An **[REDACTED]** *in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and "Financial Information," before making an* **[REDACTED]** *in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial condition, results of operations or prospects. The* **[REDACTED]** *of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your* **[REDACTED]**. *You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. 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 will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

A significant proportion of our revenue was derived from certain customers during the Track Record Period. Any decrease in sales from, or loss of, one or more of our major customers would have negative impacts on our results of operations.

Our success relies on maintaining strong and stable relationships with our customers. During the Track Record Period, a significant proportion of our revenue was derived from sales to certain of our customers. Our sales to the five largest customers for each of 2023, 2024 and 2025 amounted to RMB219.1 million, RMB521.2 million and RMB703.1 million, respectively, representing 90.5%, 78.3% and 82.2%, respectively, of our total revenue for the corresponding years. Our sales to the largest customer for each of 2023, 2024 and 2025 amounted to RMB60.5 million, RMB175.7 million and RMB316.2 million, representing 25.0%, 26.4% and 37.0%, respectively, of our total revenue for the corresponding years. See "Business — Our Customers." Given this customer concentration, our business and financial performance are highly dependent on the continued purchases by, and relationships with, these customers. Our customers may alter their purchasing volume or terminate their engagement with us due to a variety of reasons, including internal procurement adjustments, changes in downstream-customer demand, intensified competition, product performance issues, or their own operational or financial challenges. As a result, there is no assurance that any of our major customers will continue to place orders with us at the current levels or at all.

Our products are sold through both direct sales and distribution during the Track Record Period, a majority of which was generated from our distributors. Thus, our sales volume depend on the performance of our distributor customers in marketing our products. The effectiveness of our customers in selling our products may be affected by a number of factors, many of which are out of our control, including:

- our customers' strategies in promoting our products;
- our customers' own business and financial performance;
- our customers' abilities to expand downstream customer base and penetrate into new markets;
- our customers' strategies to extend geographical coverage of our products;
- our customers' willingness to maintain relationships with us; and
- our ability to maintain and expand our sales network.

In the event our distributor customers fail to effectively sell our products, or prioritize promotion of competing product lines over our products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

Moreover, we may not be able to enter into new or renewal agreements with our customers as we cannot guarantee that we are able to offer more favorable commercial terms as compared to our competitors, including more attractive discounts and credit periods. The loss of our customers could adversely affect our sales volume. There is no assurance that our current or future contracts with our customers can be renewed or negotiated on terms and prices equivalent to or better than current terms and prices. Any disruption in our relationships with our customers could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we will be able to develop new relationships with additional customers or maintain or increase collaboration with our existing customers or that our incentives provided to our customers will be effective in generating more sales for us. We are also exposed to the risk that customers may seek to impose unfavorable terms on us in the future, such as longer credit periods. Credit arrangement with our customers adds pressure on our working capital and exposes us to the risks of default and bad debts.

Factors that adversely affect the industries and sectors in which our customers operate may adversely affect our business, financial condition and results of operations.

Our products are offered to customers across several key industries and sectors, primarily consumer electronics (particularly in the application in smartphones), and are incorporated as components in their products. Therefore, factors that adversely affect these industries and sectors or the end customer base could materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others:

- a decline in demand for, or negative perception of, products in these industries;
- operational challenges, fluctuation of the price of raw materials and key components, decreasing growth, financial difficulties, market share loss, or reputational harm to customers that use our products;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that affect the value chain of such customers;
- reduction or elimination of preferential tax treatments, economic incentives or other favorable policies for these companies; and
- shifts in customer product mix that may reduce demand for products incorporating our products as components.

We partner with third-party wafer foundries and packaging and testing service providers. We are exposed to supplier concentration risk due to our reliance on such major suppliers.

Under our fabless business model, our business operations depend on the continuous service of certain suppliers, mainly including the suppliers of wafer foundries, and chip packaging and testing services. In 2023, 2024 and 2025, our purchases from our five largest suppliers in each year were RMB292.5 million, RMB639.8 million and RMB529.5 million respectively, representing 90.4%, 89.7% and 83.1%, respectively, of our total purchases for the same years. Among them, purchase from our largest supplier in each year comprising the Track Record Period was RMB136.1 million, RMB265.6 million and RMB312.5 million, respectively, accounting for 42.1%, 37.2% and 49.0%, respectively, in 2023, 2024 and 2025. See "Business — Procurement and Supply — Our Suppliers." Additionally, we made substantial purchases from our major foundry partners, Supplier A and Supplier B, during the Track Record Period. In 2023, 2024 and 2025, our purchases from Supplier A were RMB136.1 million, RMB156.0 million and RMB34.9 million, respectively, accounting for 42.1%, 21.9% and 5.5% of our total purchases for the corresponding years. During the same years, our purchases from Supplier B were RMB66.1 million, RMB265.6 million and RMB312.5 million, respectively, accounting for 20.4%, 37.2% and 49.0% of our total purchases for the corresponding years. See "Business — Procurement and Supply — Our Suppliers — Relationship with Supplier A and Supplier B."

Our relationships with these major suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain our relationships with our major suppliers in the future. If the supply of wafers or chip packaging and testing services is disrupted or delayed, we may fail to find replacements with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. Furthermore, due to the material reliance we had on Supplier A and Supplier B given the substantial purchases from them during the Track Record Period, any decrease in purchases from, or loss of, any of our major foundry suppliers would have negative impacts on our results of operations. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, our costs will increase, and our business, results of operations and financial condition will be adversely affected. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation or financial condition of our major suppliers may result in material adverse impact on their business with us.

We have limited control over the quality, availability and costs of our partnered wafer foundries and packaging and testing service providers. We cannot assure you that the products manufactured by our partnered wafer foundries or services provided by our partnered packaging and testing service providers are safe and free of defects or can meet the relevant quality standards. Further, we are vulnerable to the risk that our partnered wafer foundries and packaging and testing service providers may be unable to meet the demand for our products or cease operations altogether. Any shortage in the raw materials used by our partnered wafer foundries and packaging and testing service providers may result in shortage in their supply of our products and delay in their production, packaging and testing process.

