You should carefully consider all of the information in this document, including the risks and uncertainties described below and in the Financial Information section, among others, before making an **[REDACTED]** *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition and results of operations. In any such case, the* **[REDACTED]** *of our H Shares could decline, and you may lose all or part of your* **[REDACTED]**.

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We operate in an industry with rapid technological developments. Failure to adapt to these developments could adversely affect our results of operations and business prospects.

We operate in the optical interconnect industry, which is characterized by rapid technological developments and frequent product iterations. Driven by the demanding requirements on interconnectivity in the AI era, optical interconnection technologies are rapidly evolving. Our optical components are part of the global optical communication network and must comply with various industry standards on technical requirements formulated by international standard-setting bodies, industry alliances and industry associations to operate efficiently. We also need to customize our products to meet our customers' technical requirements. New technologies may make the current technologies on which our products are based less competitive or obsolete, or require us to invest significantly in upgrading our technologies. Our customers also constantly seek new products with higher cost efficiency. We may be required to make significant investments to redesign or iterate our products to meet customer demands. Our success relies heavily on our ability to continuously develop better-performing new products and optimize our existing products to meet customers' requirements. There can be no assurance that we will be able to keep up with the latest technologies, maintain our technological leadership, effectively manage our R&D projects, or make our new or iterated products commercially available on a timely basis. If we fail to predict or respond effectively to rapid technological developments or customer requirements, demand for our relevant products may decline or such products may become obsolete, and our results of operations and business prospects may be adversely affected.

Our continuous success requires continued R&D investments.

Our R&D capabilities are critical to our success. As of December 31, 2025, we had 774 R&D personnel, accounting for 71.0% of non-manufacturing employees. In 2023, 2024 and 2025, our R&D expenses amounted to RMB143.3 million, RMB232.2 million, and RMB266.6 million, respectively, representing 7.4%, 7.2%, and 5.2% of our total revenue for these respective years. We are required to continuously incur significant R&D investments to offer products desirable to our customers and remain competitive in our rapidly evolving industry. However, our R&D activities and investments cannot guarantee revenue generation, and we may not be able to recover costs incurred. In addition, R&D efforts are inherently uncertain, typically involve long development cycles, and may fall short of our expectations due to changes in market conditions, technical challenges, unforeseen technological trends, evolving customer specifications, qualification and reliability testing cycles, and supply chain constraints. We cannot assure you that our R&D projects will be successful or completed within the anticipated time frame and budget, or that our newly developed products will achieve commercial success or meet our expected sales or profitability targets. In particular, failure of any key R&D project could result in sunk costs and loss of time-to-market opportunities. In addition, it may give rise to significant opportunity costs by diverting financial, technical and managerial resources away from other potentially viable projects. Our competitors may also develop similar or superior products at more competitive costs. Furthermore, due to uncertainties in developing new products and limited market windows for new products, we may have to abandon ongoing developments that are no longer commercially viable, even after having invested significant resources in their R&D. All the foregoing factors could materially and adversely affect our business prospects, financial condition and results of operations.

Any decrease in demand from our downstream customers and slowdown in the growth of the end markets that adopt our products could adversely affect our business prospects, financial condition and results of operations.

Our products are primarily used in datacom and telecom fields, including AI computing and data centers. During the Track Record Period, our key customers included AI computing infrastructure providers and optical transceiver manufacturers. Our financial performance for a particular period may fluctuate depending on the timing, size and mix of orders from our customers. Our customers' procurement decisions are influenced by their own business strategies, customer order visibility, inventory levels and pricing dynamics. Any reduction, delay or cancellation of customer orders, changes in our customers' procurement strategies or market conditions, failed validations of our products, or failure by our customers to successfully commercialize their products could adversely affect our sales, margins and cash flows.

If developments in the end markets, particularly AI related cloud computing and data centers, fall short of expectations, demand for our products could decline and our revenue could be adversely affected. Demand for our customers' products from the end markets is subject to factors beyond our control, such as macroeconomic conditions, shifting customer expectations, emerging technologies, downstream products' manufacturing cycles, data center and telecom providers' investment cycles, advancements of AI technologies, investments in AI computing infrastructure, disruptions in supply chains, and changes in regulatory policies. Any decline in the end markets' growth could adversely affect sales of our customers' products, which in turn would negatively affect their willingness to procure products from us and adversely affect our business prospects, financial condition and results of operations.

We are subject to the risk of customer concentration.

We are subject to customer concentration risk. In each of the years ended December 31, 2023, 2024 and 2025, revenue attributable to our five largest customers accounted for 82.2%, 87.5% and 90.6% of our total revenue, respectively; and revenue attributable to our largest customer accounted for 54.0%, 62.2% and 63.9% of our total revenue, respectively. See "Business—Customers" for further details. Demand from our major customers may fluctuate due to factors beyond our control, including changes in their business models, strategies or product mix, the market environment or macroeconomic conditions. In addition, we cannot assure you that we will continue to meet the qualifications or technical requirements of our major customers or maintain long-term good relationships with them, if at all. If our sales to one or more major customers are restricted or otherwise adversely affected, we would experience declines in our revenue. Furthermore, there can be no assurance that we will be able to acquire new customers to mitigate the concentration risk. We may be unable to identify new customers with similar levels of demand on comparable or commercially reasonable terms in a timely manner, or at all, or otherwise make up for the decrease in sales. If we are unable to retain our existing customers or to acquire new customers in a cost-effective manner, our business, financial condition and results of operations may be adversely affected.

We are exposed to regulatory, operational and other risks associated with our global operations.

We operate a global sales and service network with our customer base extending across approximately 30 countries and regions. In 2023, 2024 and 2025, our overseas revenue represented 82.7%, 76.7% and 75.1% of our total revenue, respectively. In addition to our operations in China, we have manufacturing facilities in Thailand and Japan and operations in Singapore, Thailand, Japan and the United States, and sell our products to customers all over the world. Global operations expose us to risks including challenges in maintaining consistent management systems and standards across jurisdictions, recruiting and managing overseas staff, allocation of resources, and accounting and tax differences; limited local market experience; potential political instability and changes in economic conditions in local markets; and unfamiliar and complicated regulations on issues such as competition, tariffs, data privacy, national security and intellectual property protection. For example, our overseas business operations may be subject to risks associated with political instability, regional conflicts, changes in government, and evolving regulatory policies. If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets may be impaired, which could have an adverse effect on our business prospects, financial condition and results of operations.

Our historical results of operations may not be indicative of our future performance.

We experienced steady financial growth during the Track Record Period. Our revenue increased from RMB1.9 billion in 2023 to RMB3.2 billion in 2024, and further increased to RMB5.1 billion in 2025. Our gross profit margin consistently remained above 50% throughout the Track Record Period, being 53.1%, 56.3% and 52.9% in 2023, 2024 and 2025, respectively. Our historical results of operations may not be indicative of our future performance. We cannot assure you that we will be able to sustain historical levels of revenue growth or gross profit margins. While the optical interconnect industry has experienced rapid growth in recent years, its growth could slow down, which could reduce demand for our products and our revenue. In addition, our gross profit margin may fluctuate due to changes in the mix of products sold, the pace and timing of new product commercialization, our pricing strategy and market competition. Our efforts to develop new higher-margin products may not succeed or meet our expected timeframes. In addition, our products may face price declines due to market competition and increased adoption of alternative solutions. We may also be exposed to price increases or shortages of raw materials driven by supplier capacity constraints, changes in commodity prices and foreign exchange rates. Furthermore, our expansion into new applications may not achieve the expected scale or profitability. If product validations for new applications are not timely completed and mass production is delayed, our capacity ramp-up may be prolonged and, as a result, lead to higher unit costs and lower gross profit margins.

