
RISK FACTORS

An [REDACTED] in our H Shares involves various risks. You should carefully consider all the information in this document, including the risks and uncertainties described below, before making an [REDACTED] in our H Shares. These risks could materially and adversely affect our business, financial condition, and results of operations. The [REDACTED] of our H Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your [REDACTED]. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations.

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 the section headed “Forward-looking Statements” in this document. You should seek professional advice from relevant advisers regarding your prospective [REDACTED] in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The semiconductor industry is highly competitive and rapidly evolving. If we are unable to compete effectively with existing or new competitors, our sales, market share and profitability could be materially and adversely affected.

The semiconductor industry is highly competitive and we compete directly with a wide range of organizations that vary in size, technical proficiency, and financial strength. Many of these competitors benefit from longer operational track records, greater brand recognition, and well-established strategic partnerships. Additionally, they may possess superior financial resources, as well as more developed sales, and technical capabilities. Some competitors also operate proprietary manufacturing facilities, allowing them to offer more competitive pricing, and manage fluctuations in product demand with greater efficiency. Furthermore, pricing pressure in the industry could hinder our growth and profitability. New entrants may offer similar products and services at significantly lower prices, which could further depress market pricing and limit our ability to achieve favorable pricing for our products.

Competitors may engage in acquisitions, partnerships, or other strategic relationships to enhance their market positions. Companies not currently in competition may also enter the market through similar means. Industry consolidation can result in competitors with expanded product portfolios or greater pricing flexibility owing to increased scale and financial resources. Additionally, some customers may choose to develop their own semiconductor products, introducing additional competition for existing offerings.

The competitive nature of the semiconductor industry also drives rapid and continuous technological iterations, evolving standards, declining selling prices, and accelerated product obsolescence. Our inability to address these challenges effectively could prevent us from sustaining or expanding our business. Failure to compete successfully may adversely affect our operational performance and weaken our financial position.

Price pressures from market competition and fluctuating market conditions may negatively impact our revenue and gross profit margin.

We have been experiencing, and may expect to continue facing, downward pressure on our product prices due to increasing competition within our market sectors. If we do not achieve higher sales volumes or successfully launch products with greater value, revenue from current offerings may decrease. We have maintained a high level of R&D investments and intend to maintain this strategy to create innovative products that offer advanced features, enabling higher pricing or

RISK FACTORS

reduced production costs. However, if these objectives are not met in a timely manner, or we are unable to develop more cost-effective technologies, our financial performance could be negatively impacted. Sustained pricing pressure may affect gross profit margins, and failure to offset declining prices through cost reductions or product enhancements could adversely affect profitability and materially influence our business, financial condition, and operating results.

Any industry downturn may in the future materially and adversely affect our business, results of operation and financial condition.

According to Frost & Sullivan, the global market size of edge-side smart vision processing chips dropped from US\$168.0 million in 2021 to US\$152.0 million in 2025, reflecting a CAGR of -2.5%, and is projected to grow slightly to remain at US\$218.4 million by 2030, with a CAGR of 7.1% from 2026 to 2030. We cannot guarantee that the semiconductor industry as a whole, or our major customers’ market segments, especially IP cameras and IoT devices, will avoid downturns. Such declines may weaken IC product demand, create overcapacity, increase inventories, and lower prices. Economic pressures, including market volatility, geopolitical issues, and inflation, have already affected the industry, and the timing or extent of these cycles remains unpredictable. Any future decline could significantly impact our business and financial results.

The cyclical nature of the semiconductor industry and cyclical mismatch in the industry make our business and operating results particularly vulnerable to economic downturns.

The semiconductor industry has traditionally demonstrated significant cyclical trends and has experienced pronounced downturns characterized by fluctuations in end user demand, reduced integrated circuit demand, rapid declines in ASP, and periods of production overcapacity. In times of robust demand, companies within the sector often expand operations aggressively to secure capacity for anticipated future growth. However, when actual demand does not rise as expected or recedes, or when expansion outpaces genuine demand growth, the industry frequently transitions into an environment where capacity exceeds demand. The excess capacity can intensify competitive pressures on our operations, potentially resulting in adverse outcomes such as increased pricing competition and underutilized resources. Additionally, a deceleration in demand growth or ongoing declines in selling prices for semiconductor devices may reduce demand for our products and compress profit margins. Failure to implement timely and effective countermeasures, such as adequate cost reduction strategies, during future downturns could negatively impact our business and operational results.

A substantial portion of our revenue has been derived from a small number of customers. The loss of, or significant reduction in the purchases by, one or more of such customers could materially and adversely affect our business, financial condition and results of operations.

Historically, a relatively small number of customers have generated a significant portion of our revenue. In 2023, 2024 and 2025, revenue generated from our five largest customers amounted to RMB1,660.1 million, RMB1,582.5 million and RMB1,393.2 million, respectively, accounting for 91.1%, 88.4% and 82.5% of our total revenue in the respective years. In particular, in 2023, 2024 and 2025, revenue generated from our largest customer amounted to RMB1,301.6 million, RMB1,193.9 million and RMB951.0 million, accounting for 71.4%, 66.7% and 56.3% of our total revenue in the respective years.

Any substantial delay, alteration, cancellation, or reduction of purchase orders from these customers, or changes in their purchasing patterns, which may in turn be attributable to changes in their respective customers’ demand and purchasing patterns, could have a material and adverse impact on our business, financial condition and results of operations.

Our business results, financial condition, operational performance, and outlook are affected by our ability to retain current customers and attract new ones, as well as the stability and success of our clients, including their capacity to maintain and expand their own customer relationships.

RISK FACTORS

Furthermore, key customers may exercise considerable bargaining power during contract negotiations. These clients have consistently pursued advantageous pricing and commercial terms, and may request that we develop additional product features. As a result, we could be required to reduce ASP and/or incur higher production costs, which may negatively affect our gross profit margins. The loss of one or more significant customers, or an inability to maintain present revenue and profit levels from these relationships, could materially impact our business, financial health, and operating results.