Our business growth and prospects are affected by our ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets.

Our future success significantly depends on our ability to continue to innovate and improve our existing products, and design and expand our product mix. Product design, development, innovation and iteration is often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. In addition, our downstream customers generally impose very high quality and reliability standards on our products, which may be difficult or costly to satisfy. Any inability to satisfy the quality and reliability standards of downstream customers or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations.

Our growth is also dependent on the ability of us and our distributors to identify and penetrate new markets where we and our distributors have limited experience yet require significant investments, resources and technological advancements to compete effectively, and there can be no assurance that we will achieve success in these markets. There can be no assurance that the markets we serve and/or target based on our business strategy will grow in the future, that our existing and new products will meet the requirements of these markets, that our products, or the end products in which our products are used, will achieve downstream customer acceptance in these markets, that competitors will not force price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets.

Our "competitive pricing" strategy may reduce our gross profit margins and profitability

We determine the pricing of our products by evaluating a combination of internal cost structures and external market conditions. We may adopt a competitive pricing strategy when we think it is necessary and appropriate to do so, to increase our market share and expand our customer base. We selectively applied this "competitive pricing" strategy for certain products during the Track Record Period. While we believe this approach was a proactive business decision consistent with industry trends and supported by our declining unit costs, the pricing adjustments have reduced our gross margins for our optical sensing and smart audio products during the Track Record Period.

We have implemented various cost control measures to reduce margin pressure, including optimizing our procurement strategy, improving production efficiency, enhancing automation, and strengthening supply chain management. However, there is no assurance that these measures will be sufficient to offset the impact of pricing pressure on our margins. If we are unable to achieve further cost reductions or improve operational efficiency as expected, or if pricing pressure increases beyond our expectations, our gross profit margins and profitability may be materially and adversely affected.

In addition, if our competitors adopt more aggressive pricing strategies, we may be required to reduce prices further to maintain our market share, which could reduce our margins. While our Directors believe that pricing pressure may ease as the industry matures and market concentration increases, there is no assurance that this will happen within the expected time frame. Any extended period of pricing pressure could have a material adverse effect on our business, financial condition, and results of operations.

Our inability to continuously develop our technological capabilities and improve our R&D capabilities could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.

We have invested and expect to continue to invest in the design and R&D of new and existing products and technologies to timely respond to technological developments in markets we operate in. These investments may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our margins and operating results and that such investments may not generate sufficient revenue to offset liabilities assumed and expenses associated with these new investments. We believe that we must continue to invest a significant amount of time and resources in our design and R&D efforts, including retaining sufficient and experienced R&D talents, to maintain and improve our competitive position. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our revenue and operating results may be adversely affected.

In addition, if we are unable to respond quickly and successfully to technological developments, we may lose our competitive position, and our products or technologies may become obsolete and fall behind on technologies. To compete successfully, we must develop new products and improve our existing products on a schedule that keeps pace with technological developments. The market must also accept our new and improved products. We cannot guarantee that we will be successful in keeping pace with all, or any, of the above, or that our proprietary technologies will maintain the competitiveness down the road.

Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products.

Our business strategy is to focus on the design and provision of products under intelligent sensing, machine vision and imaging technology solutions. Part of this strategy involves addressing the needs across a variety vertical markets, including smart devices and IoT devices, such as smartphones, tablets, laptops, and smart wearables, among others. Each of these markets require technologies, expertise, and marketing and operations infrastructure that are application-specific. Our inability to develop or maintain these market specific capabilities could impede our ability to expand our business in these categories and ultimately affect our future growth. Any deterioration in, or a slowdown in the growth of, such end markets resulting in a substantial decrease in the demand for our products could adversely affect our revenue.

The industries in which we operate are highly competitive. If we fail to compete against other market players, our business, results of operations and financial condition may be materially and adversely affected.

The intelligent sensing, machine vision and imaging technology chip industries in which we operate are highly competitive. We primarily compete with other companies that focus on developing and commercializing intelligent sensing, machine vision and imaging technology chips. If we compete with players that have a longer operating history than we do, or if we do not have or in the future gain more financial resources and sophisticated technological capabilities and broader customer base and relationships than our competitors, we may not be able to respond as quickly and effectively to new opportunities, technologies, industry standards, customer demand or regulatory requirements as our competitors.

We may also face competition from new entrants who may offer competitive products at lower prices in the future. Such new entrants may increase industry competition and adversely impact the sales, price, and profit margins of our products and our market share. Further, we may be required to make substantial additional investments in research, development, marketing and sales, recruiting and retaining talents, and acquiring technologies complementary to, or necessary for, our current and future products in order to respond to such potential competitions, and we cannot assure you that such measures will be effective.

If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

Our business, financial condition and results of operations may be materially and adversely affected by international trade actions, laws, regulations and policies and international export controls and economic sanctions.

We operate within a global supply chain and our products were sold globally as part of various end products. As such, we face risks associated with international trade regulations and geopolitical developments.

Recent trade tensions, such as the ongoing U.S.-China trade dispute, have led to high tariffs, export controls and other restrictive measures targeting high-technology goods, semiconductors and electronics. In April 2025, the United States imposed a tariff of 145% on all Chinese goods, except for certain consumer electronics produced in China, which was lowered to 30% until August 14, 2025 based on the joint statement between China and U.S. issued on May 12, 2025. Our products could be incorporated into various types of end products and be imported into the United States, with tariff, if any, to be borne by the importing party. Companies who import the products may wish to pass on the additional tariff on us, their other suppliers or their customers. Even if the tariff is not passed on to us, the reduced competitiveness of our customers' end products could lead to reduction or cancellation of their purchase orders from us.

The Export Administration Regulation (the "**EAR**") regulates U.S. export control, and the Bureau of Industry and Security (the "**BIS**") of the Department of Commerce administers the EAR. The U.S. export control regime regulates the export, transfer or disclosure of U.S. products, software, and technology to non-U.S. jurisdictions and non-U.S. persons based on the nature of the product or technology, as well as the destination, transferee, or end-use of a specific export or transfer. Under the EAR, a non-U.S.-produced item is subject to the EAR if it incorporates or bundles U.S.-origin controlled items valued at a certain ratio or utilizes certain U.S.-controlled software or technologies during the production process.