Moreover, our future performance will be affected by numerous factors, such as our ability to maintain and expand our customer base; our customers' demand and procurement plans; our ability to execute our growth strategies and business initiatives and to commercialize new products on a timely basis; our ability to manage the increasing complexity of our operations as we expand, including recruiting, training and retaining qualified personnel; and our ability to control expenses and capital expenditures and to scale our operations in a cost-effective manner. If we fail to effectively manage our business growth and profitability, we may fail to execute our strategies on schedule or within our budget. As market conditions and the regulatory environment continue to evolve, we cannot assure you that our operations will continue to deliver expected results. If our assumptions regarding risks and future revenue growth or profitability turn out to be incorrect or if we fail to respond effectively to challenges, our business prospects, financial condition and results of operations could be adversely affected.

We cooperate with some major suppliers, and any disruption in supply could adversely affect our business and results of operations.

We procure raw materials from third-party suppliers in China and certain overseas countries. In each of the years ended December 31, 2023, 2024 and 2025, purchases from our five largest suppliers accounted for 54.7%, 54.4% and 61.5% of our total purchase amount, respectively; and purchases from our single largest supplier accounted for 29.4%, 35.5% and 34.8% of our total purchase amount, respectively. For further details, see "Business—Raw Materials and Supply Chain Management—Our Suppliers." We cannot assure you that we will be able to maintain stable relationships with our existing suppliers. Any interruption in their operations, any failure for them to accommodate our growing business scale, any termination or suspension of our supply arrangements with them, any material change in our procurement terms, or any disputes with these suppliers could adversely affect our results of operations.

If our suppliers cannot meet our requirements for quantity, quality or delivery schedules, we may face supply shortages or higher procurement costs. Our suppliers may fail to meet our needs for reasons beyond our control, including their quality or other manufacturing problems, their inability to ramp up production capacity to meet customer demand, changes in their supply allocation policies or priorities, their financial difficulties, fires, natural disasters, extreme weather, epidemics, strikes, transportation interruptions, or governmental regulations. In addition, changing suppliers may require a long lead time. We may not be able to locate alternative suppliers in sufficient supply quantities, of suitable quality, or at an acceptable price within a reasonable period of time, if at all. Continued supply disruptions could exert significant pressure on our costs, and we cannot assure you that all or part of any increased costs can be shared with our customers. Any disruption from these suppliers may delay the provision of our products to our customers. As a result, our business and results of operations could be adversely affected.

Any product defects may adversely affect our business and reputation.

Our commercial success depends on our ability to consistently deliver high-quality, reliable products. Any deterioration in product quality, or failure to meet customer expectations, could result in customer complaints, return requests, or order cancellations. Our manufacturing processes are required to meet certain quality standards and comply with applicable laws and regulations. We cannot guarantee that our quality control system will remain effective or fully compliant with applicable standards, or that all products we produce will be free from defects. Product defects may arise from a number of factors, many of which are outside of our control, such as design or manufacturing errors, technical malfunctions, human errors, tampering by third parties, and quality issues with raw materials we purchase. Certain product defects may not become apparent until after prolonged use. Any failure to detect or prevent quality defects in our products before delivery could result in product recalls or withdrawals, product liability claims, or other issues that may cause customer dissatisfaction, damage our customer relationships and harm our reputation and business. In the event of product liability claims brought against us, regardless of their merits, we could incur substantial legal costs, which could divert significant resources and management attention and adversely affect our reputation, business prospects, financial condition and results of operations.

Any delay or failure in executing our production capacity expansion or upgrade or any extended ramp-up period may adversely affect our business prospects, financial condition and results of operations.

Our growth is affected by our ability to expand and upgrade our production facilities to meet customer demand and deliver high-quality products at competitive costs. However, we cannot guarantee that our upgrade or expansion plan will succeed operationally or financially or be supported by sufficient market demand. Any such expansion or upgrade initiative may be restrained by the availability of capital to support these capital expenditures, regulatory approvals and licenses required, potential delays in construction and commissioning of the facilities, and related overruns of labor and other costs and expenses. In addition, the ramp-up of our expanded or upgraded production facilities may take longer than we expected due to factors such as labor shortages, time required to train new workers, unanticipated equipment downtime, and time required to improve production yield. We may experience lower production capacity utilization during the ramp-up period of our new facilities. As depreciation and amortization expenses associated with such facilities are generally fixed in nature, any underutilization may increase our unit production costs, which could adversely affect our profitability until optimal capacity utilization is achieved. Moreover, we may be unable to recoup the costs and expenses of production capacity expansion and upgrade if demand for our products declines due to deterioration of market conditions, geopolitical relations or other factors. As a result, our business prospects, financial condition and results of operations may be adversely affected.

Unexpected disruptions to our production facilities or production process may adversely affect our business prospects, financial condition and results of operations.

Our production facilities, located in China, Thailand and Japan, are subject to various operating risks. Our production operations could be disrupted as a result of operational accidents that result in damages to production equipment and facilities or delays in production or delivery. We are subject to risks related to workplace safety during our production process. If we fail to prevent any accidents, we could be held responsible for monetary damages or other legal liabilities in connection with such incidents. In addition, such incidents could result in negative publicity and damage to our brand image and reputation, which could adversely affect our business, financial condition and results of operations. Moreover, any unexpected disruptions to our production facilities or production process, including equipment failures, power disruptions, labor shortages, strikes, fire and natural disasters, could prevent us from delivering products to customers in a timely manner. As a result, our relationship with our customers could be adversely affected and we may also be subject to contractual claims for compensation to the customers. Furthermore, the use of more advanced, complex and costly technologies and equipment may further increase our exposure to operational risks and difficulties in timely repair or replacement. Extended interruption could cause us to suffer financial loss and reputational harm. Any of the foregoing factors could adversely affect our business prospects, financial condition and results of operations.

We operate in a competitive industry. If we fail to compete effectively, our business prospects, financial condition and results of operations could be adversely affected.

The optical interconnect industry in which we operate is competitive and rapidly evolving. We cannot assure you that we will be able to compete successfully in the markets in which we operate or plan to enter. We face direct competition across all product lines, both in China and globally. Competition could intensify as new entrants pursue market access and compete for customer orders, expand their product offerings or advance their technologies. Our competitors may possess greater resources, broader customer bases and greater economies of scale than we do, enabling them to respond more quickly to changing market demands more cost-effectively. They may also devote greater resources to technological development and the promotion and sale of their products. Furthermore, during periods of supply constraint, better-resourced competitors may secure priority access to critical raw materials or equipment, placing us at a potential competitive disadvantage. Any failure to adapt to changing market conditions and to compete successfully with existing or new market players would limit our growth and adversely affect our business prospects, financial condition and results of operations.

Our business depends substantially on our ability to attract, retain and motivate key management members and qualified personnel.

Our business depends substantially on our ability to attract, retain and motivate key management members and qualified personnel, particularly our R&D personnel. We may need to recruit additional key management members and R&D personnel to support our continued business growth. Many of our key management members and R&D personnel would be difficult to replace due to their specialized experience and the high entry barriers in the optical interconnect industry. We face intense competition for talent, together with external pressures such as rising labor costs and poaching by competitors. This competition could increase our costs in the form of cash and stock-based compensation, and any future stock price volatility could reduce the retentive value of our stock-based compensation. Despite our ongoing efforts to enhance employee compensation and benefits, we may still not be able to attract or retain qualified personnel or other highly skilled employees. Each of our executive officers and key employees has entered into an employment agreement with us that includes confidentiality and non-compete clauses. However, we cannot assure you that we will not lose management members or R&D personnel and we may be subject to legal proceedings arising from disputes over non-compete provisions. If any of our key management members and R&D personnel joins a competitor or forms a competing company, we may lose customers and know-how, which could adversely impact our competitive position and our business prospects.

RISKS RELATING TO OUR FINANCIAL POSITION

If we fail to manage our inventories effectively, our business, liquidity, financial condition and results of operations may be adversely affected.