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

The production of our designs involves a lengthy manufacturing and packaging process. Additional time may elapse before a customer begins receiving volume shipments of our products. Even when a manufacturer agrees to integrate our products into its offerings, there is no guarantee that it will deliver final products that incorporate our semiconductor components.

Due to this lengthy cycle, we may face time gaps between the time we incur expenses for R&D and sales and marketing efforts and the time we generate revenue, if any, from these investments. The time gap complicates the forecasting of customer demand, introducing uncertainty into the manufacturing planning process, which could negatively impact our business, financial condition, and operational results. Furthermore, the life cycle of certain semiconductor products designed for specific applications can be relatively short. If we do not effectively manage the manufacturing and packaging process, our products may become obsolete before they can be integrated into our customers’ offerings, preventing us from realizing a return on the investments made in designing, developing, and producing these products.

Our R&D efforts are not guaranteed to yield the results we anticipate.

In order to maintain our competitive position and continue to grow our business, we need to continuously develop and introduce innovative products for our existing and potential customers. The markets of IC design are characterized by continuous technological developments and innovation to address increasingly complex and diverse market needs. Accordingly, we emphasize our R&D activities, which require considerable human resources and capital investment. In 2023, 2024 and 2025, our R&D expenses amounted to RMB334.8 million, RMB349.9 million and RMB351.4 million, accounting for 18.4%, 19.5% and 20.8% of our total revenue in the respective years. However, we cannot assure you that these efforts will be successful or produce our anticipated results.

Even if our R&D efforts are successful, we may not be able to apply the technologies we developed to introduce new products in time to capture the first mover advantage, or at all.

If we fail to manage and expand our relationships with our upstream suppliers, or otherwise fail to procure products on favorable terms, our business and gross profit margin may suffer.

Our major suppliers include both domestic and international manufacturers and foundries. Maintaining strong relationships with these suppliers is crucial for the growth of our business, particularly as we rely heavily on procuring semiconductor components at favorable pricing terms. We cannot guarantee that our current suppliers will continue to sell semiconductor components to us on commercially acceptable terms, or at all. Even with good relationships, their ability to supply components in sufficient quantities and at competitive prices may be negatively impacted by various factors, including economic conditions, labor disputes, regulatory or legal changes, customs and import restrictions, natural disasters, and other unforeseen events.

RISK FACTORS

Additionally, our inventory management poses risks, especially concerning products sourced from third-party suppliers. Managing inventory levels can become increasingly complex due to limited visibility into end market demand, which may lead to excess or obsolete inventory. Weak supplier relationships could limit access to high quality electronic components at favorable terms, affecting our ability to meet demand and remain competitive. Adverse supplier developments or disputes may harm our business, finances, reputation, and result in legal liabilities. For further information, see “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Extended collection cycles for trade receivables and unpredictable inventory turnover, especially when relying on downstream distributors, may negatively impact our cash flow.

We rely on a small number of suppliers. The loss of, or significant reduction in the selling from one or more of such suppliers could materially and adversely affect our business, financial condition and results of operations.

A significant portion of our procurement was derived from a limited number of suppliers during the Track Record Period. In 2023, 2024 and 2025, purchases from our five largest suppliers amounted to RMB842.3 million, RMB1,094.3 million and RMB1,031.4 million, respectively, accounting for 79.6%, 80.6% and 85.5% of our total purchases in the respective years. In particular, in 2023, 2024 and 2025, purchases from our largest supplier amounted to RMB386.1 million, RMB619.5 million and RMB595.3 million, accounting for 36.5%, 45.6% and 49.4% of our total purchases in the respective years. There is no assurance that we will continue to obtain contracts from our major suppliers in the future. If there is a significant decrease in the number of procurements awarded by our major suppliers, our financial condition and operating results would be adversely affected.

We may be unable to adequately forecast demand for our semiconductor products due to the numerous factors that influence the sales cycle. If we fail to manage our inventory effectively as a result, our business, financial condition, results of operations and liquidity may be materially and adversely affected.

Although we rely on demand forecasts from our clients or distributors for manufacturing and inventory decisions, a portion of our customer agreements lack long-term or minimum purchase commitments. Although customers have no contractual right to cancel or reschedule orders, industry norms require us to accommodate such requests to maintain relationships and for commercial reasons. Demand can change significantly between ordering inventory and selling products due to factors like new product launches, product life cycle changes, pricing shifts, defects, and customer purchasing patterns. Customers may buy less than expected. Launching new products also poses challenges in supplier relationships, product selection, and accurate market forecasting. Cancellations, reductions, or rescheduling of customer orders could lead to the loss of expected sales, without providing us adequate time to adjust our inventory and operating expenses. This is particularly concerning as a significant portion of our expenses are fixed, at least in the short term.

As of December 31, 2023, 2024 and 2025, our inventories were valued at RMB353.1 million, RMB485.7 million and RMB439.0 million, respectively. As we aim to expand our product offerings, we may increase our inventory levels, which could complicate our inventory management and exert additional pressure on our warehousing systems. To address rising manufacturing costs and supply constraints, we may increase inventory levels, which could strain cash flow and heighten risks related to price changes and obsolescence. Mismanagement may require price reductions, harming margins and tying up capital needed elsewhere. Conversely, underestimating demand or supplier issues could cause shortages, lost sales, and reduced brand loyalty. These factors may negatively affect our business and financial performance.

RISK FACTORS

If the sales of our customers’ products decline or if their products do not achieve market acceptance, our business and results of operations could be materially and adversely affected.

Our revenue depends partially on our customers’ ability to commercialize their products successfully. The markets for our customers’ products are extremely competitive and are characterized by rapid technological change. Our customers’ products may not achieve market success or may become obsolete. We cannot assure you that our customers are able to dedicate the resources necessary to promote and commercialize their products. Moreover, our customers may develop internally, or in collaboration with our competitors, technology that they may utilize instead of the technology available to them through us. Our customers’ failure to achieve market success for their products, including as a result of general declines in our customers’ markets or industries, could negatively affect their willingness to utilize our products, which may result in a decrease in our revenue and negatively affect our business and results of operations.

