You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment 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, results of operations, financial conditions and prospects. In any such case, the market price of our H Shares could decline, and you may lose all or part of your investment.

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.

We believe there are certain risks and uncertainties involved in our operations. We have categorized these risks and uncertainties into: (i) risks relating to our industry and business operations, (ii) risks relating to our research and development and intellectual property rights of our products, (iii) risks relating to our financial condition and need for additional capital, (iv) risks relating to doing business in the jurisdictions we operate, and (v) risks relating to the [**REDACTED**].

RISKS RELATING TO OUR INDUSTRY AND BUSINESS OPERATIONS

We operate in competitive markets. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be adversely affected.

Markets in which we operate, the global smart device SoC and communication and connectivity IC markets, are highly competitive, and some of our competitors currently hold substantial market shares. General competition in our industries is characterized by price competition and rapid technological changes. We compete with different companies, depending upon the type of product. Some of our competitors may have longer operating histories, greater name recognition, larger customer bases and greater financial, sales and marketing, distribution, technical and other resources and experience than we do.

In addition, our competitors may be able to devote greater resources to the research and development of technologies and products that are more effective than ours. They may also adapt more quickly to new or emerging technologies and changes in customer demand and requirements. Our competitors may also intentionally cut their prices, even at the expense of their profit margins, to win greater market share. Our failure to maintain our competitive position with respect to technological advances, to adapt to changing market conditions or to compete successfully with existing or new competitors may have a material and adverse effect on our business, financial condition and results of operations.

If we are not able to introduce products on a timely basis with features and performance levels that provide value to our customers, our operating results may suffer.

Our success depends on, to a significant extent, the development, implementation and acceptance of new products that provide value for our customers. Our ability to develop and launch new products and related technologies to meet evolving industry requirements, at prices acceptable to our customers on a timely basis, is a significant factor in determining our competitiveness in our target markets. Due to the high technical content of our products, there is a risk of misjudging our own capabilities, particularly in assessing technological development capacity. This may result in failure to realize research and development projects, budget overrun or prolonged development cycles. We cannot assure you that our efforts to execute our product roadmap will result in innovative products and technologies that provide value to our customers. If we fail to or are delayed in developing or launching new products or technologies that provide value to our customers and address these new trends or if we fail to predict which new functionality, features or form factors consumers will adopt and adjust our business accordingly, we may lose competitive positioning, which could negatively affect our business.

Factors that adversely affect the industries and sectors of our customers may adversely impact our business, financial condition, results of operations and prospects.

Our products are primarily offered to downstream end customers of certain industries and sectors, and in application scenarios, including smart set-top boxes, smart TVs, smart home devices and smart cars. Therefore, factors that adversely affect these industries and sectors could also materially and adversely affect our business, financial condition, results of operations and prospects. These factors include but not limited to: (i) a decline in demand for, or negative perception of, or publicity about, products of these industries; (ii) the reduction or elimination of preferential tax treatments and economic incentives for manufacturers in these industries; (iii) regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of these industries; (iv) a downturn in general economic conditions of major countries and regions that sell products of these industries and (v) increasing level of competition in these industries.

According to Frost & Sullivan, the global smart device SoC and communication and connectivity IC markets experienced a downturn in 2023, primarily affected by the reduced downstream demand. Such industry downturn was featured by inventory buildup and weakened consumer demand across different products. We cannot assure you that such cyclical market downturn will not happen in the future, which could have a material adverse effect on our business, results of operations and financial condition.

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

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

In recent years, complexities in international relations, such as the geopolitical tensions between China and the U.S., have presented new challenges and ongoing uncertainties. These circumstances could reduce levels of international trade, investment, technological exchange, and other economic activities. They might also lead to changes in political and economic relations between countries, sanctions, export controls, and other geopolitical issues. These developments have created a dynamic and unpredictable trade landscape, which may adversely impact our business, financial condition, results of operations and prospects.

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

Our global operations may subject us to export control and sanctions risks. We generate revenue from a number of countries and regions and are therefore subject to the relevant export control and sanctions laws and regulations promulgated by different governments and organizations, such as United Nations and European Union. During the Track Record Period, as advised by our International Sanctions Legal Advisor, we did not transact with any sanctioned customers that would constitute a violation of the relevant sanction laws and regulations. However, these laws and regulations are subject to frequent changes, and their interpretation and enforcement involve substantial uncertainties, which may be heightened by national security concerns or driven by political or other factors that are out of our control. Therefore, such restrictions, and any future export control, sanctions laws, regulations and restrictions imposed by the U.S. or other governments or organizations may be difficult or costly to comply with, and may materially and adversely affect our operations. Additionally, we could be subject to future enforcement action with respect to compliance with governmental economic sanctions and export controls laws that result in penalties and costs that could have a material effect on our business and operating results. Furthermore, as our business is closely interrelated with our customers and suppliers, any imposition of economic sanctions or export control that impact our customers or suppliers could materially and adversely affect our business, financial condition and results of operations.

To maintain our competitive edge, support sustainable development and ensure regulatory compliance, we have refined our business operations by leveraging our relationship with Amlogic Holdings Ltd., one of our substantial shareholders, through a series of arrangements. For further details, see "Business — Legal Proceedings and Compliance — The Export Control Compliance Arrangement." However, we cannot assure you that these arrangements will not be affected or invalidated as the regulatory framework continues to evolve. If any of these arrangements were ultimately deemed invalid, we might need to replace certain existing key suppliers, devote additional resources to adjusting and refining our operations to accommodate new suppliers, and incur higher costs and greater resource requirements for supply chain management.

Products that fail to meet customers' specifications or are defective could impose significant costs on us or result in loss of business.

Our product and solution offerings are complex and may in the future contain defects or security vulnerabilities, or experience failures or unsatisfactory performance due to any issue in design, fabrication, packaging, testing, materials and/or applications in use cases. These risks may increase as our products and solutions are introduced into new devices, markets, technological environment and applications or as new features are released. These risks further increase when we partner with third-party providers for fabrication, testing and packaging, distribution and certain aspects of R&D of our products, as these arrangements reduce our direct control over the quality of our products. Some failures in our products and solutions may in the future be only discovered after such products and solutions have been delivered or even used for a period of time. Undiscovered vulnerabilities in our products and solutions could result in unsatisfactory user experiences, loss of data or other technical incidents, or could expose our end customers to unscrupulous third parties who develop and deploy malicious software programs that could attack our products and solutions.