Our inventories consisted of raw materials, work in progress and finished goods during the Track Record Period. Our inventory turnover days in 2023, 2024 and 2025 were 89.4 days, 78.5 days and 61.1 days, respectively. Certain raw materials require relatively long procurement lead times. As a result, we are required to place purchase orders based on our demand forecasts, which may be affected by market conditions and other factors beyond our control. If our forecasts prove to be inaccurate, we may experience shortages of raw materials, which could delay our production schedules and product deliveries, or we may procure excess inventory, which could increase our inventory holding costs. We cannot guarantee that our inventory levels will be able to swiftly meet the demands of customers, which may adversely affect our revenue.

Given the rapid product iteration cycles in our industry, we may continue to record inventory provisions, and the amount and proportion of such provisions may increase as our business scale expands and our products are upgraded and iterated. In 2023, 2024 and 2025, our provision for inventories amounted to RMB32.1 million, RMB34.0 million and RMB57.1 million, respectively. We make provision for inventories if the net realizable value of inventories is lower than the cost. Failure to manage inventory effectively may result in higher storage costs, obsolescence, or inventory shortages, any of which could adversely affect our business, liquidity, financial condition and results of operations.

Exposure to customer credit risk may adversely affect our cash flows and financial condition.

We are subject to credit risks of our customers, and our cash flows are affected by timely receipt of payments. As of December 31, 2023, 2024 and 2025, we recorded trade and bills receivables of RMB464.6 million, RMB808.1 million and RMB1,140.7 million, respectively. In 2023, 2024 and 2025, our trade and bills receivables turnover days were 82.4 days, 72.0 days and 69.5 days, respectively. If any customer experiences financial difficulties or a deterioration in creditworthiness, collecting full or partial payment may be challenging and enforcing judgment debts may be difficult. Such circumstances may also render our estimates of expected credit loss allowance inaccurate. Any failure to timely receive payments could adversely affect our cash flows and financial condition.

Any reduction or loss of preferential tax treatments or government grants could adversely affect our results of operations and financial condition.

We have benefited from certain preferential tax treatments. Under the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) (the "**EIT Law**") and its implementation rules, the statutory enterprise income tax rate is 25%. Our Company and certain subsidiaries, including Jiangxi TFC, Gao'an TFC, and Auxora Shenzhen, have qualified as High and New Technology Enterprises and have been entitled to a preferential enterprise income tax rate of 15%. This qualification is subject to review by the relevant PRC tax authorities every three years. In addition, our Company and the above subsidiaries have enjoyed a 5% additional deduction for VAT for advanced manufacturing enterprises, which is applicable until 2027. All such preferential treatments are subject to review, renewal and potential revocation; if we cease to qualify or if applicable PRC laws and regulations change, our income tax expenses could increase significantly. We also recorded government grants of RMB14.8 million, RMB28.0 million and RMB46.6 million in 2023, 2024 and 2025, respectively. As the grant of such subsidies is at the discretion of the government and is non-recurring in nature, we cannot assure you that we will continue to receive them. Any reduction or loss of preferential tax treatments or government grants could adversely affect our results of operations and financial condition.

If we fail to fulfill our contractual obligations with customers in respect of contract liabilities, our cash flow, working capital and results of operations may be adversely affected.

As of December 31, 2023, 2024 and 2025, our contract liabilities amounted to RMB83.7 million, RMB184.0 million and RMB160.6 million, respectively, representing payments received from our customers prior to delivery of our products. If we fail to fulfill our contractual obligations, we may be unable to convert these contract liabilities into revenue, and customers may require us to refund amounts already received. This would adversely affect our cash flow, working capital and results of operations.

Our operations may be subject to transfer pricing adjustments by competent authorities.

Our operations may be subject to transfer pricing adjustments by competent authorities. During the Track Record Period, we engaged in intra-group transactions among our Company and certain of our subsidiaries in the PRC and other jurisdictions that may be subject to audit or challenge by relevant tax authorities. We expect such intercompany transactions to continue in the foreseeable future. There is no assurance that tax authorities would agree that our intercompany transactions are priced on an arm's length basis, and relevant transfer pricing laws and regulations may be modified to our detriment. If an authority determines that such transactions were not conducted on an arm's length basis, it could require our relevant subsidiaries to re-determine transfer prices and adjust revenue, costs, expenses or taxable income accordingly. Failure to rectify any such adjustment within the required timeframe may result in late payment interest on unpaid taxes, surcharges and other penalties. A transfer pricing adjustment may also give rise to tax recoverable under any applicable double taxation relief arrangement, and any such adjustment could result in a higher overall tax liability, adversely affecting our business, financial condition and results of operations. For further details, see "Business—Transfer Pricing Arrangements" in this document.

Share-based payments may dilute Shareholders' interests and adversely affect our financial condition and results of operations.

During the Track Record Period, we made share-based payments to certain eligible key personnel. In 2023, 2024 and 2025, we incurred share-based compensation of RMB8.8 million, RMB84.3 million and RMB57.4 million, respectively. We believe the granting of share-based awards is important to our ability to attract and retain key personnel. However, grants under our incentive schemes may dilute Shareholders' equity interests and our net asset value per H Share, and costs associated with such incentives may adversely affect our financial condition and results of operations. See "Statutory and General Information—D. Restricted Share Incentive Scheme" in Appendix IV to this document for further details.

We may be unable to obtain additional capital when desired on acceptable terms or at all, and any equity or debt financing may dilute your shareholding or restrict our business operations.

We may need additional capital to fund our continued operations but fail to raise adequate funds on acceptable terms or at all. Our ability to obtain additional capital is subject to a variety of potential changes in the future, including (i) our profitability, overall financial condition and results of operations, (ii) our market position and competitiveness in the industry, (iii) general market conditions for capital-raising activities by our competitors; and (iv) economic, political and other conditions in the countries or regions we operate in. Any failure to raise capital as and when needed could negatively impact our ability to pursue our business strategies, thereby adversely affecting our results of operations. Our future capital or other business needs may require us to sell additional equity securities or incur additional indebtedness. Equity financing may dilute your interests as holders of our H Shares. On the other hand, debt financing may subject us to covenants restricting our ability to incur additional debt, make capital expenditures or declare dividends. Any failure to comply with financing covenants, without being rectified within the grace period, could result in cross default or cross acceleration on other indebtedness and constrain our liquidity. In addition, any failure to obtain necessary financing when desired on terms acceptable to us in a timely manner, if at all, could have an adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR OPERATION

We are subject to risks associated with economic sanctions and export control laws and regulations.

The United States and other jurisdictions and organizations, including the European Union, the United Kingdom, the United Nations and Australia, impose economic sanctions and export controls that may target countries, industry sectors, companies or individuals. These measures involve relevant lists and are subject to frequent changes, including those issued by the U.S. Department of the Treasury's Office of Foreign Assets Control ("**OFAC**") such as the Specially Designated Nationals and Blocked Persons List ("**SDN List**"). Their implementation, interpretation and enforcement involve substantial uncertainty, which may be heightened by national security or foreign policy considerations. Similar or more restrictive measures may be imposed in the future.

In recent years, the United States has significantly expanded export controls on China through the Export Administration Regulations (the "**EAR**") administered by the Bureau of Industry and Security of the U.S. Department of Commerce (the "**BIS**"). The BIS maintains the Entity List and other restricted parties lists, which impose strict limitations on dealings with designated entities. The export, re-export and/or (in-country) transfer of items subject to the EAR to a party (including as purchaser or end-user) on the Entity List is generally not permitted unless the transaction is licensed by BIS. During the Track Record Period and up to the Latest Practicable Date, we had limited sales to certain customers on the Entity List and, as advised by our legal advisor, the products that we supplied to such customers are not subject to the EAR, and therefore no BIS license is required for these transactions. We maintain internal compliance policies, use screening services, and engage external legal advisors to monitor regulatory developments and ensure adherence to applicable sanctions and export control regulations. Nevertheless, sanctions and export control laws and regulations are complex and continue to evolve rapidly, with new persons and entities regularly added to restricted lists, including the OFAC SDN List, BIS Entity List, and other lists maintained by the United States, the European Union, the United Kingdom, and the United Nations. Escalating geopolitical tensions may lead to new designations, broader restrictions or heightened scrutiny of our business. There can be no assurance that our compliance measures will be sufficient to prevent all risks in this rapidly changing environment. Any violation or designation could adversely affect our reputation, business prospects, results of operations and financial condition.