The BIS maintains lists of individuals and entities subject to enhanced export control restrictions. The Entity List is a catalogue of individuals and entities subject to specific licensing requirements for the export, re-export, or transfer of certain products and technology subject to the EAR. In recent years, the BIS has added hundreds of Chinese entities to the Entity List for a variety of reasons, including foreign policy, defense policy, and security. For example, Supplier B has been designated on the U.S. Entity List, the NS-CMIC List, and the CMC List, and a certain chip supplier has been designated on the U.S. Entity List. See "Business — Implications of International Sanctions" for details. As the BIS rules are evolving, future sanctions and export controls may significantly impact our business relationships with some of the key customers or suppliers. If we fail to promptly secure alternative customers or sources of supply on acceptable terms, our business may be materially and adversely affected. In addition, dealing with customers and suppliers on the Entity List can also make us vulnerable under the EAR and Entity List designation, considering the Chinese semiconductor industry is always an enforcement focus by the U.S. government.

As we operate with a fabless model, we use software and commodities subject to the EAR, including certain electronic design automation ("**EDA**") software. As the U.S. continues to impede China's advanced semiconductor industry, several EDA software suppliers in the U.S. stated that they received notices from BIS to cease supplying EDA software to China recently. These developments may introduce uncertainties to global supply chains, limit access to key software, and increase production and compliance costs for companies operating in affected industries. If these trade restrictions or geopolitical tensions escalate, we may face additional risks, including reduced access to key software, which could negatively impact our design capabilities. Though we have procured EDA software from U.S. suppliers which is subject to the EAR, we have not met any interruption or suspension regarding the procurement of these EDA software during the Track Record Period and up to the Latest Practicable Date.

In addition, on August 9, 2023, the Biden Administration issued the Executive Order on Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern ("**Reverse CFIUS EO**") granting the U.S. government the authority to establish and enforce an outbound investment screening regime. 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 "**Final Rule**") to implement an outbound investment program that restricts investments by U.S. persons and U.S.-controlled entities imposed by Executive Order 14105, "Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern." The Final Rule has become effective on January 2, 2025. The Final Rule targets investments by U.S. persons involving persons and entities associated with "countries of concern," currently including Chinese Mainland, Hong Kong and the Macau Special Administrative Region, that engaged in activities in certain sectors such as semiconductors and microelectronics, quantum information technologies or artificial intelligence (which the Final Rule defines as "covered activities"). The persons and entities from countries of concern engaged in covered activities defined as "covered foreign persons." The Final Rule imposes prohibition or notification requirements on a wide range of investments by U.S. persons subject to the Final Rule, which are defined as "covered transactions," include acquisitions of equity interests (including purchases of shares in an initial public offering or contingent equity), certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. Having been advised by our International Sanctions Legal Advisors, our Directors are of the view that our design activities do not meet the prohibited transaction parameters; however, because design of any IC that does not meet the prohibited transaction parameters will fall within the scope of notifiable transaction in the Final Rule, and our IC design business does not fall within the scope of prohibited transaction, we would be deemed as a covered foreign person and investments by U.S. persons in us would constitute "notifiable transactions" under the Final Rule. Notably, with respect to the [**REDACTED**], the U.S. government has emphasized that a U.S. person's acquisition of equity that is not yet publicly traded for purposes of facilitating an initial public offering, including as part of an underwriting arrangement, would not fall under the publicly traded securities exception under the Final Rule and could be a covered transaction. However, once shares are issued and become publicly traded, subsequent purchasers (including U.S. persons) are exempted under the publicly traded securities exception regardless of whether we engage in covered activities. However, the Final Rule nonetheless may increase the compliance burden of U.S. persons and may cause certain U.S. persons to adopt a more cautious approach in their investments, affecting the investor sentiment towards us, and therefore negatively impacting our ability to raise capital.

As geopolitical tensions escalate, the U.S. and China are continually adjusting their tariff measures. As of the Latest Practicable Date, the U.S. had imposed a worldwide 10% Section 122 tariff on products originating from countries including China, while China had imposed a 10% retaliatory tariff on all products originating from the U.S. Further, the tariff policies only apply to goods based on their country of origin, but not to software or technologies. During the Track Record Period and up to Latest Practicable Date, our products were primarily offered to our customers in China and Hong Kong and we did not export our products to the U.S. Besides, though we purchased U.S. software, we did not purchase U.S.-origin goods as our raw materials and tariffs will only be applicable to goods but not software. Therefore, during the Track Record Period and up to the Latest Practicable Date, as advised by our International Sanctions Legal Advisors, we believe that the U.S. and PRC tariffs do not have direct or indirect impact on our business because we did not engage in import and export activities relating to the U.S. We also strive to select alternative solutions from other countries or regions whenever possible to avoid bearing the additional costs imposed by the U.S. tariffs. However, we cannot assure you that our customers will not engage in the export of their goods incorporating our products or solutions into the U.S. or other countries and regions, and that such export will not be subject to the restrictions or tariffs introduced by the U.S. or other jurisdictions. If the export sales of the customers' end products are restricted, prohibited or made subject to any trade conditions under any international policies or international export controls or economic sanctions or tariffs imposed by any jurisdictions, the customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products designed and developed by other intelligent sensing, machine vision and imaging technology solution providers. As a result, we could be required to invest significant time and effort and may incur significant expense to re-design our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins which in turn could have a material adverse effect on our business, operations and financial results.

Our business is susceptible to any policy changes affecting the semiconductor industry which may materially and adversely affect our business.