Additionally, our efforts to remedy these issues may not be timely or satisfactory to our customers. An error or defect in products after commercial delivery could result in failure to achieve market acceptance, loss of design wins, temporary or permanent withdrawal of a product from the market, suffer damage or indemnification liabilities, harm to our relationships with customers and partners and our brand reputation, which would in turn negatively impact our results of operations and financial performance.

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

Many of our products form parts of larger microelectronics systems. Products incorporated into these systems must comply with various industry standards and technical requirements created by industry standard-setting bodies or industry participants in order to operate efficiently together. Our customers may also designate certain specifications and other technical requirements specific to their products and solutions. These technical requirements may change as customers introduce new or enhanced products and solutions.

Our ability to compete in the future will depend on our ability to identify and comply with evolving industry standards and technical requirements. The emergence of new industry standards and technical requirements could render our products incompatible with products developed by other suppliers or make it difficult for our products to meet the requirements of certain of our customers in consumer, industrial and other markets. As a result, we could be required to invest significant time and effort and to incur significant expenses to redesign our products to ensure compliance with relevant standards and requirements. If our products are not in adherence to prevailing industry standards and/or technical requirements for a significant period of time, we could miss opportunities to achieve crucial design wins, our revenue may decline and we may incur significant expenses to redesign our products to meet the relevant standards, which could adversely affect our business, results of operations and prospects.

We source certain services that are key to our operations from a limited number of suppliers.

As a fabless IC design company, we procure wafers, chip packaging and testing, and IPs from third-party providers globally. Purchases from our five largest suppliers accounted for 86.6%, 88.0% and 79.8% of our total purchases in 2023, 2024 and 2025, respectively. Due to the complex manufacturing nature of ICs, any disaster or business disruption at our foundry partners' facilities could require a significant transition period to new suppliers, adversely affecting our inventory, business, results of operations and financial condition. We are also vulnerable to the risk that our current suppliers may be unable to meet demand for our products, cease operations or experience raw material shortages that constrain their supply.

Our ability to receive sufficient product supplies could also be adversely affected by natural disasters, geopolitical challenges, international trade policies and trade protection measures, including the imposition of trade restrictions and sanctions. See "— Risks Relating to Our Business and Industry — We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, export controls and economic sanctions, and our business, financial condition and results of operations may be materially and adversely affected."

Moreover, increased regulation regarding responsible sourcing practices could raise our compliance costs. As we do not directly control the procurement or employment practices of our suppliers, any failure by them to comply with applicable regulations could expose us to financial or reputational risks. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, and our business, results of operations and financial condition will be adversely affected.

U.S. outbound investment regulations and other foreign laws and regulations could have a negative impact on our future ability to access to capital.

Recent U.S. policy developments may have unforeseen implications for our business. Executive Order 14105, issued on August 9, 2023, introduced a mechanism for reviewing U.S. outbound investments in certain national security technologies and products in "countries of concern," targeting sectors including semiconductors and microelectronics, quantum information technologies and artificial intelligence. On October 28, 2024, the Department of the Treasury issued the Provisions Pertaining to U.S. Investments in Certain National Security Technologies and Products in Countries of Concern (the "Outbound Investment Rule") to implement Executive Order 14105, which became effective on January 2, 2025. The Outbound Investment Rule imposes prohibition or notification requirements on a wide range of U.S. person investments, including acquisitions of equity interests, certain debt financing, joint ventures and certain limited partner investments, in persons from countries of concern, currently including China, engaged in covered activities in the aforementioned sectors.

We may be deemed a "covered foreign person" under the Outbound Investment Rule as we engage in the design of integrated circuits. Following the completion of the Listing, U.S. persons are expected to be able to invest in our H Shares pursuant to the publicly traded securities exception, provided such investments do not afford rights beyond standard minority shareholder protections. Nonetheless, the Outbound Investment Rule may increase the compliance burden on U.S. investors and cause certain U.S. investors to adopt a more cautious investment approach, which may negatively impact our ability to raise capital from U.S. investors.

The rules and regulations regarding U.S. outbound investment may be subject to further development, which may have a significant impact on how the U.S. government regulates U.S. outbound investments in China. U.S. investors seeking to invest in China may face expanded investment restrictions, which may negatively impact our ability to raise capital from U.S. investors.

Our growth and profitability depend on general economic conditions and the level of consumer spending.

Our results of operations depend significantly on general economic conditions and consumer spending. Consumer spending is affected by a number of economic and other factors beyond our control, such as interest rates, conditions in the real estate and mortgage markets, unemployment rates, labor and healthcare costs, access to credit, consumer confidence, and other macroeconomic factors affecting the spending behavior of consumers. Economic uncertainty and other related factors may exacerbate negative trends in consumer spending and may cause consumers to postpone or refrain from purchasing consumer electronics, which in turn will negatively affect our customers' demands for our products and therefore adversely affect our business, results of operations and financial condition.

Similarly, our operating results are affected by cyclicality, either directly or indirectly, in the smart device industry, which is highly competitive and to a large extent driven by end-user markets. Fluctuations in price and demand within the smart device industry could lead to reduced sales and declining prices for the end products, which will in turn affect our revenue and profit margins. As a result of the foregoing factors, we may experience fluctuations in our results of operations and financial performance.

Specifically, our end users in certain industries may face intense competition and constant pressure to cut the selling prices of their end products. Accordingly, these end users may expect cost reductions from us. If we are not able to meet such expectations, our business, financial condition, results of operations and growth prospects will be adversely affected.

We are exposed to risks when we expand our business overseas.

During the Track Record Period, our products were sold globally. We generated majority of our revenue from markets outside of mainland China, which accounted for around 90.2%, 91.4% and 90.9% of our total revenue in 2023, 2024 and 2025, respectively. As international markets are expected to be a significant contributor to our long-term growth, we intend to continue expanding our global footprint through increased investment in overseas sales channels and research and development efforts. However, international expansion entails a number of inherent challenges and risks, including: (i) challenges in providing solutions, services and support, in recruiting personnel in non-domestic markets, and in managing sales channels and distribution networks effectively; (ii) revenue fluctuation from period to period in the future due to unfavorable market conditions, intensified competition, unattractive solutions and services, downward pressure on our selling price and any other inherent risks associated with our international business operations; (iii) challenges in conducting business in new markets where we have limited experience with the local market dynamics and no existing or developed sales, distribution and marketing infrastructure; (iv) challenges in tailoring our strategies to the unique needs of different geographic regions as we have limited understanding of local customer preferences and purchasing behaviors; (v) difficulties in dealing with regulatory regimes, regulatory bodies and government policies with which we may be unfamiliar, in order to obtain permits, licenses and approvals necessary to manufacture or import, market and sell solutions in or to various jurisdictions; (vi) potentially reduced protection for our intellectual property rights and potential breach of third-party intellectual rights; (vii) differences in accounting treatment in different jurisdictions, potential adverse tax implications and foreign exchange losses; (viii) inability to effectively enforce contractual or legal rights; and (ix) changes in laws, regulations and policies as well as political, economic and market instability or civil unrest in the relevant jurisdictions.