We are subject to geopolitical risks, including protectionist trade policies and national security measures.

We may be adversely affected by any deterioration in political and economic relations among the countries in which we operate or sell our products, and their protectionist trade policies and national security measures. These policies and measures are subject to frequent changes, and their interpretation and enforcement involve substantial uncertainty, particularly in light of national security concerns. Such developments could impair our collaborations with our suppliers and customers, and may adversely affect our business, financial condition and results of operations.

Starting from February 2025, the U.S. government imposed a series of tariff increases on imports from China, including two sets of tariffs under the International Economic Emergency Powers Act (the "**IEEPA**"). For example, the United States government imposed a 20% tariff to address the fentanyl issue, and, temporarily, a 125% reciprocal tariff on Chinese-origin goods. In response to the multiple rounds of tariff increases by the U.S. government, China also announced several rounds of tariffs on goods imported from the U.S. On May 12, 2025, the United States implemented a 90-day pause on the varying reciprocal tariffs except for those on Chinese goods, leaving the 10% baseline tariff in place, so that the United States would impose tariffs of 30% on most Chinese imports during this period, while China would impose tariffs of 10% on U.S. imports. In August 2025, the two countries announced a further 90-day extension of this suspension, and in October 2025, announced a lowering of the above U.S. 30% tariff to 20%. Effective from February 24, 2026, the U.S. customs authority ceased to collect the reciprocal and fentanyl related tariffs since the U.S. Supreme Court ruled that the President lacked authority to impose tariffs under IEEPA.

Meanwhile, President Trump issued a proclamation to impose a temporary import surcharge of 10% under Section 122 of the Trade Act on all imports to the U.S. effective from February 24, 2026 for a period of 150 days. During the Track Record Period and up to the Latest Practicable Date, our sales to the U.S. were minimal and our products imported into the U.S. were all of Chinese origin. As of the Latest Practicable Date, in addition to the applicable base tariff, most of our products imported into the U.S. were subject to the 10% Section 122 tariff, and some of these products were subject to a 25% Section 301 tariff. These changing policies have created considerable uncertainty regarding future tariff rates and the trajectory of U.S.-China trade relations. At this time, it remains unclear what additional actions, if any, will be taken by the U.S. or other governments.

Additionally, the U.S. government has implemented policies restricting outbound investment in China, which could affect our access to capital. In October 2024, the U.S. Department of the Treasury (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**"), which became effective on January 2, 2025. The Outbound Investment Rule targets investments involving persons and entities associated with "countries of concern," currently only China (including Hong Kong and Macau), and it imposes investment prohibition and notification requirements on a wide range of investments in companies engaged in covered activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems. With limited exceptions, equity investments by a U.S. person (as defined in the Outbound Investment Rule) in a covered foreign person are subject to prohibition or notification requirements, depending primarily on the nature of technology involved. As advised by our legal advisor, we do not believe that we are a covered foreign person under the Outbound Investment Rule because we do not engage in activities that are "covered activities" under the Outbound Investment Rule. However, we cannot assure you that Treasury will not take a different view. Any **[REDACTED]** with questions about the application of the Outbound Investment Rule to its participation in the **[REDACTED]** should consult its own legal counsel. Subsequent to the implementation of the Outbound Investment Rule, the U.S. government issued an "America First Trade Policy" on January 20, 2025 and an "America First Investment Policy" on February 21, 2025, including to direct Treasury and several other executive departments modify the Outbound Investment Rule. On December 18, 2025, the Comprehensive Outbound Investment National Security Act of 2025 (the "**COINS Act**"), as part of the National Defense Authorization Act for Fiscal Year 2026, became law. The COINS Act largely codifies the core of the current Outbound Investment Rule while making certain modifications, including an expansion of the scope of outbound investment restrictions to additional sectors. While the COINS Act was enacted and effective on December 18, 2025, it is not self-executing and it does not replace or amend the Final Rule immediately. The COINS Act is a U.S. federal statute that provides a statutory basis for further rulemaking. The COINS Act requires the Treasury to, within 450 days from passage, promulgate new or amended regulations (which may then amend or replace the Final Rule) to implement the law. **[REDACTED]**, including those that are U.S. persons or are subsidiaries of U.S. persons, should consult their own legal counsel if they have questions regarding the Outbound Investment Rule, the COINS Act and their implications to any **[REDACTED]** in us. If our ability to raise capital from U.S. **[REDACTED]** is impaired by the Outbound Investment Rule, the COINS Act or similar laws, our business, financial position, and prospects could be harmed. Under extreme circumstances, the value of our Shares could decline significantly or even become worthless.

Our joint ventures, investments and acquisitions may not be successful, and we may not realize the anticipated strategic benefits or financial returns.

We have established joint ventures and made strategic acquisitions and investments to strengthen our capabilities in the optical interconnect sector. We may pursue additional strategic acquisitions and investments at opportune moments to strengthen our technologies and product portfolio and penetrate overseas markets. We may enter into joint ventures or make investments and acquisitions from time to time along the value chain of the optical interconnect industry. Such joint ventures, investments and acquisitions may involve risks and uncertainties, including (i) failure to achieve expected business objectives or realize the benefits of acquisitions and investments; (ii) difficulties in integrating acquired companies, personnel or products; (iii) unanticipated costs, inadequate returns on investment and issues not discovered during due diligence; (iv) diversion of our management's time and attention from other business concerns; and (v) difficulties in retaining key employees of acquired businesses, all of which may adversely affect our business, results of operations and financial condition. Therefore, we cannot assure you that any joint ventures, investments and acquisitions we enter into or carry out in the future will be successful. Failure in executing these initiatives could negatively affect our business prospects, financial condition and results of operations.

We, our Directors and our management may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

In the course of our operations, we may from time to time face legal and administrative proceedings in China and overseas, including disputes involving intellectual property, product liability, contracts, employment, properties, regulatory compliance and other commercial issues. These proceedings could involve substantial costs, including those associated with investigation, litigation, settlement, judgments, penalties, or fines. Such proceedings may also be time-consuming, divert management and personnel resources from our core business operations, and generate negative publicity, regardless of the validity of the allegations or the ultimate outcome. Such publicity could harm our reputation and diminish customer trust in our products, which may adversely affect our business relationships and market position. As we expand our international presence, our exposure to cross-border legal and regulatory risks will increase. Furthermore, our Directors and management may also become subject to litigation, regulatory investigations, proceedings or negative publicity in relation to commercial, labor, employment, securities or other matters. Any such proceedings could result in potential liability, additional expenses or reputational harm to us. If we are unable to effectively manage or resolve such disputes or proceedings, our business, financial condition and results of operations could be adversely affected.

Failure to protect our intellectual property rights, and any claims that we infringe third-party intellectual property rights, could harm our business and competitive position.

Our trade secrets, trademarks, patents, software copyrights, know-how, and other intellectual property rights are essential to our success. Unauthorized use by third parties could adversely affect our revenues and reputation. To safeguard our intellectual property, we rely on trademark and patent law, unfair competition laws and contractual rights, including confidentiality agreements with employees and third parties. However, these measures may be insufficient or breached, leading to unauthorized disclosure of our trade secrets and proprietary information. Any litigation initiated by us concerning the infringement by third parties of our intellectual property rights is likely to be expensive and time consuming, and could result in outcomes unfavorable to us, which may adversely affect our business and operations. Additionally, there is no guarantee that our applications for trademarks, patents or other intellectual property will be approved, or that our granted rights will not be challenged or deemed invalid. Even where patents are granted, issued patents may not provide meaningful protection or competitive advantages. Patent claims might not be broad enough to prevent others from developing similar technologies, existing patents or pending applications in our field could have priority over ours, potentially invalidating our applications, and our patents may expire without extension. Intellectual property granted to us in certain jurisdictions would not guarantee us equivalent rights in other jurisdictions due to the complexity of applicable regulation and processes, and the laws of some countries do not protect intellectual property rights as fully as others. Policing unauthorized use of proprietary technology is challenging and expensive, and we cannot ensure our measures will prevent all misappropriation or infringement. Failure to stop others from using our intellectual property could adversely affect our business, financial condition and results of operations.