During the Track Record Period, substantially all of our business operations were based in China and vast majority of our revenue was derived from our sales in China. As such, we are dependent on policies affecting the semiconductor industry in China. In recent years, China has been promoting and reshaping its domestic semiconductor industry through policy changes, leading to its semiconductor industry growing at a fast pace over the past few years. Many semiconductor companies, including us, have leveraged on such favorable policies. As such, our future prospects, success and continuous growth depend and will continue to depend on the strong support of the PRC government to the semiconductor industry in the foreseeable years. However, we cannot assure you that the PRC government will continue to promote and implement favorable policies for the semiconductor industry, or maintain the policies currently in effect to the semiconductor industry, and in turn, favorable to us. As a result, if such policies change or discontinue in the future, our financial performance and future business growth could be materially and adversely affected.

Our operational performance depends in part on our ability to enforce our intellectual property rights and to maintain freedom to operate in all jurisdictions where we conduct business.

We regard our patents, trademarks, copyrights, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with all of our employees, suppliers and distributors to protect our proprietary rights and to maintain freedom to operate in all jurisdictions where we conduct business. See "Business — Intellectual Property." Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages.

It may be difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Confidentiality, invention assignment and non-compete provisions may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all relevant jurisdictions. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.

Our success depends in part on our proprietary technology. We believe that our success also depends on increasing our technological expertise, continuing our development of new products and providing comprehensive support to our downstream customers. However, we may be unable to protect our technology in all instances, or our competitors may develop similar or more competitive technology independently. We currently hold a number of patents, software copyrights and trademarks in China. We are also in the process of applying for over 150 pending patent applications in the PRC and have five pending PCT applications. However, other parties may challenge or attempt to invalidate or circumvent any proprietary rights the PRC or foreign governments issue to us or these governments may fail to issue patents or proprietary rights for pending applications. In addition, the rights granted or anticipated under any of our proprietary rights or pending patent and proprietary right applications may be narrower than we expect or provide no competitive advantages. Furthermore, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries. We may incur significant legal costs to protect our intellectual property, which could also adversely impact our financial conditions. See "— Risks Relating to Our Business and Industry — We may be subject to claims by third parties for intellectual property infringement."

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We cannot assure you that we will not receive notices of claims of infringement and misappropriation of other parties' proprietary rights in the future. In the event of an adverse decision in a patent, trademark, copyright or trade secret action, we could be required to withdraw the product or products found to be infringing from the market or re-design products offered for sale or under development. Whether or not these infringement claims are successfully asserted, we would likely incur significant costs and diversion of our resources with respect to the defense of these claims. In the event of an adverse outcome in any litigation, we may be required to pay substantial damages, including enhanced damages for willful infringement, and incur significant attorneys' fees, as well as indemnify downstream customers for damages they might suffer if the products they purchase from us infringe intellectual property rights of others. We could also be required to stop our manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technology, discontinue the use of some processes, or obtain licenses to intellectual property rights covering products and technology that we may, or have been found to, infringe or misappropriate such intellectual property rights.

Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected.

We experienced fast growth in our revenue during the Track Record Period. In 2023, 2024 and 2025, our revenue was RMB242.0 million, RMB666.6 million and RMB854.7 million, respectively, representing a CAGR of 87.9%. We cannot assure you that we are able to sustain our historical growth rate for various reasons, including uncertainty of our continuous offerings of quality products to attract our downstream customers, failure of our marketing strategies and intensified competition within the intelligent sensing, machine vision and imaging technology chip industries in China.

In addition, we plan to continue to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to continually obtain these resources in the future. For instance, we may not be able to obtain additional internal and external capital to support our business growth on commercially acceptable terms, or to retain and attract sufficient number of competent staff to support our business development.

Our revenue, expenses and operating results may vary from period to period due to various factors beyond our control, including the economic growth, development of intelligent sensing, machine vision and imaging technology chip industries, as well as changes in laws, regulations and rules applicable to the intelligent sensing, machine vision and imaging technology chip industries in China. Any unfavorable change in the factors above may prevent us from maintaining our historical growth rate. As a result of these, and other factors, we cannot assure you that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

An increase in prices of materials and other components used in our products may disrupt our supply chain, increase our production costs, delay deliveries of our products to customers and affect our market price, which would further affect our business, financial condition and results of operations.

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor and other manufacturers, availability of certain basic materials and supplies, such as silicon wafers, have from time to time, over the past several years, been in short supply and could come into short supply again if overall industry demand continues to increase in the future. In addition, from time to time natural disasters can lead to a shortage of some of the above materials due to disruption of the manufacturer's production. Any shortage in supplies could affect the price of the above basic materials, and could reasonably affect our results of operations. Furthermore, as raw material purchase price is not only affected by the above materials and supplies, but also by the manufacture processes, technologies and services provided by the foundries, insufficient volume to secure priority ordering and technologies at foundries or any disruption of foundry services could occur as a result of production constraints on the foundries from which we procure manufacturing services, which could have a materially adverse effect on our business operations and our results of operations.

We depend on the continued services and performance of our Founder, Co-founders, senior management and other key employees, including core R&D personnel and skilled engineers. If we are unable to recruit, retain and motivate any of them, our business, operating results and financial condition may be adversely affected.

Our future performance depends on the continued services and contributions of our Founder, Co-founders, senior management and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and innovations, perform effective product design, and R&D. We also rely on our experienced management team to ensure smooth business operations, including maintenance of distributor and supplier relationships, and management of our operations. Any loss of service of our key personnel could significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results.

From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them within our business also require significant amounts of time, training and resources, and may impact our existing corporate culture. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly skilled engineers with expertise in intelligent sensing, machine vision and imaging technology chip design. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we will need in order to achieve our strategic objectives.

We have limited control over the operations of our distributors, sub-distributors and contractors. Our business may be negatively affected due to risks relating to the acts of our distributors, sub-distributors and contractors and their potential breach of agreements.

We partner with third-party distributors for marketing, branding and sales of our products. These distributors may, at their own discretion, appoint sub-distributors. See "Business — Sales and Marketing — Our Sales Channels — Distribution." Additionally, we engage third-party customs brokers to facilitate the execution of our sales. See "Business — Procurement and Supply — Use of Customs Brokers." There can be no assurance that we will be successful in detecting any non-compliance of our distributors, sub-distributors and contractors with the provisions of their agreements. Non-compliance by our distributors, sub-distributors and contractors could negatively affect our brand reputation and disrupt our sales.