If we are unable to effectively avoid or mitigate these risks, our ability to expand in international markets will be impaired, or our international business may not be able to achieve or sustain profitability, which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our business growth might be affected by our distributorship network. If we fail to maintain our existing distribution channel, our business, financial condition and results of operations could be adversely affected.

During the Track Record Period, we primarily utilized professional distributors to market and sell our products globally. In 2023, 2024 and 2025, distributor sales accounted for 78.5%, 78.3% and 78.1% of our revenue in relation to the sales of our products, respectively. For further information on our channel partners, see "Business — Sales, Marketing and Distribution — Our Sales Network."

Distributorship model contains certain inherent risks. We have limited control over the business operation of our distributors and we cannot assure you that distributors will operate their business in compliance with our distributorship agreements, sales policies and the relevant laws and regulations. There is no assurance that our distributors will be able to maintain a stable sales level. In the event of any material interruption to our relationship with distributors, or upon termination of our relationship for whatever reason, there is no assurance that we may be able to replace a distributor with comparable sales capability in a timely and cost-effective manner, or at all. There can be no assurance as to the financial interest of our distributors and that they will not give higher priority to our competitors' products, thereby reducing their efforts to sell our products. As independent companies, distributors make their own business decisions that may not always align with our interests. The actual actions of our distributors may be beyond our control and any wrongdoings, such as corruption, bribery or other illegal acts or actions generally considered detrimental to our brand value, committed by them while selling or promoting solutions, or otherwise using our brand names, will subject us to material reputation risks.

In addition, we cannot assure you that we are always able to accurately track the inventory level of our distributors or to identify any excessive inventory build-up at various levels of our distribution network. Moreover, our distributors may be unable to sell adequate amounts of their inventories of our products in a given period to end customers, which may result in a buildup of inventory levels. This could have an adverse impact on the sales of our products and, accordingly, to our business, financial condition, results of operations, and prospects. Moreover, any significant growth in our sales to certain distributors in the future, or increases to our sales and service network, may give rise to competition among our distributors and increase the risk of cannibalization. Any such behavior may harm our results of operations, financial conditions, business and prospects.

In addition, our business and our future growth are, in part, dependent on the ability of our distributors to maintain and expand their distribution coverage. We may not be able to effectively maintain our business relationship with distributors, or manage our distribution network, which could adversely affect our brand, results of operations and financial condition.

Our complex product cycle including designing, taping-out, fabricating, packaging and testing, in addition to our customers' qualification and design cycle, may result in uncertainty and delays in revenue generation.

The production of our chips requires a lengthy manufacturing and packaging process, typically lasting approximately a few months. Additional time may pass before a customer commences taking volume shipments of products that incorporate our SoC products. Even when a manufacturer agrees to design our SoC products into its products, it may not deliver final products incorporating our SoC products. Prior to purchasing our products, our customers and/or end-use customers require that our solutions undergo extensive qualification processes, which involve testing of our products in the customers' systems, as well as testing for reliability. This qualification process may continue for several months. After our products are qualified, it can take several months or more before the customer commences volume production of components or systems that incorporate our products. Moreover, qualification of a product by a customer does not assure final sales of the product to that customer. Even after successful qualification and sales of a product to a customer, a subsequent revision in our foundry partners' manufacturing process or our selection of a new supplier may require a new qualification process with our customers, which may result in delays and our holding excess or obsolete inventory.

Given this lengthy cycle, we may experience a delay between the time we incur expenditures for research and development and sales and marketing efforts and the time we generate revenue, if any, from these expenditures. This delay makes it more difficult to forecast customer demand, which adds uncertainty to the manufacturing planning process and could adversely affect our business, financial condition and results of operations. In addition, the product life cycle for certain of our SoC products designed for use in certain applications can be relatively short. If we fail to appropriately manage the manufacturing and packaging process, our products may become obsolete before they can be incorporated into our customers' products and we may never realize a return on investment for the expenditures we incur in designing, developing and producing these solutions.

Negative publicity or rumors about us, our products, our management, directors, employees, shareholders, customers, business partners or their affiliates or our industry in general may adversely affect our reputation and business.

Negative publicity or rumors involving our industry, our Company, our products, our management, our directors, employees, customers, distributors, business partners or their affiliates, or our relationship with any of these parties may materially and adversely harm our business and reputation. Although we made efforts to strengthen our responsiveness to negative publicity events, we cannot preclude media reports of a similar nature or similar allegations from other parties from being made in the future, nor can we assure you that we will be able to defuse such negative publicity to the satisfaction of our customers and business partners or prevent related misconception and other damages caused by such reports. We may have to incur significant expenses as we may need to seek legal recourse or defend our Company in court in response to such allegations, which may cause us to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports or allegations even if they are baseless, which may materially and adversely affect our results of operations.

If we fail to recruit, retain and motivate key employees, especially our senior management and R&D team, we could lose the innovation, collaboration and focus that contribute to our business.

Our future success depends on the continued contributions of senior management, many of whom are difficult to replace. If there are changes in our senior management team, the normal course of our business might be disrupted. The loss of the services of any of our senior management could harm our business.

We have established robust R&D capabilities that play a significant role in our success. Our R&D team, especially core R&D members, have significant industry experience and their knowledge and expertise would be difficult to replace. However, competition for qualified talent is intense. We compete with many other companies for engineers and R&D professionals with meaningful experience in designing and developing SoC products, and we may not be successful in attracting and retaining the professionals we need. If one or more of our core R&D members are unable or unwilling to continue contributing their services to us, we may not be able to replace them in a timely manner, or at all. If we are not able to effectively hire, train and retain employees, our ability to achieve our strategic objectives may be adversely impacted and our business, financial condition and results of operations may be harmed.

Our employee hiring and retention also depend on our ability to build and maintain a diverse and inclusive working environment and be recognized as an attractive employer and desirable workplace. If our share-based compensation or other compensation programs and workplace culture cease to be viewed as competitive, our ability to attract, retain and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, financial condition and prospects.

Our global operations expose us to various and diverse legal and regulatory requirements, and violation of these regulations could harm our business.