Our revenue also depends partially on the timely introduction, quality and market acceptance of our customers’ products that incorporate our products. Our customers’ products can be very complex and subject to design complexities that may result in design flaws, as well as potential defects, errors and bugs. If our customers discover design flaws, defects, errors or bugs in their products, or if they experience changing market requirements, failed evaluations or field trials, or issues with other vendors, they may delay, change or cancel a project, which could adversely affect our business and financial results.

We depend on a few third-party foundries, which reduces our ability to control our manufacturing process.

We employ a fabless manufacturing strategy, concentrating on the design and sales of semiconductor products while partnering with world leading suppliers for wafer fabrication, packaging, and testing. We have established long-term partnerships with world leading foundries, collaborating closely to utilize their advanced facilities. Historically, we have depended on a limited number of third-party foundries.

We rely on demand forecasts from our clients or distributors for inventory decisions. The third-party foundries are generally not obligated to supply us with products for any specific duration, in any specific quantity, or at any specific price, except as outlined in a particular purchase order. Overall, our dependence on third-party foundries entails several significant risks, including: (i) reduced control over delivery schedules, quality assurance, manufacturing yields and production costs; (ii) lack of guaranteed production capacity or product supply; (iii) unavailability of, or delayed access to, next generation or key process technologies; (iv) failure by us or our customers to qualify a selected supplier; (v) capacity shortages during periods of high demand; (vi) shortages of materials; (vii) misappropriation of our IP; (viii) limited warranties on IC or products supplied to us; and (ix) financial difficulties or disruptions in the operations of third-party foundries due to causes beyond our control, including geopolitical uncertainties. See also “— Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may materially and adversely impact our reputation, business, investments, financial condition and results of operations.”

As our foundry partners also fulfill requests from other companies, increased demand from us or their other clients may result in an inability to meet our required quantities, the prioritization of other clients’ requests over ours, or potential price increases. In recent years, the global semiconductor industry, including our Company, has experienced wafer supply limitations. Under such constraints, industry participants may allocate available products among customers or adjust pricing upward. Continued supply constraints or insufficient delivery of wafers by our foundry partners, whether in terms of quantity, timeliness, yields, or cost, could impede our capacity for future growth and materially affect our revenue, gross profit margin, and overall financial performance.

RISK FACTORS

Current global economic and geopolitical circumstances may significantly influence our foundry partners, potentially limiting their capacity to deliver essential services. Should any foundry partner become unable to manufacture wafers in the required quantities, qualities, yields, costs, or timeframes, it may be necessary for us to identify and qualify alternative suppliers. This transition could prove complex and time consuming, which may adversely affect revenues in the short term, increase operational costs, or introduce unforeseen manufacturing challenges. Furthermore, heightened competition for foundry capacity could necessitate paying higher prices for manufacturing services.

Our foundry partners may experience upstream supply constraints. For example, the supply and cost of raw materials used in wafer fabrication can be influenced by supply conditions, regulations, macroeconomic factors, and other unpredictable elements. If the costs of raw materials for our third-party foundry partners increase or if availability declines, we may need to adjust the prices for our customers. This could result in lower sales, and if we are unable to offset these increased costs, it may lead to reduced profits or losses.

Transferring semiconductor production between foundries may disrupt manufacturing and cause delivery delays. As we seek advanced process technologies, we evaluate moving products to improve performance and cut costs, which sometimes requires modifying manufacturing or redesigning products. Adopting new processes means adding more R&D costs, features and intellectual property, but achieving higher integration or timely delivery of new products is not guaranteed. We may face challenges, delays, and cost increases during these transitions.

Larger suppliers may possess enhanced leverage to negotiate more favorable terms, such as increased pricing, extended contract periods, substantial deposits, and stricter breach of contract penalties for their products and services. These conditions have the potential to result in elevated costs or additional penalty expenditures for our organization. Furthermore, any change of control at our third-party foundries could disrupt established rapport and have an adverse effect on our supply chain efficiency.

We mainly rely on third-party service providers for package testing and other back-end processes, which reduces our control over delivery schedules, product quality and costs.

We depend on third-party service providers for nearly all of our semiconductor packaging processes. Additionally, we rely on several specialized service providers for other essential processes. If any of these service providers become unable or unwilling to deliver services of acceptable quality, at reasonable costs, or in a timely manner, our ability to supply products to our customers could be significantly compromised. We would need to identify and qualify alternative service providers, a process that could be time consuming and challenging, potentially leading to unforeseen operational issues. Furthermore, substitute service providers may not be available, or if they are, they might be unwilling or unable to provide services on acceptable terms or at reasonable prices.

Moreover, if competition among fabless companies for testing, reliability certification and chip failure analysis or other outsourced services intensifies, we may need to invest significant resources to secure access to these services, which could negatively impact our operational results. If our current providers refuse or are unable to continue providing these services, we may struggle to obtain them from alternative providers. Additionally, if customer demand for our products rises, we might not be able to secure enough additional capacity from our current service providers on commercially reasonable terms, if at all. These factors could lead to unexpected product shortages or increased manufacturing costs, adversely affecting our business, financial condition, and operational results.

RISK FACTORS

Our sales through third-party distributors increase the complexity of our business and may reduce our ability to forecast revenue.

In addition to direct sales to major customers, we also utilize distributors to increase sales coverage and facilitate transaction logistics with medium and small end user customers. Our sales to distributors may introduce additional risks, including channel conflicts and inventory misalignment. Revenues from sales of our products to distributors accounted for approximately 19.0%, 21.2% and 26.9% of our total revenues in 2023, 2024 and 2025, respectively. Our business, results of operations and financial condition for the foreseeable future may continue to concentrate on a relatively small number of distributors.

Indirect distribution introduces several operational and financial complexities, making our ability to manage these relationships effectively crucial for maintaining accurate forecasting, stable cash flows, and healthy gross margins.