Furthermore, we may be exposed to the risks of fraud or other misconducts committed by our distributors, sub-distributors and contractors. Fraud or other misconduct by our distributors, sub-distributors and contractors may involve engaging in unauthorized misrepresentation to our downstream customers, misappropriating third-party intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our downstream customers for fraud or misconduct committed by such distributor or sub-distributor. Any claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit, any of which could result in complaints from our downstream customers, regulatory and legal liabilities, as well as serious harm to our reputation.

We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to face the risk of obsolescence for our inventories or lose sales.

Our inventories consist of raw materials, work in progress and finished goods. See "Business — Logistics and Inventory — Inventory Management." As of December 31, 2023, 2024 and 2025, we had inventories of RMB113.3 million, RMB283.9 million and RMB206.3 million, respectively. We make allowance for inventories as our inventories may be obsolete and slow-moving, or the net realizable value of inventories is lower than their cost, resulting in failure to recover the cost of inventories. During the Track Record Period, we made allowance for inventories amounting to RMB18.9 million, RMB22.8 million and RMB21.7 million, respectively, primarily driven by certain items were deemed obsolete or their net realizable value fell below their carrying value, for each of the years ended December 31, 2023, 2024 and 2025. For the same years, our inventory turnover days were 140.9 days, 140.1 days and 136.4 days, respectively. As our business expands, our inventory level may increase and our inventory obsolescence risk may also increase accordingly. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials, work in progress and finished goods. We maintain our inventory levels based on our internal forecasts of customers' demand. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory of our raw materials, work in progress or finished goods. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. There is no assurance that information relating to the business plans or sales results of our distributors would be reported to us by our distributors timely and accurately. Therefore, our business prospects, financial condition and results of operations may be materially and adversely affected.

Our products may be subject to warranty, indemnity and/or product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial condition, results of operations and prospects.

Our products are highly complex and may contain defects that affect their quality or performance. Failures in our products could result in damage to our reputation for reliability and increase our legal or financial exposure to third parties. If any of our products contain defects, we may be required to incur additional development and remediation costs pursuant to warranty and indemnification provisions in our contracts and purchase orders. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our downstream customers, including liability for costs and expenses associated with product defects, including recalls, which may adversely impact our operating results. We may also be subject to third parties' alleging damages resulting from use of our products. Those users may seek indemnification from us. In certain cases, our potential indemnification liability may be significant.

Further, we offer our products to downstream customers in industries including smart devices and IoT devices, such as smartphones, tablets, laptops, and smart wearables, among others, where failure of the systems in which our products are integrated could cause damage to property or persons. We may be subject to product liability claims if our products, or the integration of our products, cause system failures. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems not capable of being resolved, our reputation may be damaged, which could make it more difficult for us to offer our products to downstream customers and which could also adversely affect our operating results.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims are valid or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation. For example, as of the Latest Practicable Date, we were involved in three legal ongoing proceedings, as a defendant, concerning our three products. See " "Business — Legal Proceedings and Compliance" for the background of the three streams of intellectual property disputes.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease using certain technologies or content that are critical to our products. Any resulting liabilities or expenses or any changes to our products that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations and prospects.

The markets for semiconductor products are cyclical. Increased production may lead to overcapacity and lower prices, and conversely, we may not be able to satisfy unexpected demand for our products, which may affect our results of operations.

The cyclical nature of the semiconductor industry has resulted in periods when demand for our products has increased or decreased rapidly. The demand for our products is subject to the strength of major industries our downstream customers operate in, including smart devices and IoT devices, such as smartphones, tablets, laptops, and smart wearables, among others. If we expand our business operations too rapidly and that demand does not materialize at the pace at which we expect, or declines, our operating results may be adversely affected as a result of increased operating expenses, reduced margins or underutilization of capacity. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources and raw materials, locate suitable third-party suppliers, or respond effectively to changes in demand for our existing products or to demand for new products requested by our downstream customers, and our current or future business could be materially and adversely affected.

If we are unable to ensure the manufacturing or delivery of high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Mass production of our products is crucial to our future financial prospects. As an intelligent sensing, machine vision and imaging technology chip solution provider, we operate under the fabless model, focusing on the R&D and design of chips while outsourcing chip fabrication to trusted third-party partners. We may face difficulties meeting our delivery deadlines when there is a surge in customer demand. If any of our third-party partners' production facilities experiences interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Failure to fulfill customers' requirements and quality control problems that occur in the manufacturing process could prevent us from meeting the stipulated delivery deadline. For example, a decline in yield rates would adversely affect our third-party partners' production efficiency and product quality. We may also experience delays in shipments caused by our third-party logistic service providers. These delays or product quality issues could have an immediate and material adverse effect on our ability to fulfill orders and damage our reputation and brand, affecting our business, results of operations and financial condition.

Further, if our third-party partners' production facilities or suppliers experience any difficulties or shortages of raw materials, or if our suppliers are otherwise unable or unwilling to continue to supply in required volumes or at all, our supply may be disrupted, and we may be required to seek alternate sources of supply. The process would be time-consuming and could be costly and impracticable. Interruptions to supply will have an adverse effect on our ability to meet scheduled product deliveries and subsequently lead to the loss of sales.

Our results of operations are subject to seasonal fluctuations.

We have experienced, and expect to continue to experience, seasonality in our business. See "Business — Seasonality" for details. During the Track Record Period, we recorded higher revenue in the second half of a calendar year than in the first half of that year, which was mainly due to as our major customers typically launch new product models in the second half of a year, resulting in a larger purchase volume of our products during such period. The degree of seasonality could still vary from time to time due to conditions in the industry, the demand of our customers and other factors over which we have limited control. To the extent there are any significant seasonal fluctuations different from our prior experience, we must arrange for relevant supplies and manufacturing capacity in an effective manner, to ensure we can dynamically adjust our operations in accordance with the changes in market demand. As a result, our profitability, results of operation and business may be adversely affected.