We are subject to various and diverse legal regimes on matters as diverse as anti-corruption, import or export controls, trade restrictions, tariffs, taxation, sanctions, immigration, internal and disclosure control obligations, securities regulation, anti-monopoly, data privacy and labor relations. This includes in emerging markets where legal systems may be less developed, less familiar to us or does not provide sufficient protection to our rights. Compliance with diverse legal requirements is costly, time consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business could result in significant fines, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations in connection with the performance of our obligations to our customers or suppliers also could result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to process information and allegations by our customers or suppliers that we have not performed our contractual obligations.

A limited number of customers contribute to a substantial portion of our revenue, which exposes us to significant concentration risk.

During the Track Record Period, our customers primarily consisted of distributors. Revenue from our five largest customers accounted for 65.5%, 63.3% and 63.8% of our revenue in 2023, 2024 and 2025. The sales to our largest customers accounted for 24.5%, 18.8% and 22.7% of our revenue in the respective year. Considering the industry landscape, we expect these key customers to continue to contribute to a substantial portion of our sales. Furthermore, since our products are featured in end products such as smart home devices and smart office equipment, we also rely on the recognition of brand companies in the consumer electronics industry. As a result, we still need to pass on the stringent certification requirements of leading consumer electronics brand companies. Therefore, our reputation among the brand companies also significantly affects our business operations and financial condition.

If our key customers do not continue to transact with us on scales or terms similar to historical levels, or if our reputation among the key customers deteriorates, our business, financial condition and results of operations will be negatively affected. In particular, our customers' products are characterized by rapidly evolving technologies that innovate product features or adoption of new or alternative technologies each time a new product is introduced, or an existing product is upgraded. In addition, we enter into framework agreements with these customers, and the agreements do not specify the number of products these customers will purchase from us in any given year or contain minimum purchase requirements. Product sales are confirmed with purchase orders rather than framework agreements. The loss of or reduction in any key customer's business as a result of our inability to meet the product specifications, to adopt new technologies, our exclusion from a key product development cycle or for any other reason may materially and adversely affect our results of operations.

Delivery delays, poor handling by third party logistics service providers or disruptions in the transportation network may adversely affect our business and financial condition.

We use third party logistics service providers to deliver our products. Disputes with or terminations of our contractual relationships with our logistics service providers could result in delayed delivery of products or increased costs. We may not be able to continue or extend relationships with our current logistics service providers on terms acceptable to us or establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, it may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers. If there is any breakdown in our relationships with our preferred logistics service providers, we may suffer business interruptions that could materially and adversely affect our business, financial condition and results of operations. As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of services. If there is any delay in delivery, damage to products or any other issue due to transportation shortages, natural disasters, labor strikes or other factors, we may lose customers and sales and our reputation may be tarnished. In addition, our suppliers sometimes deliver materials to us through third party logistics service providers. Delays in delivery could adversely impact our suppliers' ability to timely deliver materials to us, and our ability to deliver to our customers.

Failure to achieve expected manufacturing yields for our products could negatively impact our operating results and damage our reputation.

Manufacturing yields for our products depend on both the product design and the process technology, which is generally owned and operated by a third-party foundry. Yield issues may arise from either the product design or the process technology. Consequently, we may not be able to identify the problem until the products are manufactured. When a yield issue arises, we analyze and test the product to determine its cause. However, the actual causes of yield issues may not become apparent until major production process is complete.

Addressing yield issues requires active collaboration and clear communication between the Company, the foundry, package and test partners, and occasionally our customers. Our access to a wafer foundry's production process may be limited, making it challenging to resolve these problems in time, which in turn lowers the manufacturing yields. A decrease in the manufacturing yields could lead to increased costs and/or prolonged testing process. More importantly, low yields could damage our customer relationships, harm our reputation, and negatively impact our financial performance.

We, our directors, management, employees and shareholders and their affiliates may be subject to lawsuits, contract disputes, employment-related controversies, and other legal and administrative proceedings or fines, which could have a material adverse effect on our business, results of operations, financial condition and reputation.

We may be involved in commercial or contractual disputes, legal and administrative proceedings, and claims arising out of the ordinary course of our business. We cannot assure you that we will not be involved in various disputes in the future, which may expose us to additional risks and losses. In addition, existing or future disputes, proceedings and claims may be costly to defend or resolve. We may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies. Any claims, disputes, inquiries, investigations and proceedings may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, financial conditions and results of operations.

We may make acquisitions and conduct strategic investments, which may not be successful.

To further expand our business and strengthen our market position, we may form strategic cooperation or make strategic investments and acquisitions to fuel business growth. Acquisitions involve numerous risks, including difficulties in integrating the operations and personnel of the acquired companies, distraction of management from overseeing our existing operations, difficulties in executing new business initiatives, entering markets or lines of business in which we have no or limited direct prior experience, the possible loss of key employees and customers and difficulties in achieving the synergies we anticipated or levels of revenue, profitability, productivity or other benefits we expected. These transactions may also cause us to (i) significantly increase our interest expense, leverage and debt service requirements if we incur additional debt to pay for an acquisition or investment, (ii) issue Shares that would dilute our current Shareholders' percentage ownership, (iii) incur decline in consolidated earnings caused by consolidation of unprofitable subsidiaries, or (iv) incur asset write-offs and restructuring costs and other related expenses. Acquisitions, joint ventures and strategic investments involve numerous other risks, including potential exposure to unknown liabilities of acquired or investee companies and restrictions under regulations relating to anti-monopoly. There can be no assurance that our acquisitions and other strategic investments will be successful and will not have a material and adverse impact on our business, results of operations and financial condition.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy, security breaches or cyber-attacks.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our technology infrastructure may be vulnerable to damage or interruption caused by telecommunication failures, power loss, fires, floods, earthquakes and other natural disasters, human error, cyber-attacks or other accidents. Despite any precautionary measures we may take, the occurrence of unanticipated problems that affect our technology infrastructure could result in interruptions in our operations. There is no assurance that we can respond to such interruptions in a timely manner, or at all. Such interruptions may affect the delivery of our products, which would damage our reputation, reduce our future revenues, harm our future profits, subject us to regulatory scrutiny and lead our customers and end-users to seek alternative solutions and services.

We have not completed lease registration procedures with the relevant authorities for some of the properties we lease.

We rent certain properties primarily used for offices and R&D facilities. As of the Latest Practicable Date, we had not completed the lease registration procedures of three leased properties in China. Under the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. We cannot assure you that we will be able to comply with the relevant laws and regulations by completing all required filings of our existing and future lease agreements in China. We may be required by relevant government authorities to file future lease agreements for registration within a time limit, and may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease exceeding such time limit.