Selling through distributors reduces our ability to accurately forecast sales and increases the complexity of our business, and may require us to, among other matters: (i) manage a more complex supply chain; (ii) monitor the level of inventory at each distributor; (iii) negotiate credits terms, return policies and pricing with each distributor; (iv) evaluate the impact of credit terms, return policies, pricing and unsold inventory associated with each distributor; and (v) assess the financial condition and creditworthiness of our distributors.

Any failure to effectively manage these challenges could lead to inaccurate sales forecasts and result in either excess or insufficient inventory, negatively impacting our business, financial condition, and operational results. Specifically, a lack of robust distributor management systems and controls, such as real time inventory tracking, regular audits, contract enforcement, and financial oversight, could lead to inaccurate revenue projections, excess or obsolete inventory, write downs, unexpected returns, or even legal disputes. These consequences could materially and adversely affect our business, financial health, operational results, and stock price performance.

Any product defects, delays in delivery and adverse performance reliability could negatively affect our business, financial condition and results of operations, and may expose us to contractual liabilities, litigation risks and regulatory actions.

Due to ongoing technological advancements and the integration of multiple functions onto a single chip, our products are inherently complex. This complexity contributes to an increased risk of latent defects being identified by customers or end users after significant quantities have been distributed, which may necessitate product replacements or recalls. For example, trace levels of contaminants in the manufacturing environment or challenges in wafer fabrication can render certain components non-functional. Such issues are often difficult to detect early in the manufacturing process and can be both time consuming and costly to address.

Occasional challenges related to product quality, performance, and reliability may arise. For example, the delivery of products with defects or issues concerning reliability, quality, or compatibility can negatively impact our reputation, making it more difficult to retain existing customers and attract new ones. Should defects or failures occur, we may experience loss of revenue and increased expenses, including warranty claims and customer support costs, as well as potential order cancellations, shipment rescheduling, product returns, or the necessity for discounts. These outcomes could have an adverse effect on our business, financial condition, and operational results. Furthermore, product defects and failures may lead to litigation or regulatory action. For additional details, see “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

RISK FACTORS

Furthermore, we cannot assure that we will consistently achieve acceptable yields at third-party foundries, which may lead to delays in the availability of components. Additionally, an increase in the rejection rate of these components or of our products that incorporate them during the quality control process, whether before, during, or after manufacturing, may result in lower yields and margins, as well as disruptions to our delivery schedule.

In addition, modifications to our manufacturing processes due to shifts in product specifications, evolving customer demands, and the launch of new business lines may lead to a significant decline in manufacturing yields. This decline could negatively impact our gross profit margin, at least in the short term. Extended periods of poor manufacturing yields may hinder our ability to deliver products promptly, affect our gross profit margin, and disrupt our stable relationships with customers. Such outcomes could materially and adversely impact our business, financial condition, and operational results.

We may be subject to product liability claims if our products contain defects.

Products in this industry, including those from our Company, are highly complex and may have errors, defects, security risks, or software problems that are difficult to find and fix, especially during early launches or after updates. When this happens, we may face extra costs to recall, repair, or redesign products. Customer contracts with warranty and indemnity clauses could result in claims for financial losses due to product defects. Resolving these claims can take significant time and resources, possibly distracting management and negatively impacting our financial health and operations. Customers might also end their business relationships, which could hurt future opportunities. Additionally, such claims and customer departures could damage our reputation and operating results through negative publicity.

Our success depends on our ability to convince our current and prospective customers to integrate our semiconductor products into their product offerings.

Our success relies heavily on customers integrating our semiconductor products into their products. Our ability to secure purchase orders is subject to several risks, including competition from alternative products, compatibility of our products with newly developed technologies or designs used in end products, and delays in our product development cycle. Even if our products meet the necessary requirements, we may still fail to achieve a purchase order due to factors beyond our control, such as a customer's existing relationship with a competitor or other business considerations. If we do not secure a purchase order with a prospective customer, it may become challenging to sell our semiconductor products to them in the future. Moreover, there is no assurance that we will continue to achieve purchase orders with customers who have previously selected our products. Consequently, failing to secure purchase orders with key customers who embed semiconductors in their products could adversely affect our market share and revenue. Additionally, if our competitors succeed in securing design wins, our future business growth may be hindered.

The selection process for semiconductors to be included in our customers' products is typically lengthy and may require significant investments in R&D and time for product evaluation and qualification, all in pursuit of a purchase order without any guarantee of selection. If we fail to continue achieving enough purchase orders, our revenue in subsequent years may decline.

The development of new and more complex products and technologies can also increase our cost of R&D and materially and adversely affect our gross profit margin.

Our competitiveness and future success hinge on our ability to predict and adapt to rapidly evolving market demands. We must develop, introduce, market, and sell our new products and technologies in a timely and cost-effective manner. Any failure to introduce these innovations, obtain purchase orders, or attain market acceptance in a timely fashion and on commercially reasonable terms could adversely affect our business, financial condition, and results of operations.

RISK FACTORS

The development of new semiconductor products and technologies is highly complex, and we may encounter unexpected challenges and delays in their development and introduction. As customer expectations for the sophistication of semiconductor products continue to rise, the number of consumer and industrial products utilizing semiconductors is also growing. This trend compels us to design and develop semiconductors with advanced technologies suitable for a wide range of applications. As our semiconductor products incorporate new and more advanced technologies and functions, they become increasingly complex and challenging to design, develop, and produce. Successful product development and technological enhancements depend on several factors, including: (i) accurate prediction of market requirements and evolving technical standards; (ii) development of advanced technologies and capabilities; (iii) timely development completion and introduction of new semiconductor products that satisfy our customers' and their customers' requirements and specifications; (iv) development of semiconductor products that maintain technological advantages over the products of our competitors; and (v) market acceptance of our new semiconductor products.

Accomplishing all of these factors is difficult, time consuming, and expensive. If our competitors develop new products or technologies more quickly than we do or are successful in creating products that gain market acceptance more rapidly and broadly than ours, we could lose market share. Matching or surpassing the technological advances developed by our competitors may require an extended period. Furthermore, our key customers may decide to develop their own semiconductor products, which would directly reduce their demand for our products and potentially have a material adverse effect on our business.