We may be subject to additional contributions of social insurance and housing provident fund and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC and the Administrative Regulations on the Housing Provident Fund of the PRC, we are required to make social insurance premium payments and contributions to housing provident funds for our employees. As advised by our PRC Legal Advisors, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident contributions within the stipulated deadline, it may be subject to the court's compulsory enforcement.

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for our employees in accordance with relevant laws and regulations. See "Business — Employees — Social Insurance and Housing Provident Fund Contributions" for details. We cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We may be required to pay administrative fines for our failure to register some of our lease agreements with housing administration authorities.

Pursuant to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, we had not obtained the registration of lease agreements for all of our five leased properties in China. See "Business — Properties." We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to register such lease agreements within the time frame prescribed by the relevant PRC government authorities. As a result, any imposition of fines due to such failure may adversely affect our business operations and financial condition.

We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of our products and services under various business lines. As of December 31, 2023, 2024 and 2025, our trade receivables amounted to RMB47.3 million, RMB159.7 million and RMB88.7 million, respectively. The credit period granted to our customers was generally 0 to 90 days from the date of invoice. We generally recovered trade receivables within 12 months. See "Financial Information — Discussion of Selected Items From Consolidated Statements of Financial Position — Trade Receivables, Prepayment and Other Receivables" in this document.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. We may not be able to receive our customers' payment of uncollected debts in full, or at all, and may be exposed to credit risk in cases when our customers may face unexpected circumstance. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

Expiration of, or changes to, certain government incentives, government grants and preferential tax treatments which we are entitled to could adversely affect our financial condition and results of operations.

During the Track Record Period, we recorded government grants of RMB14.9 million, RMB3.3 million and RMB10.0 million in 2023, 2024 and 2025, respectively, which mainly consist of incentives provided by local government authorities as a reward to our support and contribution for the development of local economies. In addition, we benefited from preferential tax treatments from the PRC government during the Track Record Period. We qualified as high-technology enterprise and were entitled to a preferential income tax rate of 15% for the Track Record Period. According to the relevant PRC tax laws and regulations, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses in determining its tax assessable profits for the year. For details of the tax policies on super-deduction of R&D expenses, see "Regulation Overview — XII. Laws and Regulations Relating to Taxation — (5) Tax Policies on Super-deduction of R&D Expenses." We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period. We also recorded value-added tax additional deduction of RMB12.5 million in 2025. We cannot assure that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and result of operations may be materially and adversely affected.

Grants of equity incentives to our Directors, senior management, key employees and other employees potentially have a material and adverse effect on our financial performance.

We have granted awards in our Share Incentive Platforms to attract and retain personnel for positions of substantial responsibility and to provide additional incentives to selected Directors and employees. See "History, Development and Corporate Structure — Share Incentive Platforms" for more details. For the years ended December 31, 2023, 2024 and 2025, our share-based payment expenses were RMB43.4 million, RMB20.9 million and RMB8.0 million, respectively. To further incentivize our Directors, senior management, key employees and other employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may also dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We incurred a net loss in 2023 and we cannot ensure we will always maintain profitability in the future.

We recorded a net loss of RMB110.1 million in 2023. A net loss position exposes us to liquidity risks and may materially and adversely affect our ability to raise funds or obtain bank financing. Our profitability depends on a number of factors, including, among others, the scale and cost of our R&D activities, the cost of commercializing our products, and our ability to generate revenue. It also depends on our ability to grow our customer base, expand our product and service portfolio, manage raw material costs and improve operational efficiency. Unexpected changes in customer demand, shifts in the industry landscape, intensified competition, or opportunities requiring investment, acquisitions or capital expenditure may reduce our revenue or increase our costs. If we are unable to generate sufficient revenue or manage our cost structure effectively, we may fail to achieve expected gross margins, continue to incur losses and face pressure on our liquidity position. Failure to remain profitable could reduce our value, limit our ability to raise capital, maintain R&D activities, expand our business or continue operations.

We had net current liabilities and net liabilities and recorded net operating cash outflows historically which may continue into the foreseeable future and expose us to liquidity risk.

We recorded net current liabilities and net liabilities as of December 31, 2023 and 2024. As of December 31, 2023 and 2024, our net current liabilities were RMB592.8 million and RMB621.8 million, respectively, and our net liabilities were RMB548.6 million and RMB518.6 million, respectively, primarily due to our financial liabilities at fair value through profit or loss arising from certain special rights attached to shares held by our Pre-[**REDACTED**] Investors, which were terminated on July 31, 2025. We also recorded net cash outflows from operating activities of RMB190.1 million and RMB184.8 million in 2023 and 2024, respectively. We cannot assure you that we will be able to continue to generate operating cash inflows in the future. If we are unable to generate sufficient operating cash flow or obtain external funding when needed, our liquidity, financial condition and business expansion may be materially and adversely affected. In addition, future business developments, market conditions, competition or other factors beyond our control may negatively affect our operating cash flow, and prolonged or recurring net operating cash outflows could result in insufficient working capital to support our operations, materially and adversely affecting our business, financial position and results of operations.

Acquisitions or investments may fail and materially and adversely affect our reputation, business and results of operations. We may not be able to effectively integrate or manage our acquired business.

We may acquire additional assets or businesses that may generate synergies when combined with our existing business. The cost of identifying and consummating acquisitions may be significant. We may also have to obtain shareholders' approvals and approvals and licenses from the government authorities for the acquisitions and comply with applicable laws and regulations. Obtaining such approvals and licenses may delay, if not halt, our acquisition efforts.

In February 2026, we agreed to acquire a 20.07% equity interest in the Target Company from three Independent Third Parties for RMB6.0 million and may further subscribe for up to 5.48% post-dilution equity interest within six months for up to RMB30 million. See "Waivers from Strict Compliance with the Requirements under the Listing Rules – Acquisition After the Track Record Period" for details.