Our risk management and internal control systems may not be adequate or effective.

We seek to improve and update our risk management and internal control systems on a regular basis. See "Business — Internal Control and Risk Management." However, there is no assurance that such systems will be effective in ensuring, among other things, accurate reporting of our financial results and the prevention of fraud. Our risk management and internal control systems depend on effective implementation by our employees, and we cannot assure you that our employees are sufficiently trained to implement these systems or that their implementation will be free from error. If we fail to adequately maintain our risk management policies and internal control procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Further, there can be no assurance that our employees or business partners will not engage in misconduct or omissions that could adversely affect our operations and reputation, which may in turn materially and adversely affect our business, financial condition and results of operations.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our employees, suppliers, customers or other third parties may materially and adversely affect our business.

We are exposed to fraudulent or illegal activities or other misconduct by our employees, suppliers, customers, distributors or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities. Although we have established internal control policies and relevant contractual covenants, we cannot assure you that we will be able to prevent such conduct or that similar incidents will not occur in the future. Any such activity by our employees, suppliers, customers or other third parties, including, but not limited to, those in violation of anti-corruption, anti-bribery, anti-money laundering, financial and economic sanctions and similar laws, could subject us to negative publicity, significant financial and other liabilities, and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent such misconduct could materially and adversely affect our business.

Environmental, social and governance matters may impact our business and reputation.

To identify, manage, and mitigate ESG risks, we may incur additional costs and expenses which could impact our financial performance. Given the nature of our business, we do not produce any material generation of emissions, wastes or heavy pollution. Nonetheless, we monitor environmental and climate-related risks that may impact on our business, strategy and financial performance and evaluate the magnitude of the resulting impact over the short-, medium- and long-term horizons. We monitor a wide range of indicators such as power consumption, emission of greenhouse gas, water consumption and waste generation to manage our environmental and climate-related risks arising from our operations and are committed to providing adequate support to our employees to nurture a friendly and inspirational corporate culture. This commitment may entail incurring substantial additional costs and would potentially impact our profitability. See "Business — Environmental, Social and Governance." In addition, the increasing ESG-related regulatory requirements, including various ESG disclosure mandates in the jurisdictions where we operate, may lead to rising compliance costs and cost of sales may rise. Failure to adapt to new regulations or meet evolving industry expectations and standards could result in consumers choosing solutions from other companies, which may materially and adversely affect our results of operations and financial conditions.

We may not have sufficient insurance coverage to cover our business risks.

We have obtained insurance to cover certain potential risks and liabilities, such as property all risks insurance, public liability insurance, transportation insurance and supplementary medical insurance. See "Business — Insurance." However, insurance companies in the PRC and other jurisdictions in which we operate may offer limited business insurance products. As a result, we may not be able to acquire any insurance for all types of risks we face in our operations in the PRC and overseas, and our coverage may not be adequate to compensate for all losses that may occur, particularly with respect to loss of business or operations. This potentially insufficient coverage could expose us to potential claims and losses. Any business disruption, litigation, regulatory action, outbreak of epidemic disease, adverse weather conditions or natural disasters could also expose us to substantial costs and diversion of resources. There can be no assurance that our insurance coverage will be sufficient to cover us for any loss or that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensation amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

We face risks related to natural disasters, health epidemics and other outbreaks of contagious diseases.

Our business could be adversely affected by natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic or any severe epidemic disease such as SARS, Ebola, Zika or the COVID-19, acts of war, terrorism or other force majeure events beyond our control. These events may disrupt our research and development, and sales and marketing activities and business operations, all of which could adversely affect our business, results of operations, financial condition and prospects. In particular, these natural disasters, outbreaks of contagious diseases and other adverse public health developments could severely disrupt our business operations by damaging our technology infrastructure or information technology system or impacting the productivity of our workforce, which may adversely affect our financial condition and results of operations.

China's export restrictions on rare earth materials could disrupt our foundries' operations and adversely affect our ability to manufacture products.

China has previously imposed, and may in the future reimpose, export restrictions on certain rare earth materials. Although recent restrictions have been temporarily suspended and we do not expect any direct impact on our operations, such measures could indirectly affect us if they lead to higher costs or supply disruptions for our foundry partners, as rare earth elements are used in semiconductor manufacturing equipment.

Based on public statements by our key foundry partners, we understand that they have not observed any material impact from prior rare earth export restrictions on their ability to supply services to us. However, if future restrictions materially increase their costs, reduce available capacity or lengthen production lead times, our cost of sales or delivery schedules could be affected. While we monitor regulatory developments and maintain communication with our key suppliers, there is no assurance that any future rare earth export restrictions would not have an adverse, albeit indirect, impact on our business and results of operations.

RISKS RELATING TO OUR RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY RIGHTS OF OUR PRODUCTS

Our research and development efforts are not guaranteed to yield the results we anticipate.

In order to maintain our competitive position and continue to grow our business, we have been and intend to continue investing significantly in research and development. We will continue to develop and introduce innovative products for our existing and potential downstream customers, such as edge AI technologies. Our market is characterized by continuous technological developments and innovation to address increasingly complex and diverse consumer needs. Accordingly, we emphasize our research and development activities, which require considerable human resources and capital investment. In 2023, 2024 and 2025, our research and development expenses amounted to RMB1,282.7 million, RMB1,352.7 million and RMB1,551.8 million. However, we cannot assure you that these efforts will be successful or produce our anticipated results. We may not be able to apply the technologies we developed to introduce new products in time to capture the first-mover advantage, or at all. Any failure in successfully translating our R&D efforts to new products could have a material adverse impact on our business, results of operations and financial condition.

We may not be able to protect our intellectual property rights globally, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.

Our success depends in a large part on our ability to protect our proprietary technologies as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China and other jurisdictions. As of December 31, 2025, we had 373 granted patents, 93 copyrights, 76 registered trademarks, and three domain names in China and overseas. See "Business — Intellectual Property."

The patent application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our research and development outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive solutions in all such fields. Patents may be invalidated, and patent applications may be denied for several reasons, including known or unknown deficiencies in the patent application or the lack of novelty in the underlying invention or technology. Even if our patent applications are successfully granted, the scope of protection may be limited and may not effectively prevent competitors from developing similar or alternative technologies or solutions without infringing our rights. As a result, granted patents may not offer meaningful protection or competitive advantage. Our patents may also be challenged in courts or by patent offices in China and other jurisdictions, and the grant of a patent does not guarantee its validity, scope, enforceability or rightful inventorship.