Additionally, our products could become obsolete sooner than anticipated due to rapid changes in one or more technologies related to our products or the reduced life cycles of consumer and industrial products. Even if we succeed in developing new semiconductor products and obtaining purchase orders, we may initially face lower manufacturing yields from these products compared to our more established offerings, potentially impacting our gross profit margin, at least in the short term. These new products and technologies often have a higher cost structure than our existing ones, as we invest more time and effort into their development. Furthermore, our suppliers and manufacturers may incur additional costs to acquire new equipment or components to meet our design specifications and capacity requirements. Consequently, our own costs may also increase.

If our key R&D employees terminate their relationships with us or develop relationships with a competitor or delay their delivery of adequate research results, our R&D and our ability to protect our IP could be materially and adversely affected.

Our business and future growth depend significantly on the expertise, knowledge, and contributions of our research collaborators and key R&D employees. If any of these collaborators or employees terminate their relationships with us, join competitors, or fail to deliver adequate research results on time, our ability to conduct effective R&D activities could be severely impacted. Such disruptions may lead to delays in product development, reduced efficiency in innovation, and potential loss of proprietary technologies, which are essential for maintaining our competitive edge in the industry.

Furthermore, the loss of key R&D personnel may result in a significant knowledge gap or intellectual property leakage, which could weaken our ability to develop new products or enhance existing ones. In addition, developing relationships with new collaborators or hiring qualified R&D personnel to replace those lost may require substantial time and resources, further delaying our R&D programs and increasing operational costs. If we are unable to mitigate these risks effectively, our business operations, competitive position, and financial performance could be adversely affected.

RISK FACTORS

A failure of our internal processes and IT systems, data breaches, cyber-attacks, or cyber fraud may cause business disruptions, compromise our intellectual property or other sensitive information, litigation or government actions, or result in losses.

The effective operation of our business relies on the continuous and reliable performance of sophisticated information technology applications, systems, and networks. Ensuring the security and dependability of our IT infrastructure and software, as well as maintaining the capacity to enhance and update these technologies in line with changing demands, is essential to achieving our objectives. Any major disruption whether resulting from new system deployments, malware, cyberattacks, security incidents, facility challenges, or power outages has the potential to significantly and negatively impact our operations, financial standing, and overall results.

Cyber-attacks targeting access to our computer systems and networks may result in the misappropriation of proprietary information and technology, and there can be no guarantee that future breaches or incidents will not materially affect our operations or financial performance. The current landscape presents a range of evolving cybersecurity and privacy risks, including threats from criminal hackers, state-sponsored entities, industrial espionage, employee misconduct, and human or technological errors. In the event of a breach, we, our customers, or other third parties could incur liability, litigation, regulatory actions, as well as potential loss of current or prospective clients, reputational harm, and other financial impacts. Moreover, the expenses and operational challenges associated with addressing breaches and implementing remediation efforts may be considerable.

Additionally, we may face theft, loss, or misuse of personal and confidential data concerning our employees, customers, and suppliers, which is routinely collected, used, stored, and transferred to operate our business. Such incidents could result in significantly higher business and security costs, as well as expenses related to defending against legal claims. Although we have implemented measures to comply with current privacy related and data protection laws and regulations in each applicable jurisdiction, any material changes to these laws and regulations could lead to increased compliance costs for us.

If we are unable to recruit, train and retain qualified personnel or sufficient workforce while controlling our labor costs, our business may be materially and adversely affected.

Our ability to achieve future success is closely linked to our effectiveness in recruiting, training, and retaining qualified personnel, especially scientists, engineers, technicians, and sales and marketing professionals with significant semiconductor industry experience. The expertise of our mid-level managers is vital for executing business strategies, implementing operational plans, and supporting both organizational operations and growth initiatives. The performance and commitment of our management team and employees underpin the smooth operation of our R&D, management systems, sales and marketing functions, and other critical areas. Given the strong competition for talent within the industry, there is no assurance that we will consistently attract or retain the highly skilled employees required to meet our strategic objectives.

Moreover, our cost structure is susceptible to increases in labor costs. For example, in September 2025, the Supreme People’s Court of the People’s Republic of China promulgated the Supreme People’s Court’s Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the “**Interpretation II**”), which introduces more stringent requirements on social insurance contributions and labor compliance. Although our PRC Legal Adviser is of the view that the Interpretation II is not expected to have a material adverse effect on our financial condition or business operations, see “Regulatory Overview — Regulations on Employment and Social Welfare” for more details, these enhanced requirements may lead to an increase in our employment-related costs. In addition, failure to continuously comply with such heightened standards may expose us to the risk of being required to make additional payments or being subject to administrative penalties. If the compensation packages we offer are not competitive within the market, we may struggle to

RISK FACTORS

provide sufficient incentives to attract and retain a stable and dedicated talent pool. Any failure to address these risks and uncertainties could materially and adversely impact our business and operational results. Additionally, our ability to train and integrate new employees into our operations may be limited, potentially failing to meet the demands of our business growth in a timely manner, or at all. Rapid expansion could also hinder our ability to maintain our corporate culture.

Non-compliance on the part of our Directors, employees, our business partners, or other third parties involved in our business could materially and adversely affect our business.

We face the risk of non-compliance or misconduct by our Directors, employees, business partners, or other third parties. Despite our ongoing efforts to provide regular training, it is not always feasible to identify and prevent such misconduct. The measures we implement to detect and mitigate these risks may not effectively control unknown or unmanaged threats or losses, nor protect us from governmental investigations or lawsuits arising from non-compliance with applicable laws and regulations. Any actual or alleged illegal or improper actions by our Directors and employees, including senior management, could expose us to liability and negative publicity, regardless of whether these activities are directly connected to our Company. Such incidents and allegations may also impact the willingness or ability of our Directors and employees to continue their service or fully commit to our Company, ultimately harming our brand and reputation and adversely affecting our business, financial condition, and operational results.