As the integration of the Target Company is still at an early stage, it may require substantial time and resources, including operational and financial resources, to manage and monitor its operations and development. We cannot assure that we will successfully integrate the Target Company or any future acquisition targets, or that we will realize the anticipated benefits or synergies from such acquisitions. In addition, the actual costs of integration may exceed our expectations. If we are unable to effectively manage the risks associated with our acquisitions and the subsequent integration of new assets and businesses, our reputation, business, financial condition and results of operations may be materially and adversely affected.

We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the intelligent sensing, machine vision and imaging technology chip industries;
- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by our competitors in China; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity securities. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholding interest. In case the capital required for our expansion could not be raised through the issuance of equity or equity-linked securities, we may need to incur additional indebtedness, which will lead to increased debt service obligations and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our Shareholders. Our profitability would also be adversely affected if the increase in interest expenses could not be passed on to our downstream customers.

Fluctuations in foreign currencies may adversely affect our business, financial condition and results of operations.

Most of our revenue and expenditures were denominated in Renminbi. We recorded net foreign exchange gains of RMB1.0 million, RMB0.6 million and RMB1.4 million in 2023, 2024 and 2025, respectively. Any significant revaluation of the Renminbi may adversely affect our financial condition and results of operations.

Additionally, fluctuations in the exchange rate may incur foreign exchange losses and affect the relative value of any dividend issued by us, thereby adversely affecting our business, financial condition and results of operations. Appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or the U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business, financial condition or results of operations.

Our information technology networks and systems may encounter malfunction, unexpected system failure, interruption, insufficiency or security breaches.

We rely on our and third-party information technology systems to facilitate communications among our employees and with suppliers and customers. We also use the information technology systems to communicate with our logistics providers on demand forecast, order placements and manufacturing and service status and capacity. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during maintenance, power outages, hardware failures, malware attacks or catastrophic events. If the information technology systems suffer damage, disruption or shutdown, we may incur substantial costs in repairing or replacing these systems. If we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected. In addition, if the information technology systems fail to satisfy additional requirements related to our business expansion, our future growth may be adversely affected.

Failure to detect or prevent fraudulent or illegal activities or other misconduct by our 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 suppliers, customers or other third parties, that could subject us to liabilities, fines and other penalties imposed by government authorities. We cannot assure you that we will be able to prevent fraud or illegal activity by such persons or that similar incidents will not occur in the future. Any illegal, fraudulent, corrupt or collusive activity by our 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 also subject us to negative publicity that could severely damage our brand and reputation and subject us to significant financial and other liabilities to third parties and fines and other penalties imposed by government authorities. Accordingly, our failure to detect and prevent fraudulent or illegal activities or other misconduct by our suppliers, customers or other third parties could materially and adversely affect our business.

The expansion into overseas markets may expose us to operational, financial and regulatory risks.

We plan to expand our overseas market. Developing international markets requires significant investment of capital and human resources, which may adversely impact our current performance. We may not be able to identify profitable international markets. Even if we identify profitable international markets, we may not be able to enter into or compete in the identified markets due to factors such as, but not limited to:

- our or our distributors' limited business experience in the international markets;
- competition with local competitors which may have greater resources and more favorable market positions;
- different demand dynamics of our products;
- diversity of downstream customer preferences and demand, and our ability to anticipate or respond to such preferences and demand;
- compliance with applicable laws and regulations; and
- potentially adverse tax consequences.

Any of such circumstances could adversely affect our reputation, business, financial condition and results of operations.

Downturns or volatility in general economic conditions could have a material adverse effect on our business, financial condition and results of operations.

Uncertainties about global and regional macroeconomic conditions including fluctuation of interest rates, inflation level, conditions in the industries in which we operate, unemployment, labor and healthcare costs, access to credit, consumer confidence and other factors beyond our control may pose risks and materially and adversely affect the demand for our products. In addition, natural disasters such as floods, earthquakes, sandstorms, snowstorms, fire or drought, the outbreak of a widespread health epidemic, acts of war, terrorism or other force majeure events beyond our control may disrupt our R&D, manufacturing and commercialization activities and business operations, all of which could adversely affect our business, financial condition, results of operations and prospects.

We may not have sufficient insurance coverage to cover our potential liability or losses.

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. As such, we cannot insure against certain risks related to our assets or business even if we desire to.

As of the Latest Practicable Date, we had not obtained any business liability or disruption insurance to cover our operations. See "Business — Insurance." We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured occurrence of including, among others, business disruption, material litigation, natural disaster or significant damages to our uninsured devices or facilities may result in our incurring substantial costs and the diversion of resources, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to maintaining and expanding our business. Maintaining and enhancing our brand depends largely on our ability to continue to provide quality products, which we cannot assure you we will do successfully. Quality issues, product performance, reliability and stability of our products as well as price may harm our reputation and brand, and we may introduce new products which might be poorly received by our downstream customers. Additionally, if downstream customers have a negative experience using our products, such an encounter may affect our brand and reputation within the industry. What's more, we believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful products at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We cannot assure you that our marketing spends will lead to increased revenue, and even if so, such increases in revenue may not be sufficient to offset expenses we incur in building and maintaining our reputation and brand name.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.

We may be subject to disputes or claims of various types brought by our competitors, employees, suppliers, customers, business partners or governmental entities against us relating to contractual disputes, labor disputes, intellectual property infringements or disputes involving misconducts of our employees. Such claims and disputes may evolve into litigations and damage our reputation and goodwill, thereby adversely affecting our customer base. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Litigation is distractive and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert management team's attention from our day-to-day operations, any of which could harm our business. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which could have a material and adverse effect on our business, financial condition and results of operations.

We are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a [**REDACTED**] company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding environmental, social and governance risks. Our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

We may be subject to natural disasters, health epidemic, acts of war, terrorism or other factors beyond our control.

Natural disasters, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

Our business is affected by changes in economic, political or social conditions or government policies.

Substantially all of our business, assets and operations are located in China, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in China. Similar to many other countries and regions, China regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by China's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geopolitical or social environment in various regions around the world would continue to influence China's economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC 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 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely 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.