Further, the life of a patent and the protection it affords are limited. We may face competition for any approved solutions even if we successfully obtain patent protection once the patent life expires for such solutions. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and competitive position.

We may face claims of infringing intellectual property rights of third parties, which can lead to time-consuming and costly intellectual property infringement claims, and we may have to redesign or discontinue selling relevant solutions.

Some of our competitors have large patent portfolios and may claim that our products and/or technologies have infringed upon their patents. Our competitors may initiate legal proceedings alleging that we are infringing upon, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of relevant solutions. We cannot assure you that we or our solutions will not infringe any intellectual property rights held by third parties in the future. In addition, we may be unaware of intellectual property registrations or applications relating to our solutions or business operations that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties.

Companies in the IC industry may use intellectual property litigation to gain a competitive advantage. We may hire employees who have previously worked for our competitors or other companies in relevant industries. There can be no assurance that such employees will not use their previous employers' proprietary know-how or trade secrets in their work for us, which could result in litigation against us. We also face risks related to patents filed by employees during their initial employment period. These patents could be subject to claims that the underlying inventions were developed by their previous employers, potentially resulting in disputes, loss of patent rights, or limitations on our use of the related technologies. Our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing upon third parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement, regardless of their merit, could: (i) be expensive and time-consuming to defend; (ii) cause us to pay substantial damages to third parties; (iii) forbid us from making or selling solutions that incorporate the challenged intellectual property; (iv) require us to redesign, reengineer or rebrand our solutions; (v) cause us to enter into royalty or licensing agreements in order to obtain the right to use a third-party intellectual property, which may not be available on terms acceptable to us or at all; (vi) divert the attention of our management; or (vii) result in customers terminating, deferring or limiting their purchase of the affected solutions until resolution of the litigation.

We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate intellectual property rights held by third parties. Any claims or proceedings relating to intellectual property infringement, with or without merit, could be costly and distract our management from day-to-day operations. If we fail to successfully defend against such claims, we may be prohibited from using certain intellectual property rights, subject to substantial damages, fines or penalties, or ordered to cease certain aspects of our business, which may have a material and adverse effect on our business, financial condition and results of operations, as well as tarnish our reputation.

Our ability to design, introduce and sell our products is dependent in part upon third-party intellectual property rights.

We rely in part on third-party intellectual properties such as certain architecture design, software development tools and testing tools in our R&D process. For instance, Amlogic Holdings Group shared certain intellectual properties with us to support our R&D activities. See "Business — Legal Proceedings and Compliance — The Export Control Compliance Arrangement." Furthermore, certain product features may rely on intellectual property acquired from third parties. The design requirements necessary to meet future customer demands for more features and greater functionality from semiconductor solutions may exceed the capabilities of the third-party intellectual property or development tools that are available to us. In addition, hardware and software tools and products procured or licensed from third parties may contain design or manufacturing defects that such third parties are unable to resolve, including flaws that could unexpectedly interfere with the operation of our solutions. Furthermore, some of the software licensed from third parties may not be available in the future on terms acceptable to us or allow our solutions to remain competitive. The loss of these licenses or the inability to maintain any of them on commercially acceptable terms could delay development of future solutions or the enhancement of existing solutions. If the third-party intellectual property that we use becomes unavailable or fails to produce designs that meet customer demands, our business could be harmed.

In addition to patented technology, we rely on our unpatented proprietary technology, trade secrets, processes and know-how as well as our copyrights.

We rely on proprietary information, such as trade secrets, know-how and confidential information, to protect intellectual property that may not be patentable, or that we believe is best protected by means that do not require public disclosure. We may fail to enter into the necessary confidentiality agreements, and even if entered into, these agreements may be breached or may otherwise fail to prevent disclosure, third-party infringement or misappropriation of our proprietary information, may be limited as to their term and may not provide an adequate remedy in the event of unauthorized disclosure or use of proprietary information. We have limited control over the protection of trade secrets used by our third-party manufacturers and partners and could lose future trade secret protection if any unauthorized disclosure of such information occurs. In addition, our proprietary information may otherwise become known or be independently developed by our competitors or other third parties. To the extent that our employees, consultants and other third parties use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain protection for our proprietary information could adversely affect our competitive business position. Furthermore, laws regarding trade secret rights in certain markets where we operate may afford little or no protection to our trade secrets.

With respect to intellectual property rights in software, while international conventions and international treaties may provide meaningful protection against unauthorized copying of software, the laws of some foreign jurisdictions may not protect proprietary rights to the same extent as the international conventions or international treaties. The absence of internationally harmonized intellectual property laws makes it more difficult to ensure consistent protection of our proprietary rights.

We also rely on physical and electronic security measures to protect our proprietary information, but we cannot provide assurance that these security measures will not be breached or provide adequate protection for our property. There is a risk that third parties may obtain and improperly utilize our proprietary information to our competitive disadvantage. We may not be able to detect or prevent the unauthorized use of such information or take appropriate and timely steps to enforce our intellectual property rights.

RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

If we are unable to manage our inventory risks efficiently or the proportions and amount of our write-down of inventories further increase, our financial condition and results of operations may be adversely affected.

We had inventories of RMB1,244.6 million, RMB1,409.6 million and RMB2,527.7 million as of December 31, 2023, 2024 and 2025, respectively. In the same period, we had write-down of inventories of RMB307.1 million, RMB223.7 million and RMB226.0 million, respectively. Our inventory turnover days were 164.0 days, 155.9 days and 189.5 days in 2023, 2024 and 2025, respectively. According to Frost & Sullivan, the global smart device SoC and communication and connectivity IC markets are characterized by evolving technologies, increasing competition, changing industry standards, and changing market demands, among others. Therefore, our SoC products may quickly become outdated due to fast-changing trends and constant technological advancements. In addition, raw materials used for wafer fabrication are subject to price volatility, which may affect the value of our inventories. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs that directly impact our profitability, tied-up capital in slow-moving inventory reducing our liquidity, and higher storage and handling costs pressuring our margins, which may adversely and materially affect our business, results of operations and financial condition.

We have incurred net operating cash outflows in the past, and we may continue to incur net operating cash outflows in the future.

In 2025, we recorded net operating cash outflows of RMB225.4 million. Those net operating cash outflows incurred were primarily attributable to our prepayment for goods in relation to a change in payment arrangement with certain major suppliers to ensure supply chain stability. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition.