We cannot be certain that our operations, or any aspects of our business, do not or will not infringe third-party patents, copyrights or other intellectual property rights, including patents of which we may be unaware. Further, evolving patent laws and interpretations in the jurisdictions where we operate may increase this risk. If we are found to have infringed third parties' intellectual property rights, we may face legal liability, injunctions prohibiting use of the intellectual property, licensing fees, or the need to develop alternatives, which we may not achieve on acceptable terms or a timely basis, if at all. Defending infringement claims, regardless of merit, could involve significant costs, divert management and resources, and generate adverse publicity. Successful claims could result in substantial monetary damages and disrupt our business. As a result, any intellectual property-related dispute or litigation could adversely affect our business, financial condition and results of operations.

Any loss of, or failure to obtain, maintain or renew, requisite approvals, licenses, permits or other relevant governmental approvals necessary for our business operations could adversely affect our business, results of operations and financial condition.

Our operations span multiple jurisdictions, including Chinese Mainland, Hong Kong, Singapore, Thailand, Japan and the United States. In accordance with the laws and regulations in such jurisdictions in which we operate, we are required to maintain various approvals, licenses, permits and certifications to operate our business. See "Business—Licenses, Approvals and Permits." We need to comply with such laws and regulations across multiple jurisdictions, and any non-compliance may expose us to liability. Furthermore, with the introduction and enactment of new laws and regulations, as well as the refinement of interpretations and applications of existing laws and regulations, we cannot guarantee that we will be able to obtain all requisite approvals, licenses, permits and certifications. In addition, we may be required to renew existing licenses or permits or acquire new ones but fail to obtain all requisite approvals, licenses, permits and certifications in a timely manner, if at all. Any such failure could result in disruptions to our operations and adversely affect our business, results of operations and financial condition.

Failure to comply with applicable labor laws and regulations may adversely affect our financial condition and results of operations.

Companies operating in the PRC are required to participate in various employee benefit plans mandated by the government, including certain social insurances, housing provident fund contributions and other welfare-oriented payment obligations. The specific requirements and implementation of these employee benefit plans may vary depending on the level of economic development across different locations in the PRC. Any failure to make adequate payments may result in late payment fees, fines, and/or other penalties. During the Track Record Period and up to the Latest Practicable Date, we did not make full contribution of social insurance and housing provident fund for certain of our employees in a timely manner according to relevant PRC laws and regulations. According to applicable PRC laws and regulations, we may be required by relevant regulatory authorities to make up the outstanding amount of social insurance prior to a stipulated deadline and we may be liable for the additional late payment penalty at a daily rate of 0.05% of the shortfalls. We may also be liable to a penalty of one to three times of the outstanding contribution amount in the event that we fail to make such payments in time. In addition, according to applicable PRC laws and regulations, the relevant government authorities may demand that we pay the outstanding housing provident fund contributions by a stipulated deadline. Enforcement actions may be taken against us according to rulings of relevant PRC courts if we fail to rectify by that deadline.

As advised by our PRC Legal Advisor, the risk of us being subject to proactive enforcement or significant penalties by competent authorities in respect of social insurance and housing provident fund contributions is remote, provided that there are no material changes to current policies and regulations, because: (i) pursuant to notices issued by the Ministry of Human Resources and Social Security, the Ministry of Finance, the SAT, the National Healthcare Security Administration and other relevant authorities, relevant authorities are not permitted to proactively take centralized enforcement actions; (ii) based on our PRC Legal Advisor's interviews with, or written confirmation from, relevant competent authorities, these authorities confirmed that they would not proactively take enforcement actions or impose penalties against us; (iii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties by relevant authorities, nor were we aware of any material complaints from or disputes with relevant employees, in connection with social insurance or housing provident fund contributions; and (iv) if competent authorities or relevant employees require us to rectify, we will fulfill relevant obligations in a timely manner in accordance with applicable regulatory requirements. As a result, during the Track Record Period, we did not make any provision in connection with the failure to make full contribution of social insurance and housing fund. However, we cannot assure you that any new laws and regulations or any changes in the implementation of the existing laws and regulations will not require us to pay any contribution shortfall or impose late payment penalties on us. As a result, our financial condition and results of operations could be adversely affected.

We may not be able to timely detect or prevent misconduct by our employees or third parties, which could expose us to liabilities, harm our reputation and adversely affect our business, financial condition and results of operations.

We may not be able to timely detect or prevent misconduct or other improper activities by our employees or third parties, including noncompliance with regulatory requirements, violations of laws, fraud or other improper activities. Examples could include their failure to comply with our policies and procedures or with regulatory requirements relating to environmental, health or safety matters, bribery of domestic or foreign government officials, hiding unauthorized or unlawful activities, and concealing unauthorized or unlawful activities. Despite our policies, procedures and controls, such misconduct is difficult to detect or prevent. Any failure by any of our employees or third parties to comply with applicable laws or regulations could damage our reputation and may subject us to fines, penalties, restitution or other damages. Any of these outcomes would adversely affect our business, financial condition and results of operations. In addition, we are often involved in our customers' product design and development processes, during which we may have access to their trade secrets and proprietary information. As a result, we and our employees are generally bound by confidentiality obligations. Any breach of such obligations, whether intentional or inadvertent, could harm our relationships with customers, expose us to legal liability, and further damage our reputation and business prospects.

Negative publicity and allegations involving us, our affiliates, Directors, officers, employees or business partners may adversely affect our reputation, business, financial condition and results of operations.

Negative publicity and allegations involving us, our affiliates, Directors, officers, employees or business partners, including our customers or suppliers, may harm our brand image and reputation and erode market recognition of our products. Even negative publicity about other industry players or the optical interconnect industry as a whole may negatively affect us. Our exposure to reputational risk is amplified by our customer concentration. Any adverse publicity or compliance issues involving these major customers could disrupt our operations, reduce our revenues, or harm our reputation. In addition, any negative publicity involving our affiliates, Directors, officers or employees could adversely impact our business and marketing efforts due to their close association with us. Moreover, negative publicity may come from malicious harassment or unfair competition by third parties beyond our control. Such negative publicity may also result in the diversion of management's attention and governmental investigations or other forms of scrutiny, which may have an adverse effect on our reputation, business, financial condition and results of operations.

Increases in labor costs or any possible labor-related issues may adversely affect our business, financial condition and results of operations.

We cannot guarantee that we will not face any labor-related issues such as collective bargaining, workplace disputes, strikes, or challenges in attracting and retaining qualified workers. Such issues could result in work stoppages or labor shortages, impacting our ability to meet customer demands and fulfill orders on time. Resolving labor disputes, hiring temporary workers, or implementing contingency plans to mitigate the effects of labor shortages could incur additional costs. Relevant expenses, along with potential revenue losses from delayed deliveries, may negatively affect our profitability and overall results of operations. In 2023, 2024 and 2025, direct labor cost in our cost of sales amounted to RMB135.1 million, RMB216.3 million, and RMB308.2 million, respectively. Rising labor costs due to intense competition for talent, general wage inflation or stricter minimum wage laws in the jurisdictions where we operate could further pressure our margins. Unless we can offset these increases through other measures, our profit margins may decline, adversely affecting our business, financial condition and results of operations. As a company with global operations, we have employees in multiple jurisdictions and are subject to the employment laws and regulations there. Any failure to comply with applicable local employment laws and regulations may result in fines, reputational damage, and significant rectification costs, which could adversely affect our business, financial condition and results of operations.

Our insurance coverage may not be sufficient to cover all losses, which may increase our costs of operation.