Our business partners and other third parties with whom we have established relationships may face regulatory penalties or sanctions due to their non-compliance with regulations, which could disrupt our operations, either directly or indirectly. We cannot guarantee that we will be able to detect irregularities or non-compliance in the practices of our business partners or other third parties, nor can we ensure that any identified issues will be addressed promptly and appropriately, if at all.

If we face governmental investigations, lawsuits, or other actions due to actual or alleged illegal or improper conduct by our Directors, employees, business partners, or other third parties associated with our business, and we are unable to successfully defend ourselves or assert our rights, we may incur significant civil, criminal, and administrative penalties. These could include damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, and reduced profits and future earnings, all of which could profoundly affect our business. Regardless of the outcome of such actions or investigations, we may face substantial costs, including legal fees, and our management’s attention could be diverted as we defend against these claims or inquiries.

Our insurance coverage may not completely cover the risks related to our business and operations.

We maintain insurance policies required by the laws and administrative regulations of the jurisdictions in which we operate, as well as those based on our assessment of operational needs and industry practices. In compliance with applicable PRC laws and regulations, we provide social security insurance to our employees, which includes pension insurance, unemployment insurance, work-related injury insurance, maternity insurance, and medical insurance. Furthermore, we offer certain types of commercial insurance for our employees. However, we do not have coverage for business interruptions, nor do we maintain product liability insurance or key person insurance. We cannot assure you that our insurance coverage is sufficient to address all our risk exposures or prevent us from incurring losses. There is also no guarantee that we will be able to successfully claim our losses under our current insurance policies in a timely manner, or at all. If we experience any loss not covered by our insurance policies, or if the compensation received is significantly less than our actual loss, our business, financial condition, and operational results could be materially and adversely affected. Any liability or damage to, or caused by, our facilities or personnel beyond our insurance coverage may lead to substantial costs and a diversion of resources.

RISK FACTORS

We may be subject to fines for failure to register some of our leases, and our legal right to use certain properties could be challenged or restricted, which may materially and adversely affect our operations.

We lease properties primarily to be used as office premises. As of the Latest Practicable Date, eight of our lease agreements had not been registered with the relevant real estate administration bureaus in China. Although failure to do so does not in itself invalidate the leases, the lessors and the lessees may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner once we are required to do so. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. See “Business — Properties” for details.

If we are unable to protect, maintain or enforce our intellectual property rights adequately, our patents and other non-patented intellectual properties may be stolen or compromised, which could materially and adversely affect our results of operations, financial condition, business and prospects.

Our success depends in part on our ability to obtain and maintain trade secrets and patent protection for our technologies, processes and products as well as to successfully enforce our intellectual property rights and to defend our intellectual properties against third-party challenges. Our inability to adequately protect these rights could materially and adversely affect our competitive position, business, financial condition, and results of operations.

Proprietary trade secrets and unpatented know-how are also vital to our business. As our technologies involve unpatented, proprietary technologies, processes, know-how or data, we primarily rely on trade secret protection and agreements to safeguard our interests. However, our employees, consultants, contractors, outside collaborators, and other advisers may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure. Enforcing a claim that a third-party has illegally obtained and is using our trade secrets may be expensive and time consuming and may not be successful. Furthermore, our competitors may independently develop equivalent knowledge, methods, and know-how. Failure to obtain or maintain trade secret protection could adversely affect our competitive position.

We may encounter future litigation by third parties based on claims that our technologies, processes or products infringe the intellectual property rights of others or that we have misappropriated the trade secrets of others. We may also initiate lawsuits to defend the ownership of our inventions and our trade secrets. We may not be able to prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products. The costs associated with litigating patent infringements, or defending against patent infringement actions brought by others, could be substantial and, if incurred, could materially affect our business and financial condition. See “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

RISK FACTORS

We may be subject to intellectual property infringement claims, which could be time consuming or costly to defend and may result in diversion of our financial and management resources, and indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

We may face claims from third parties alleging that our products, services, or technologies infringe upon their intellectual property rights. Defending against such claims can be time consuming, costly, and uncertain, regardless of the merit of the allegations. These claims may result in legal proceedings, which could divert significant financial and management resources away from our core business operations. If we are unable to successfully defend against such claims, we may be required to pay substantial damages, enter into costly settlement agreements, or cease the use of certain technologies or products, which could materially and adversely affect our business, financial condition, and results of operations.

Additionally, indemnity provisions in various agreements we have entered into with customers, suppliers, and other business partners may expose us to substantial liability in the event of intellectual property infringement claims or other losses. If a third-party successfully asserts an infringement claim against us or our business partners, we may be obligated under such agreements to indemnify them for damages incurred, which could significantly increase our financial burden. Furthermore, resolving such disputes may require us to expend additional resources to modify our products, secure licenses, or develop alternative technologies, all of which may increase costs and delay product development. These risks could negatively impact our reputation, customer relationships, and overall competitiveness in the market.

We may not be able to achieve our anticipated benefits and synergistic effects from strategic alliances, investments and acquisitions.

We may form strategic alliances with third parties, including customers and suppliers, to implement our business strategies. These alliances present certain risks, such as sharing proprietary information, possible non-performance by partners, and higher costs related to establishing new relationships. If these partners receive negative publicity or their reputations are affected due to operational events, our reputation may also be impacted through our association with them.

Additionally, we have previously acquired or invested in assets, technologies, or businesses that complement our existing operations. For example, we acquired 51% of equity of Shanghai YG in 2015 and additional 32.4% of equity of Molchip Technology in 2021, bringing our total equity to 51% and making it our controlling subsidiary. We anticipate to keep assessing and exploring a diverse range of potential strategic transactions as part of our overall business strategy. This includes potential acquisitions of businesses, technologies, services, products, and other assets, along with strategic investments, joint ventures, and alliances. Investments or acquisitions, along with the subsequent integration of new assets and businesses into our operations, will demand significant attention from our management and may divert resources from our existing business, potentially adversely affecting our operations. The costs associated with identifying and completing investments and acquisitions can be substantial. Furthermore, investments and acquisitions may require considerable cash outlays, potentially dilutive issuances of equity securities, and exposure to unforeseen liabilities from the acquired business. The costs and duration of integrating newly acquired businesses may also exceed our expectations significantly. We could encounter challenges in international acquisitions, including compliance with local laws and regulations, limited access to target companies, and difficulties in cultural assimilation. Such investments or acquisitions might not deliver the expected strategic or financial benefits, such as cost savings, revenue growth, or technological advancements. Any negative outcomes from these activities could materially and adversely impact our business, financial condition, and operational results.