Failure to collect our trade receivables or other receivables in a timely manner may adversely affect our liquidity.

We had trade and other receivables of RMB244.7 million, RMB199.0 million and RMB370.9 million as of December 31, 2023, 2024 and 2025, respectively. We may not be able to collect our trade receivables in a timely manner, and we may face difficulty collecting receivables for reasons beyond our control, such as customers delaying payment past the relevant credit periods granted or being unable to pay us when payments are due. Any significant delay or default in our collection of trade receivables or other receivables may impose pressure on our cash flow and liquidity, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to additional tax liabilities in connection with our transfer pricing arrangements, which could have adverse impacts on our financial condition.

In the ordinary course of business, we may be subject to inquiries, reviews, claims, assessments or other regulatory actions conducted by relevant tax or revenue authorities in the jurisdictions in which we operate. We may be subject to additional tax or duty liabilities, or increased statutory royalties in relation to our operations, as a result of any unfavorable decisions made by such relevant tax or revenue authorities, which may materially and adversely affect our business, financial position and results of operations. Such regulatory actions may also divert our management's attention and other resources, especially if they are not resolved in a timely manner. For example, we carried out certain intra-group transactions during the Track Record Period, and our profit allocation and income tax positions in connection with such transfer pricing arrangements are subject to the interpretations by relevant tax authorities of applicable tax law as well as applicable rules and regulations with respect to transfer pricing in relevant jurisdictions. There is no assurance that the respective tax authorities would not challenge the appropriateness of our historical transfer pricing arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If a competent tax authority later determines that the transfer prices and the transaction terms that we have adopted as well as our historical income tax provisions and accruals are not appropriate, such authority may require the relevant subsidiaries to re-assess the transfer prices and re-allocate the income or adjust the taxable income. If we are considered not to be in compliance with the applicable transfer pricing rules and regulations, the relevant tax authority may also have the power to order us to pay all outstanding tax and statutory interest and/or fines.

We have granted, and may continue to grant, share options and other types of awards under our share incentive plans, which may result in increased share-based payments.

We have adopted share-based compensation to provide additional incentives to employees. We recorded RMB157.4 million, RMB71.9 million and RMB46.8 million in share-based payments in 2023, 2024 and 2025. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based awards in the future. As a result, our expenses associated with share-based payments may increase, which may have an adverse effect on our results of operations.

We face exposure to foreign currency risks.

We are exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, which is a currency other than the functional currency of the operations to which the transactions relate. We recorded net foreign exchange gains of RMB47.1 million, RMB55.6 million in 2023 and 2024, respectively, and we recorded net foreign exchange losses of RMB60.0 million in 2025, respectively. Any significant revaluation of the Renminbi may adversely affect our financial conditions and results of operations.

Additionally, the net proceeds from the [**REDACTED**] will be in Hong Kong dollars. Fluctuations in the exchange rates among the RMB, the Hong Kong dollar, the U.S. dollar and other foreign currencies will affect the relative purchasing power in Renminbi in terms of the proceeds from the [**REDACTED**]. Fluctuations in the exchange rate may also incur foreign exchange losses and affect the relative value of any dividend issued by us. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or the U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial conditions or results of operations.

Our business development benefited from a favorable regulatory environment and supportive policies for the IC industry and government grants. Any future reductions or withdrawal of governmental support or grants could materially and adversely affect our business, financial condition and results of operations.

Our growth and business development have benefited, and are expected to continue to benefit, from supportive government policies that promote the advancement of the global smart device SoC and communication and connectivity IC markets, such as the rapid advancement and adaptation of AI technologies in smart device sectors. Any reduction, modification, or withdrawal of these policies due to changes in government priorities, budget constraints, shifts in political landscape, or macroeconomic conditions, may result in reduced demand for our solutions adversely impact our business.

In 2023, 2024 and 2025, we received government grants of RMB43.3 million, RMB21.0 million and RMB20.7 million, respectively. If governmental authorities decide to reduce or cancel such government grants, or require us to repay part or all of the government grants we previously received pursuant to applicable laws and regulations, our business, financial condition and results of operations may be adversely affected. As these government grants are typically provided on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain government grants that may become available to us in the future, and such failure could adversely affect our business, financial condition and results of operations.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WE OPERATE

Failure to fully adapt to changes in the economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines in China could materially and adversely affect our business, financial condition, results of operations and prospects.

The majority of our business assets are located in China and a portion of our sales and revenue is currently derived from China. Accordingly, our business, financial condition, results of operations and prospects are subject to the economic, political and legal conditions in China. Political and economic policies of the PRC government could affect our business and financial condition. Failure to fully adapt to these changes in political and economic policies may adversely affect our growth. In recent years, the PRC government implemented a series of laws, regulations and policies with respect to, among other things, quality and safety control, and supervision and administration of companies in our industry. See "Regulatory Overview." Laws, regulations and policies related to our industries will continue to evolve and undergo changes or adjustments, compliance to which may incur additional costs for us. If we cannot fully comply with these laws, regulations and policies, our business, financial condition, results of operations and prospects may be adversely affected.

Development in the legal system of certain geographic markets in which we operate could materially and adversely affect us.

Legal systems of the geographic markets where we operate vary significantly. Some jurisdictions have a civil law system based on written statutes, while others are based on common law, where prior court decisions under the civil law system have limited precedential value.

The legal systems of some geographic markets where we operate are consistently evolving, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in such markets. The interpretation and enforcement of these laws and regulations are subject to future implementations, and since local administrative and court authorities have discretion in interpreting statutory provisions and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings. Local courts may also have discretion to reject enforcement of foreign or arbitration awards. These uncertainties may affect our ability to enforce our contractual rights or claims. In addition, the regulatory environment may be exploited through unmerited or frivolous legal actions or threats in an attempt to extract payments or benefits from us.

New laws and regulations may be adopted or construed to apply to us in the geographic markets where we operate, and increased regulatory scrutiny may require us to devote additional resources to compliance. Such changes may slow the growth of our industries and adversely affect our business, financial condition and results of operations.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

The conversion of Renminbi is subject to applicable laws and regulations in China. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE. We are required to present documentary evidence of such transactions and conduct such transactions at banks that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, normally need to be approved by or be registered by the SAFE or its designated banks.

Under existing foreign exchange regulations, following the completion of the [**REDACTED**], we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, any change in these foreign exchange policies or any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements, or to capitalize our capital expenditure plans, and even our business, financial conditions and results of operations, may be affected.