We face various risks in connection with our business. Our current insurance coverage may not be sufficient to cover all potential losses or liabilities that may arise in connection with our business. In particular, we currently do not carry any business interruption or litigation insurance. See "Business—Insurance" for further details. We cannot guarantee that a product liability claim or other litigation will not be brought against us. If we were to incur substantial losses or liabilities due to fire, explosions, floods or other natural disasters, disruption in our production facilities or business operations, or any material litigation (such as product liability claims), our financial condition and results of operations could be adversely affected. There is no certainty that we will be able to successfully claim our losses under our current insurance policy, such as our property insurance, on a timely basis, or at all. If we were held liable for uninsured losses or amounts and claims for insured losses exceeding the limits of our insurance coverage, our business, financial condition and results of operations may be adversely affected.

If we fail to maintain effective internal controls, our business, financial condition and results of operations could be adversely affected.

Due to the inherent limitations in the design and implementation of our risk management system, it may not be sufficiently effective in identifying, managing and preventing all risks if external circumstances change substantially or extraordinary events take place. New business initiatives, including development of new products, entry into new markets or applications, and strategic investments or mergers and acquisitions, may also give rise to additional risks that are currently unknown to us. If our risk management system fails to detect potential risks in our business as intended or is otherwise exposed to weaknesses and deficiencies, our business, financial condition and results of operations could be adversely affected. In addition, there can be no assurance that such implementation by our employees will always function as intended or such implementation will not involve any human errors, mistakes or intentional misconduct. If we fail to implement, update and modify our policies and procedures in a timely manner, or fail to identify risks that affect our business with sufficient time to plan for contingencies for such events, our business, financial condition and results of operations could be adversely affected.

We are subject to environmental, social and governance ("ESG") related laws and regulations, and changes in relevant compliance requirements could adversely affect our business, results of operations and financial condition.

We are subject to a number of environmental, fire control and health and safety laws and regulations, including the treatment and discharge of pollutants into the environment during our business operations. Our production lines can only be put into operation after the relevant administrative authorities in charge of building control, environmental protection, fire control and health and safety (as applicable) have examined and approved the relevant facilities. We may experience isolated immaterial incidents and cannot assure you that we will be able to comply with all regulations and obtain all the regulatory approvals required for our production in a timely manner, or at all. Delays or failures in obtaining such approvals may affect our ability to develop, manufacture and commercialize our products in line with our plans. With the rising awareness of environmental protection, more stringent laws and regulations that affect our business operations may be adopted. Changes in existing ESG-related laws and regulations or the promulgation of new ESG-related laws and regulations may increase our compliance costs. In addition, any failure to comply with these laws and regulations could result in rectification orders or production suspension, and subject us to substantial fines and potentially significant monetary damages. We cannot eliminate the risk of accidental contamination, biological or chemical hazards or personal injury at our facilities during the process of testing, developing and manufacturing our products. In the event of an accident involving a breach of any of these laws and regulations, we could be held liable for damages and clean-up costs which, to the extent not covered by existing insurance or indemnification, could harm our business, results of operations and financial condition.

We may face risks associated with IT system failures, network disruptions, or cybersecurity breaches.

IT systems are critical for us to effectively manage our operations. If we do not allocate sufficient resources to build and maintain proper IT infrastructure, we could be subject to transaction errors, processing inefficiencies, and customer service disruptions. Moreover, if our data management systems do not effectively collect, store, process and report relevant data for the operation of our business, whether due to equipment malfunction or constraints, software deficiencies, system failures, cybersecurity attacks, or human errors, our ability to effectively plan, forecast and execute our business plans and comply with applicable laws and regulations will be impaired. Challenges relating to the building of new IT infrastructure can subject us to certain errors, inefficiencies, and disruptions. Our IT systems, and the systems of our third-party IT service providers may also be vulnerable to a variety of interruptions due to events beyond our control, including natural disasters, terrorist attacks, electrical or telecom failures, software program errors, computer viruses, cyberattacks or hackers, and other security issues or threats that may pose a risk of financial losses, business interruptions, wrongful use of information, damage to reputation, and lack of proper protection. Cybersecurity attacks are evolving and include malicious software, attempts to gain unauthorized access to data, and other electronic security breaches that could lead to disruptions in systems, unauthorized release of confidential or otherwise protected information, and corruption of data. Given the unpredictability of the timing, nature and scope of IT disruptions and security breaches, our relevant policies, procedures and measures may not have been effectively implemented and we could potentially be subject to operational interruption, damage to our image and private data exposure. We may also need to incur significant expenses for implementing additional security measures to protect our IT systems.

Our operations could be subject to natural disasters, health epidemics and other factors out of our control.

Our business could be adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, outbreaks of a widespread health epidemic or pandemic, or other events such as wars, regional conflicts, acts of terrorism, environmental accidents, power outages or communication interruptions. The occurrence of such a disaster or prolonged outbreak of an epidemic or pandemic illness or other adverse public health developments in the PRC or elsewhere could disrupt our business and operations. Such events may also significantly affect our industry and may even cause a temporary closure of the facilities we or our business partners use for our operations, which would disrupt our operations and have an adverse effect on our business, financial condition and results of operations. Our operations could also be disrupted if any of our employees or employees of our business partners are suspected of having any of the epidemic or pandemic illnesses, since this could require us or them to quarantine some or all of such employees or disinfect the relevant facilities. In addition, our revenue and profitability could be reduced to the extent that a natural disaster, health epidemic or pandemic or other outbreaks harm the global or PRC economies in general.

RISKS RELATING TO THE JURISDICTIONS WHERE WE OPERATE

Any adverse changes in global and regional economic and political conditions could affect our business, results of operations and financial condition.

We operate primarily in China and also have operations in Singapore, Thailand, Japan and the U.S. Our sales are primarily made to overseas markets. As such, our business, financial condition and results of operations are influenced by global and regional economic and political conditions. Economic growth in our geographic markets has been uneven, both geographically and among various sectors within relevant economies. The growth of the regional and global economy has slowed in recent years, and it remains uncertain how long this slowdown will persist. There are considerable uncertainties over the long-term effects of the monetary and fiscal policies adopted by central banks and financial authorities of the world's leading economies, particularly the U.S. and China, compounded by concerns over war, unrest and terrorist threats in certain countries and regions, including the Israel-Iran war and the Russia-Ukraine war, which have resulted in volatility in oil and other markets. Any economic slowdown or negative business sentiment could have an adverse impact on our industry. Changes in the economic or political environment could increase our exposure to legal and business risks and may adversely affect our operations. Continued turbulence in international markets, including changes in trade relations between countries and newly imposed tariffs, could also adversely affect our ability to access capital markets to meet liquidity needs, which in turn could adversely affect our business, results of operations and financial condition.

Legal system uncertainties in jurisdictions where we operate could adversely affect our business, financial condition and results of operations.

The legal systems of the geographic markets where we operate vary significantly between jurisdictions, with some based on civil law and others on common law. Under civil law systems, prior court decisions have limited precedential value. The legal systems of some geographic markets where we operate are evolving, and recently enacted laws may not sufficiently cover all aspects of economic activities in such markets. In particular, the interpretation and enforcement of these laws and regulations are subject to future implementations, and the application of some of these laws and regulations to our businesses is not settled. Since local administrative and court authorities are authorized to interpret and implement statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we have in the geographic markets where we operate. Local courts may also exercise discretion to reject enforcement of foreign or arbitral awards. Furthermore, some legal systems are based in part on their respective government policies and internal interpretations, some of which may have retroactive effect. In addition, administrative and court proceedings in certain of the geographic markets may be protracted, resulting in substantial costs and diversion of management resources. Any new laws or regulations applicable to our businesses could slow the growth of our industries and adversely affect our business, financial condition and results of operations.

Exchange rate fluctuations may have an adverse effect on our results of operations and dividend payment to holders of the H Shares.