In addition, our financial results could be adversely affected by our investments or acquisitions. The investments and acquired assets or businesses may not generate the financial results we expect. They could result in occurrence of significant investments and goodwill

RISK FACTORS

impairment charges, and amortization expenses for other intangible assets. As of December 31, 2025, we had investments in associates of RMB67.4 million and goodwill of RMB250.7 million. We performed impairment tests for our goodwill and long-term equity investments. See note 2.3 of Appendix I of this Document. Moreover, we share the results of the investments in associates which we account for as equity accounted investments, although we have limited control on the factors and risks that affect their business, results of operations and financial condition. We may not always be able to obtain gains from the equity accounted investments. If our equity accounted investments were in a loss position, we would also pick up their loss in our consolidated statement of operations. We may in the future incur losses or impairment charges in connection with our investments or acquisitions and pick up the losses of our equity accounted investments, which could depress our profitability and have a material and adverse impact on our financial results. In addition, changes in accounting principles relating to recognition and measurement of our investments may have a significant impact on our financial results.

From time to time, we may also divest under-performing businesses, or businesses that no longer fit our overall strategy. Such divestitures may have a negative impact on our financial performance for the relevant period.

Other risks associated with strategic alliances, investments, acquisitions and divestitures include: (i) difficulty in realizing the potential technological benefits of the transaction; (ii) problems integrating the acquired key employees, operations, technologies or products into our existing business; (iii) difficulty in maintaining uniform standards, controls, procedures and policies; (iv) adverse effects on existing business relationships with employees, customers, suppliers and strategic partners as a result of integration of new businesses and management personnel; (v) risks associated with entering markets in which we lack experience; and (vi) negative publicity, litigation, government inquiries, investigations or actions against the companies we invest in or acquire, or even against our other businesses.

Our failure to address these risks successfully could have a material and adverse effect on our business, financial condition and results of operations.

We may grant options and other types of awards which may result in increased share-based payment expenses and shareholder dilution.

To attract, retain and incentivize key personnel, we have granted and may continue to grant equity awards, including restricted shares, options and other share-based incentives, under our share incentive plans. Granting such awards increases our share-based payment expenses, which could adversely affect our profitability and financial condition. Under applicable accounting standards, we recognize share-based compensation over the vesting period based on the best estimate of awards expected to be assessed at each balance sheet date. During the Track Record Period, we recognized share-based payment expenses of RMB27.5 million, RMB8.6 million and RMB3.1 million in 2023, 2024 and 2025. These amounts may fluctuate based on factors such as grant timing and size, service and performance conditions, employee turnover, fair value assumptions including volatility, risk-free rates and expected life, and modifications or cancellations.

Issuance of shares to satisfy current or future equity awards will dilute the ownership interests of existing shareholders and could depress the trading price of our shares. There is no assurance that the number of shares currently reserved for issuance under our share incentive plans, if adopted or as amended, will be sufficient to meet our talent needs. If we increase the share reserve or issue additional equity to new or existing employees, shareholders may experience further dilution. Conversely, constraints on our ability to grant competitive equity awards could impair our ability to recruit, retain and motivate employees and other service providers, which could harm our business and growth prospects.

RISK FACTORS

RISKS RELATING TO LEGAL AND COMPLIANCE

Changes in international trade policies and investment restrictions, including imposition of additional trade restrictions and sanctions, may materially and adversely impact our reputation, business, investments, financial condition and results of operations.

Activities in other regions may also affect our reputation, business, financial condition, and results of operations due to potential exposure to sanctions or other regulatory actions.

Furthermore, we may encounter challenges in managing our foundry partners, third-party packaging service providers, distributors, and other business partners. Any adverse developments in the global geopolitical landscape could significantly impact our ability to secure stable or comparable supplies from our foundry partners and, more broadly, hinder our business operations. The following are some risks inherent in conducting business that may not apply to companies concentrated in a single geographic market: (i) difficulties in developing, staffing and simultaneously managing an overseas operation as a result of distance, language and cultural differences; (ii) challenges in formulating effective local sales and marketing strategies targeting users from various jurisdictions and cultures; (iii) geopolitical turmoil and instability in the regions and sectors where we operate, and any resulting disruption, instability or volatility in the global markets and industries resulting from such conflicts; (iv) political or social unrest or economic instability within a country or region; (v) transportation and communication delays; (vi) longer customer payment cycles; (vii) the adverse effects of tariffs, duties, price controls, embargoes or other restrictions that impair trade; (viii) currency exchange rate fluctuations; (ix) decreased visibility as to future demand; (x) difficulties in trade receivables collections; (xi) uncertainties brought by unexpected changes in foreign laws or regulations; and (xii) claims and lawsuits, including class actions, brought against us from courts or regulators of other jurisdictions, which could materially and adversely affect our reputation, business and results of operations. See also “— If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.”

Recent trade tensions, particularly the ongoing U.S. and China trade dispute, have resulted in potentially high tariffs, heightened export controls, and other restrictive measures aimed at 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 saw a reduction to 30% until August 14, 2025, following the joint statement issued by China and the U.S. on May 12, 2025. China removed the additional tariffs it announced since April 4, 2025, and suspended its initial 34% tariff on the U.S. it announced on April 4, 2025 for 90 days, but retained a 10% tariff during the period of the pause. On February 20, 2026, the U.S. Supreme Court ruled out the broad tariffs imposed under IEEPA in 2025, though the administration promptly introduced a new temporary 10% global tariff. A significant degree of uncertainty persists regarding U.S. tariff policy, its implementation, and the reactions of other countries. It remains unclear whether heightened tariffs and trade tensions will further disrupt international trade or contribute to a downturn in the global economy. Should new tariffs, legislation, or regulations be enacted, or if existing trade agreements undergo renegotiation, such changes could adversely affect our business, financial condition, and results of operations.