Non-PRC Holders of our H Shares may be subject to PRC income tax obligations.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to non-PRC resident enterprises that do not have an establishment or place of business in the PRC, or whose relevant income is not effectively connected with such establishment or place of business. Gains realized on the transfer of shares by such investors are also subject to a 10% PRC income tax rate if regarded as income from PRC sources, unless a treaty or similar arrangement provides otherwise.

Under the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from PRC sources paid to non-PRC resident foreign individual investors are generally subject to a PRC withholding tax at a rate of 20%, and gains from PRC sources realized by such investors on the transfer of shares are generally subject to a 20% PRC income tax rate, in each case subject to any reduction or exemption under applicable tax treaties and PRC laws. Pursuant to relevant circulars issued by the MOF, the SAT and the CSRC, gains of individuals derived from the transfer of listed shares on certain domestic exchanges may be exempt from individual income tax, subject to certain exceptions for shares with sales restrictions. As of the Latest Practicable Date, the aforesaid provisions have not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. There is no assurance that future laws, regulations or practices would not result in levying income tax on non-PRC resident individuals on gains from the sale of H Shares.

If the PRC income tax is imposed on gains realized from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

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

As the PRC laws and regulations in relation to overseas issuance and listing of shares develop, we may be required to make filings with or report to CSRC or other PRC regulatory authorities for our future capital raising activities. On February 17, 2023, the CSRC promulgated 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 their implementation guidelines. See "Regulatory Overview — Laws And Regulations Relating to Overseas Securities Offering and Listing by Domestic Companies." If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. In addition, such failure may restrict our ability to complete the proposed Offering and to finance the development of our business and may have a material and adverse effect on our business, financial condition and prospects.

On February 24, 2023, the CSRC, the MOF, 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 "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant 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. Any failure to comply with Archives Rules may materially and adversely affect our business, results of operations, financial conditions and prospects.

You may experience difficulties in effecting service of legal process and enforcing judgments against us, our most Directors and senior management.

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. The majority of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be complex for investors to effect service of process upon or to enforce judgments outside of mainland China against us and most of our Directors and senior management outside China. A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in mainland China only if the jurisdiction has a treaty with mainland China or if the jurisdiction has been otherwise deemed by the courts of mainland China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, mainland China is not a party to treaties providing for the reciprocal enforcement of judgments of courts with certain foreign countries such as the United States, and enforcement in mainland China of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 3, 2008, the Supreme People's Court promulgated the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (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 "2008 Arrangement"), which provides for the recognition and enforcement of enforceable final judgments requiring payment of money in civil and commercial cases pursuant to a choice of court agreement. On January 25, 2024, the Supreme People's Court promulgated the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安 排) (the "2024 Arrangement"), which became effective on January 29, 2024 and broadened the scope of reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. The 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of the 2008 Arrangement made before the effective date of the 2024 Arrangement. However, the effectiveness of any action brought under either arrangement remains uncertain.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to listing and regulatory requirements of mainland China and Hong Kong.

As our A Shares are listed on the STAR Market of the Shanghai Stock Exchange and our H Shares will be listed on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

The characteristics of the A share and H share markets may differ.

Our A Shares are listed and traded on the STAR Market of Shanghai Stock Exchange. Following the [**REDACTED**], our A Shares will continue to be traded on the STAR Market of Shanghai Stock Exchange and our H Shares will be traded on the Main Board of the Stock Exchange. Under current laws and regulations of China, without the approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no direct trading or settlement between the H Share and A Share markets. With different trading characteristics, the H Share and A Share markets have different trading volumes, liquidity and investor bases, as well as different levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be comparable. Nonetheless, fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the different characteristics of the H Share and A Share markets, the historical prices of our A Shares may not be indicative of the performance of our H Shares. You should therefore not place undue reliance on the trading history of our A Shares when evaluating the investment decision in our H Shares.

You should not place any reliance on any information released by us in connection with the listing of our A Shares on the Shanghai Stock Exchange.

As our A Shares are listed on STAR Market of Shanghai Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in Mainland China. As a result, from time to time, we publicly release information relating to us on the Shanghai Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in Mainland China, which are different from those applicable to the [**REDACTED**]. The presentation of financial and operational information for the Track Record Period disclosed on the Shanghai Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. As a result, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. 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 has been no prior public market for our H Shares, an active trading market for our H Shares may not develop following the [REDACTED] and the liquidity and market price of our H Shares may be volatile.

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

The liquidity, trading volume and market price of our H Shares following the [REDACTED] may be volatile, which could result in substantial losses to investors.

The price and trading volume of our H Shares may be subject to significant volatility in response to various factors beyond our control, including the political uncertainties in Hong Kong and the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the market price of the shares of other companies engaging in similar business may affect the price and trading volume of our H Shares. In addition to market and industry factors, the price and trading volume of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by competitors. Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly related to our performance but related to the overall political and economic conditions in Hong Kong, China or elsewhere in the world.

Future sales or perceived sales or conversion of substantial amounts of our securities in the public market, such as conversion of our Domestic Shares into H Shares, could have a material and adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, or may result in dilution of your shareholdings.

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new H Shares or other securities relating to our H Shares, or the perception that such sales or issuances may occur could all cause a decline in the market price of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future offerings, could also materially and adversely affect the prevailing market price of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Although our existing shareholders are subject to restrictions on their sales of H Shares within 12 months from the Listing Date, future sales of a significant number of our H Shares by our Single Largest Shareholders or other existing shareholders in the public market after the [**REDACTED**], or the perception that these sales could occur, could cause the market price of our H Shares to decline and could materially impair our future ability to raise capital through offerings of our H Shares. We cannot assure you that our Single Largest Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not issue H Shares upon the expiration of restrictions set out above.

Our historical dividends may not be indicative of our future dividend policy, and there can be no assurance whether and when we will pay dividends in the future.

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

Certain facts, forecasts and other statistics obtained from government resources have not been independently verified and may not be reliable.

Certain facts, forecasts and other statistics in this document are derived from various government resources. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However the information from official government sources has not been independently verified by us or any other parties involved in the [**REDACTED**], or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the [**REDACTED**] and no representation is given as to its accuracy. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) as similar statistics presented elsewhere. For these reasons, the information from various government resources contained in this document may not be accurate and should not be given undue reliance as a basis for making your investment in our H Shares.

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

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document.

Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

You should read the entire document carefully and we strongly caution you not to place any reliance on any information contained in press articles and other media regarding us and the [REDACTED].

Prior to the publication of this document, there has been and there may also be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us, our business, our industries and the [**REDACTED**], which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of such projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.