Our business operates across China and overseas markets, exposing us to exchange rate fluctuation risks. Our subsidiaries mainly operate in China, Singapore, Thailand, Japan and the United States, and our sales are mainly settled in U.S. dollars and RMB and, to a lesser extent, currencies such as Japanese Yen. The vast majority of our revenue is from overseas sales and part of our cost of sales and expenses are denominated in foreign currencies. The value of RMB against the U.S. dollar and other currencies depends to a large extent on domestic and international economic and political developments. In 2023 and 2024, our foreign exchange gains, net amounted to RMB7.1 million and RMB25.9 million, respectively. In 2025, we recorded foreign exchange losses, net, of RMB47.5 million. Therefore, exchange rate fluctuations could adversely affect our results of operations and financial condition. The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars and we expect a portion of the **[REDACTED]** to be spent in RMB. As a result, any appreciation of the RMB against the Hong Kong dollar may result in a decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the RMB against the Hong Kong dollar may adversely affect the value of, and any dividends payable on, the H Shares in Hong Kong dollars.

PRC foreign currency conversion regulations may restrict our foreign exchange transactions, including dividend payment to holders of our H Shares.

We may need to convert revenue into other currencies to meet foreign currency obligations, including operating costs and dividends payable on our H Shares. Shortages in foreign currencies may restrict our ability to pay dividends or satisfy our other foreign currency-denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior SAFE approval, subject to compliance with applicable procedural requirements. Conversion of Renminbi into foreign currency for capital account purposes, such as repayment of foreign currency-denominated loans, requires approval from or registration with the relevant governmental authorities. As foreign exchange regulations may evolve over time, we cannot assure you that the rules governing the remittance of Renminbi into or out of the PRC will remain unchanged.

Dividends and gains on transfer of H Shares may be subject to PRC income taxes.

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

Under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within Chinese Mainland paid to foreign individual investors who are not PRC resident individuals are generally subject to a withholding tax at a rate of 20% and gains from Chinese Mainland sources realized by such investors on the transfer of shares are generally subject to a 20% income tax rate, in each case, subject to any reduction or exemption set forth in applicable tax treaties and laws in Chinese Mainland. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of Chinese Mainland at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between Chinese Mainland and Hong Kong. Non-Chinese Mainland resident individual holders who reside in jurisdictions that have not entered into tax treaties with Chinese Mainland are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF and SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision had not expressly provided that individual income tax shall be collected from non-Chinese Mainland resident individuals on the sale of shares of Chinese Mainland resident enterprises listed on overseas stock exchanges.

If Chinese Mainland income tax is imposed on gains from the transfer of our H Shares or on dividends paid to non-Chinese Mainland resident investors, the value of your **[REDACTED]** may be affected.

Furthermore, Shareholders whose jurisdictions of residence have tax treaties or arrangements with Chinese Mainland may not necessarily qualify for benefits under such treaties or arrangements.

Our offshore subsidiaries may be classified as PRC tax resident enterprises, resulting in a higher tax burden.

Under the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得稅法實施條例》), enterprises established outside China with "de facto management bodies" located within China may be classified as PRC tax resident enterprises and subject to a 25% enterprise income tax on their global income. Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies) (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》(Guo Shui [2009] No. 82) further specifies that Chinese-controlled offshore incorporated enterprises will be classified as PRC resident enterprises if all of the following conditions are met: (i) senior management personnel and departments responsible for daily operations are located mainly within China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in China; (iii) key properties, accounting books, company seal and minutes of board and shareholders' meetings are kept within China; and (iv) at least half of the directors with voting rights or senior management reside within China. The SAT has subsequently provided further guidance on the implementation of Circular 82. As our Company is a PRC enterprise, our offshore subsidiaries may be questioned by competent regulatory authorities. Nonetheless, it remains subject to future interpretation as to what types of enterprise would be deemed a PRC resident enterprise for such purposes. If deemed PRC resident enterprises, they could be subject to EIT at 25% on their global income, except that dividends received from our PRC subsidiaries may be exempt to the extent they constitute dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise. Such an outcome could significantly increase our tax burden and adversely affect our cash flows and profitability.

Failure to comply with evolving data protection and cybersecurity regulations may adversely affect our business.

Any improper handling of data or security incidents, such as unauthorized access by hackers, could result in reputational damage and expose us to civil or regulatory liabilities, which could have legal, financial and operational consequences. In the ordinary course of our business, we collect and store certain operational data, technical information and personal information of our employees. We are subject to applicable laws and regulations relating to the collection, use, retention, protection and transfer of data domestically and abroad. As of the Latest Practicable Date, we had not been engaged in the cross-border transfer of important data. The regulatory framework for data privacy and cybersecurity is continuously improving and becoming increasingly comprehensive. Compliance with these laws and regulations may require us to further enhance our internal control measures, upgrade our information technology systems and incur additional compliance costs.

We may be subject to approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with overseas offerings and future capital raising activities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, effective from March 31, 2023. Pursuant to the Trial Measures, domestic companies are required to file with and report relevant information to the CSRC when seeking to offer or list securities overseas, both directly and indirectly, and in the event of subsequent offerings and certain major events. If it is determined that we failed to comply with these requirements, such as for our future capital raising activities, if any, we could be subject to penalties imposed by the CSRC or other PRC regulatory authorities. Failure to timely complete such filings with the CSRC could result in delays or termination of our relevant capital raising plans, as well as our reputation, business, financial condition and results of operations.

On February 24, 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Confidentiality and Archives Provisions**"), effective from March 31, 2023. These rules require that, for its overseas securities offerings and listings, either directly or indirectly, a domestic enterprise, and relevant securities companies and securities service institutions, are required to comply with requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of these rules may evolve. Failure to comply with these rules may adversely affect our reputation, results of operations and financial condition.

Any violation of foreign ownership limits or other applicable laws may adversely affect our business, financial condition and results of operations.

In Thailand, foreign participation in certain businesses is generally restricted under the Foreign Business Act B.E. 2542 (1999) (the "**FBA**"). Without a foreign business license or certificate to conduct restricted businesses, a foreign company is prohibited from engaging such businesses in Thailand. As advised by our local counsel in Thailand, Section 8 of the FBA restricts foreign participation in the businesses that are listed in its schedules. As manufacturing is not listed as a restricted business, based on the Ruling issued by the Department of Business Development, Ministry of Commerce of Thailand in December 2025, our local counsel in Thailand is of the view that our operations in Thailand, which are limited to the manufacturing of goods, are not subject to the restrictions under the FBA. If our operations in Thailand are found to be in breach of the FBA or any applicable laws, including zoning, factory or building control laws, whether due to changes in our shareholding structure, shifts in the interpretation or enforcement of the law, we may be required to restructure our operations, obtain additional permits or licenses, or suspend or discontinue some or all of our business activities in Thailand. We may also be subject to monetary fines and criminal liability such as imprisonment as a result of our violations of the law. Any such event could adversely affect our business, financial condition and results of operations.

You may face difficulties effecting service of legal process or enforcing judgments against us, our Directors and senior management.

We are incorporated under PRC law. A substantial portion of our assets, and the assets of the majority of our Directors and senior management, are located within Chinese Mainland. It may therefore be difficult to effect service of process outside Chinese Mainland upon us or most of our Directors and senior management. Chinese Mainland does not have treaties providing for reciprocal recognition and enforcement of judgments with the United States, the United Kingdom, Japan or many other countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States, making recognition and enforcement of foreign court judgments in Chinese Mainland or Hong Kong uncertain.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region of the PRC signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). On January 18, 2019, the Supreme People's Court of the PRC and the Government of Hong Kong Special Administrative Region of the PRC entered into an agreement regarding the scope of judgments which may be enforced between Chinese Mainland and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"). The New Arrangement broadens the scope of judgments that may be enforced between Chinese Mainland and Hong Kong under the Arrangement. The New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties' agreement. The New Arrangement became effective on January 29, 2024, both in Chinese Mainland and in Hong Kong and replaced the Arrangement. However, the Arrangement remains applicable to a written choice of court agreement within the meaning of the Arrangement that was made before the effective date of the New Arrangement. Although the New Arrangement has become effective, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a Chinese Mainland or Hong Kong court.