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

We are a company incorporated under the PRC laws and a majority of our assets and subsidiaries are located in China. Substantially all of our management reside within China. The assets of these management is also primarily located within China. As a result, it may be complex and difficult to effect service of process upon or to enforce judgements against us and our management outside China.

We may be subject to restrictions on the remittance of Renminbi into and out of China, which may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

Shareholders may require approval from the BTI when acquiring control or significant influence over us.

Pursuant to the Dutch Investments, Mergers and Acquisitions (Security Screening) Act (*Wet veiligheidstoets investeringen, fusies en overnames*; "**Vifo Act**"), an application must be made to the Dutch Screening Bureau (Bureau Toetsing Investeringen; "**BTI**") prior to any direct or indirect investment that results in the acquisition of control or significant influence in a company that is active in certain sensitive technologies in the Netherlands. As advised by our Dutch Legal Advisors, the business of SI Netherlands, our Dutch subsidiary, which provides analog and digital IC design service in the Netherlands for our Group, is in the field of "semiconductor technology" and falls within the scope of the Vifo Act. Therefore, an application must be made to the BTI by either the investor or SI Netherlands prior to any direct or indirect acquisition or increase of an interest in SI Netherlands that meets the aforementioned threshold of control or significant influence. The acquisition of shares may not be completed until the BTI has cleared the transaction. See "Information about this Document and the [**REDACTED**] — Requirements under the Dutch Investments, Mergers and Acquisitions (Security Screening) Act" for the details about the process.

In October 2025, the government of the Netherlands invoked the Goods Supply Act to implement emergency intervention and assume substantive control over a company controlled by a PRC company. It should be noted that, as advised by the International Sanctions Legal Advisors, this action does not constitute routine commercial regulation; rather, it is an extraordinary and forceful measure taken against the backdrop of intensifying global technological competition. Specifically, this action was initiated by the Dutch government on grounds of threats to national security and public interest. Furthermore, as confirmed by the Dutch Legal Advisors, there is no general rule under the Dutch laws which stems from the specific circumstances leading up to that particular incident. Accordingly, given that we only have limited design and R&D activities in the Netherlands which do not meet the operational scale of the aforementioned company and the specific and different governance circumstances at the other company, we believe this incident has no direct connection or impact on us and has not impacted our business operations or financial performance. However, indirect effects may still materialize. This incident is likely to heighten concerns among our European clients, suppliers, and partners regarding geopolitical risks, potentially increasing the complexity of future commercial negotiations, prolonging decision-making cycles, and exerting latent pressure on the long-term stability of the supply chain.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and an active [REDACTED] market for our H Shares may not develop.

No public market currently exists for our H Shares. The [**REDACTED**] for our H Shares to the [**REDACTED**] will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of our H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will rise following the [**REDACTED**].

The [REDACTED] and [REDACTED] of our H Shares may be volatile, which could result in substantial losses for [REDACTED] who [REDACTED] our H Shares in the [REDACTED].

The [**REDACTED**] and [**REDACTED**] of our H Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in [**REDACTED**] and changes in demand for our products may cause significant and sudden changes to the [**REDACTED**] and [**REDACTED**] of our H Shares. Furthermore, the [**REDACTED**] of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by our Company may also confer rights and privileges that take priority over those conferred by the H Shares. The Stock Exchange and other securities markets have, from time to time, experienced significant price and [**REDACTED**] volatility that is not related to the operating performance of any particular company. This volatility may also materially and adversely affect the [**REDACTED**] of our H Shares.

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

The [**REDACTED**] of our H Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate could be negatively impacted as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, especially by our Directors, executive officers and Controlling Shareholders, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. Furthermore, we may issue Shares pursuant to any existing or future share option incentive schemes, which would further dilute our Shareholders' interests in our Company. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares. Certain amount of the Shares controlled by our Controlling Shareholders are subject to certain lock-up periods after the [**REDACTED**]. While we currently are not aware of any intention of such persons to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that they will not dispose of any Shares they may own now or in the future. Market sale of Shares by such Shareholders and the availability of these Shares for future sale may have a negative impact on the [**REDACTED**] of our Shares.

In addition, while [**REDACTED**] subscribing shares in the [**REDACTED**] are not subject to any restrictions on the disposal of the H Shares they subscribed (except as disclosed in "[**REDACTED**]"), they may have existing arrangements or agreement to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [**REDACTED**] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [**REDACTED**]. Any sale of the H Shares [**REDACTED**] by such [**REDACTED**] pursuant to such arrangement or agreement could adversely affect the [**REDACTED**] of our H Shares and any sizeable sale could have a material and adverse effect on the [**REDACTED**] of our H Shares and could cause substantial volatility in the [**REDACTED**] of our H Shares.

The interests of our Controlling Shareholders may not be aligned with the interests of other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters related to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] and assuming the [**REDACTED**] is not exercised, our Controlling Shareholders will hold approximately [**REDACTED**]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the [**REDACTED**] of our H Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

[REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED].

[**REDACTED**] will pay a price per H Share in the [**REDACTED**] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of December 31, 2025. Therefore, [**REDACTED**] of our H Shares in the [**REDACTED**] will experience a substantial immediate dilution in [**REDACTED**] net tangible assets, and our existing Shareholders will receive an increase in the [**REDACTED**] adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], [**REDACTED**] would receive less than the amount they [**REDACTED**] for their H Shares. For more information, see "Unaudited [**REDACTED**] Financial Information" in Appendix II.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to Chinese Mainland, Hong Kong and the industries in which we operate have been derived from various official government publications. Such information has not been prepared or independently verified by us, the [**REDACTED**] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials. Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of Chinese Mainland and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

There is no assurance whether and when we will pay dividends, which is subject to restrictions under PRC law.

No dividend had been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as 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 to 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. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

You should read this entire document carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, and subsequent to the Latest Practicable Date but prior to the completion of the [**REDACTED**], there may have been or may be press and media coverage regarding us, our business, our industry and the [**REDACTED**]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective [**REDACTED**] should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our [**REDACTED**]. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [**REDACTED**], and any formal announcements made by us in Hong Kong in relation to our [**REDACTED**].