tax laws and regulations and holders of our H Shares may be subject to PRC taxation.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Currently, these are exempted pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) and the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (《財政部國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》). However, the PRC government has indicated its intention to cease foreign individuals' tax exemption, and non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonuses realized from the H Shares.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies, which we are required to withhold at source, subject to reduction or elimination under applicable tax treaties. There remains uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT Law tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected, and any such collection could materially and adversely affect the value of our H Shares.

The PRC Labor Contract Law, any labor shortages, increased labor costs or other factors affecting our labor force may adversely affect our business, profitability and reputation.

We are required by PRC laws and regulations to pay various statutory employee benefits, including pension insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident fund to designated government agencies. The relevant government agencies may examine whether an employer has made adequate payments as statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. As China's economy continues to grow, the average wages in China are also expected to increase and if we are unable to pass on these costs to our customers, our profit margin and results of operations may be materially and adversely affected.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in the PRC against us or our management named in the document based on foreign laws.

We are a company incorporated under the laws of the PRC and a substantial majority of our assets and subsidiaries are located in the Chinese Mainland. The majority of our Directors and senior management reside, and their assets may be located, in the Chinese

Mainland. As a result, it may not be possible to effect service of process upon most of our Directors and senior management outside the PRC. Moreover, the PRC does not have treaties providing for reciprocal recognition and enforcement of court judgments in the United States, the United Kingdom, Japan or most other countries. Hong Kong also has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, in the Chinese Mainland or Hong Kong, recognition and enforcement of court judgments from the jurisdictions mentioned above may be difficult or impossible. Furthermore, the holders of H Shares will not be able to bring actions on the basis of violations of the Listing Rules and must rely on the Stock Exchange to enforce its rules. The Listing Rules and the Takeover Codes do not have the force of law in Hong Kong.

RISKS RELATING TO THE [REDACTED]

No public market currently exists for our H Shares. An active trading market for our H Shares may not develop and the [REDACTED] and [REDACTED] of our H Shares may be volatile.

Following the completion of the [**REDACTED**], we cannot assure you that an active trading market for our H Shares on the Stock Exchange will develop or be sustained. The [**REDACTED**] of our H Shares is the result of negotiations between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), which may not be indicative of the price at which our H Shares will be traded following the completion of the [**REDACTED**]. The [**REDACTED**] of our H Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**]. Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our H Shares or [**REDACTED**] of our H Shares to change substantially and unexpectedly. Stock prices have been subject to significant volatility in recent years, which has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of H Shares, potentially resulting in substantial losses for [**REDACTED**].

Future sales or perceived sales or conversion of significant amounts of our H Shares in the public market following the [REDACTED] could materially and adversely affect the price of our H Shares.

Future sales of a substantial number of our H Shares, especially by our directors, executive officers and existing Shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our H Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate. The Shares held by our existing Shareholders are subject to certain lock-up periods. See "[**REDACTED**]." While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. The effect of such disposal, if any, on the market price of the H Shares cannot be predicted.

You will experience immediate and substantial dilution as a result of the [REDACTED] and may experience further dilution if we issue additional Shares or equity securities in the future.

The [**REDACTED**] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the H Shares in the [**REDACTED**] will experience an immediate dilution. In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. Purchasers of the H Shares may experience dilution if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares through the employee incentive platforms, which would further dilute Shareholders' interests in our Company.

There can be no assurance whether and when we will pay dividends in the future, and payment of dividends is subject to applicable PRC laws.

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

Certain statistics contained in this document are derived from publicly available official government sources.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the industry in which we operate. Such information and statistics have been derived from various official government sources. The information and statistics from such sources have not been independently verified by us, the Joint Sponsors, [**REDACTED**], any of our or their respective directors, officers or representatives or any other party, other than Frost & Sullivan, involved in the [**REDACTED**] and no representation is given as to its accuracy. In any event, you should consider carefully the importance placed on such information or statistics.

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

Research reports published by securities or industry analysts about our business may influence the trading market of our H shares. If one or more analysts who cover us downgrade their evaluations of our H Shares, or if they issue reports with negative outlooks or misinformation regarding our operations, it could result in a material decline in the market price of our H Shares. If one or more of these analysts cease coverage for us or fail to publish regular reports on us, we could lose visibility in the financial markets, which, in turn, could adversely affect the [**REDACTED**] or [**REDACTED**] of our H shares.

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

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