Although we will be subject to the Listing Rules and the Takeovers Code upon the **[REDACTED]**, the holders of our 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. Moreover, the Takeovers Code does not have the force of law and provides only standards of commercial conduct considered acceptable for takeover and merger transactions and share repurchases in Hong Kong.

RISKS RELATING TO THE [REDACTED]

The A Share and H Share markets have different characteristics, and H Share [REDACTED] may not be comparable to A Share prices.

Our A Shares have been listed on the Shenzhen Stock Exchange since 2015. Following the **[REDACTED]**, our A Shares will continue to be traded on the Shenzhen Stock Exchange while our H Shares will be **[REDACTED]** on the **[REDACTED]**. Under current PRC laws and regulations, and without the approval of the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no trading or settlement between the two markets. The two markets have divergent trading volumes, liquidity and **[REDACTED]** bases, and different levels of retail and institutional participation. As a result, the **[REDACTED]** of our H Shares and A Shares may not be comparable, and fluctuations in the **[REDACTED]** of one may adversely affect the **[REDACTED]** of the other. The historical trading price of our A Shares is not indicative of the future performance of our H Shares, and you should not place undue reliance on our A Share trading history when evaluating an **[REDACTED]** in our H Shares.

We will be concurrently subject to Chinese Mainland and Hong Kong [REDACTED] and regulatory requirements.

As we are listed on the Shenzhen Stock Exchange and will be **[REDACTED]** on the **[REDACTED]**, we will be required to comply with the listing rules and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Compliance with two concurrent sets of listing rules may result in additional costs and resources being incurred.

Information disclosed in connection with our A Share listing may not be comparable to the information in this document and should not be relied upon.

As our A Shares are listed on the Shenzhen Stock Exchange, we are subject to periodic reporting and information disclosure requirements in Chinese Mainland, and we release information on the Shenzhen Stock Exchange and other CSRC-designated media outlets from time to time. However, such disclosures are prepared in accordance with Chinese Mainland regulatory requirements, industry standards and market practices, which differ from those applicable to the **[REDACTED]**. The financial and operational information disclosed on the Shenzhen Stock Exchange may not be directly comparable to the information in this document. Accordingly, prospective **[REDACTED]** should rely solely on the information contained in this document when making their **[REDACTED]** decisions regarding our H Shares. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the **[REDACTED]**.

There is no prior [REDACTED] for our H Shares, and an active trading market may not develop or be sustained.

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our H Shares. There is no guarantee that an active trading market will develop or be sustained following completion of the **[REDACTED]**. The

[REDACTED], which is the result of negotiations between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), may not be indicative of the **[REDACTED]** at which our H Shares will subsequently **[REDACTED]**. If an active market does not develop, the **[REDACTED]** and liquidity of our H Shares may be adversely affected.

The [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

The **[REDACTED]** and **[REDACTED]** of our H Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions in Hong Kong, Chinese Mainland and elsewhere. The trading performance of other Chinese Mainland-based companies listed in Hong Kong, some of which have experienced significant volatility and price declines following their initial public offerings, may affect investor sentiment towards Chinese Mainland-based issuers and consequently impact the **[REDACTED]** of our H Shares. These broad market and industry factors may significantly affect the **[REDACTED]** and volatility of our H Shares regardless of our actual operating performance.

An increase in the supply of our H Shares could reduce the [REDACTED] and dilute existing Shareholders.

The **[REDACTED]** of our H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating thereto, the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities may confer rights and privileges that take priority over those of the H Shares. Additionally, significant price and volume volatility in securities markets, unrelated to our operating performance, may also adversely affect the **[REDACTED]** of our H Shares.

Future share sales by substantial Shareholders could adversely affect our H Share [REDACTED].

Future sales of a substantial number of our Shares, or the perception that such sales might occur, especially by our substantial Shareholders, could negatively impact the **[REDACTED]** of our H Shares and our ability to raise equity capital in the future at a time and **[REDACTED]** we deem appropriate. We cannot assure you that such persons will not dispose of any H Shares they may own in the future, and the availability of these Shares for sale may have a negative impact on the **[REDACTED]** of our H Shares.

Our Controlling Shareholders' significant influence over our Company may not be aligned with the interests of other Shareholders.

As of the Latest Practicable Date, our Controlling Shareholders held 37.57% of our issued Shares, and upon completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised and no changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**), approximately **[REDACTED]**% of our issued Shares will remain held by our Controlling Shareholders. The interests of our Controlling Shareholders may conflict with those of other Shareholders, and they will continue to have significant influence over matters such as mergers, consolidations, disposal of assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control, potentially depriving other Shareholders of opportunities to receive a premium for their Shares and reducing the **[REDACTED]** of our H Shares. Such actions may be taken even if opposed by other Shareholders, including those who subscribe for our H Shares in the **[REDACTED]**.

[REDACTED] of our H Shares will experience immediate dilution and may experience further dilution in the future.

The **[REDACTED]** of the **[REDACTED]** is higher than the net tangible asset value per H Share immediately prior to the **[REDACTED]**, and purchasers of the **[REDACTED]** will therefore experience an immediate dilution in **[REDACTED]** consolidated net tangible asset value. **[REDACTED]** may experience further dilution if we **[REDACTED]** additional Shares at a **[REDACTED]** lower than the net tangible asset value per H Share at that time, or if we **[REDACTED]** Shares pursuant to any existing or future equity incentive plan.

Government-sourced statistics and forecasts in this document have not been independently verified and may not be reliable.

Certain facts, forecasts and statistics in this document are derived from various government official sources. Such information has not been independently verified by us, the Joint Sponsors, the **[REDACTED]** or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced with respect to other economies. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Accordingly, you should not place undue reliance on such information and should carefully consider the weight to be given to it.

We cannot guarantee future dividend payments, and you may need to rely solely on H Share [REDACTED] appreciation for returns.

We cannot assure you when or in what form dividends will be paid on our H Shares following the **[REDACTED]**. Our historical dividend record is not indicative of future dividend policy, and the declaration and distribution plan of dividends is at the discretion of the Board, subject to our business and financial performance, capital and regulatory requirements, and general business conditions, and can only be implemented upon the approval of our Shareholders' meeting. If we retain most or all of our available funds to fund the development and commercialization of new products, we may not pay any cash dividends in the foreseeable future. Even where our Board decides to declare dividends, the timing, amount and form will depend on our results of operations, cash flow, financial condition, working capital requirements, expansion plans, and legal and regulatory constraints. Under PRC law, dividends can only be paid out of the distributable profit of a PRC company, being the lower of profit determined under the PRC GAAP or IFRS, after recovery of accumulated losses and appropriations to statutory and other required reserves. As a result, we may not have sufficient distributable profit to make dividend distributions to our Shareholders. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Accordingly, the return on your **[REDACTED]** in our H Shares will likely depend entirely on any future **[REDACTED]** appreciation of our H Shares. There is no guarantee that our H Shares will appreciate in value or maintain the **[REDACTED]** at which they were purchased, and you may not realize a return on, or may lose all of, your **[REDACTED]**.

You should read the entire document carefully and rely only on information in this document and not on press or media coverage relating to us or the [REDACTED].

Subsequent to the date of this document but prior to completion of the **[REDACTED]**, there may be press and media coverage regarding us and the **[REDACTED]**, which may include financial information, projections, valuations and other forward-looking information. We have not authorized any such disclosures and do not accept responsibility for the accuracy or completeness of any press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any projections, valuations or other forward-looking information so published. To the extent such statements are inconsistent with or conflict with information contained in this document, we disclaim responsibility for them. Accordingly, you should rely solely upon the information contained in this document and any formal announcements made by us in Hong Kong when making your **[REDACTED]** decision regarding our H Shares. By applying to purchase our H Shares in the **[REDACTED]**, you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the **[REDACTED]**.