In recent years, the United States has strengthened its export control restrictions on China by implementing enhancements to the Export Administration Regulations (“**EAR**”), administered by the Bureau of Industry and Security (“**BIS**”) under the Department of Commerce. 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.

RISK FACTORS

The BIS maintains the Entity List, a catalog 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, BIS has added numerous Chinese entities to the Entity List, including some of our customers. After consulting with our international sanctions counsel, we believe that our transactions with these listed entities during the Track Record Period were not in violation of applicable export control regulations.

As a fabless IC design company based in China, we have implemented comprehensive compliance measures to fulfill our export control obligations, such as: conducting routine compliance reviews; requesting customers to sign export control compliance commitments; engaging our compliance and technical teams to assess export control classifications of our final products; and confirming trade compliance obligations in agreements with suppliers and contract manufacturers to ensure compliance with export control obligations. Nevertheless, BIS regulations continue to evolve, and future sanctions or export controls may have a significant impact on our relationships with certain key customers and suppliers. If we are unable to promptly secure alternative customers or sources of supply on acceptable terms, our business could be materially and adversely affected. Furthermore, engaging with customers and suppliers on the Entity List may expose us to additional risks under the EAR and Entity List designations, especially given the focus of U.S. government enforcement on the Chinese semiconductor industry. These restrictions, together with potential future regulations enacted by the United States or other jurisdictions, could impede our ability to obtain technologies or components critical to our technological infrastructure, product development and sales, and business operations. Any changes to existing or prospective restrictions may adversely affect our business, results of operations and reputation.

We are exposed to risks associated with U.S. Executive Order 14105 and the Outbound Investment Rules.

On August 9, 2023, the President of the United States issued Executive Order 14105, “Addressing United States Investments in Certain National Security Technologies and Products in Countries of Concern” (the “**Executive Order**”). To implement the Executive Order, the U.S. Department of the Treasury issued final regulations (the “**Outbound Investment Rules**”), which become effective on January 2, 2025. The Outbound Investment Rules prohibit or require notification for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in specific activities related to semiconductors and microelectronics, quantum information technologies, and artificial intelligence (collectively defined as “covered national security technologies and products”) by “U.S. persons”. Given the scope and timing of the Outbound Investment Rules may be subject to interpretation or future expansion by the U.S. government, our industry, including the IC design business, could be directly or indirectly implicated. Any such restrictions, whether current or future, could: (i) limit or prohibit U.S. investments in our Company or affiliates, or impose notification and approval requirements that may deter potential investors or partners; (ii) restrict our engagement with U.S. investors, private equity funds, or participation in cross-border development, licensing, or commercialization with U.S. entities; (iii) constrain access to U.S. technology or specialized design services; (iv) disrupt our supply chain or product roadmap if controls expand to advanced nodes, AI technologies, codecs, or specific microelectronic functions relevant to our chip products and future development plans; or (v) lead counterparties to terminate or limit transactions with us due to perceived risks, even if we are not directly targeted.

The Outbound Investment Rules are new and subject to significant uncertainty regarding interpretation, application, and enforcement. The U.S. government may issue further guidance, amend the rules, or expand their scope to cover additional technologies or activities with little notice. This evolving regulatory landscape creates compliance challenges and uncertainty for us. The broader geopolitical tensions between the U.S. and China could also lead to further restrictive measures. We cannot predict the ultimate scope, timing, interpretation or enforcement of the Outbound Investment Rules or any related restrictions, nor the actions of other jurisdictions that

RISK FACTORS

may adopt similar measures. If these policies limit U.S. investment in our sector, restrict our access to U.S. technologies or counterparties, or otherwise impede our financing, operations or growth initiatives, our business, financial condition, results of operations and prospects could be materially and adversely affected.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management’s attention may be diverted and we may incur substantial costs and liabilities.

From time to time, we may face various forms of litigation, legal or contractual disputes, investigations, or administrative proceedings that arise in the normal course of our business. This includes potential disputes and claims from our employees, shareholders, suppliers, customers, contractors, business partners, and other third parties involved in our operations. We may also encounter litigation and regulatory actions related to third-party and principal intellectual property infringement claims, contract disputes, employment-related issues, cross border payment and settlement disputes, and other matters typical of our business activities.

As our business grows, particularly across different jurisdictions and through the acquisition of new ventures, we may face a range of claims, including those arising under anti-monopoly or unfair competition laws, potentially involving significant amounts of alleged damages. Moreover, in relation to litigation or regulatory matters in various jurisdictions, we might be restricted by laws, regulations, or government authorities in one jurisdiction from complying with subpoenas, orders, or other requests from courts or regulators in another jurisdiction. Our inability or failure to respond to these subpoenas, orders, or requests could expose us to fines, penalties, or other legal liabilities, which could materially and adversely impact our reputation, business operations, financial results, and overall financial condition.

We may encounter exposure to claims and lawsuits, including securities law class actions. Defending against these lawsuits, including any appeals if our initial defense is successful, will require significant resources. There is no guarantee that we will prevail in any of these cases, and any unfavorable outcomes could significantly harm our reputation, business, financial condition, and operational results. As we have not obtained directors’ and officers’ liability insurance, there may not be sufficient coverage to fulfill our obligations to indemnify our directors and officers, fund settlements, or pay adverse judgments in litigation. Additionally, some of our directors may face alleged class actions due to their current or former roles in other publicly listed companies or proceedings that are unrelated to their roles within our Company. Such litigation could adversely affect our public image and reputation.

Moreover, the use of products in the smart IoT and smart mobility sectors could lead to unsafe conditions, injuries, or even fatalities due to several factors, including component failures, manufacturing defects, design flaws, or insufficient disclosure of product related risks and information. These issues could result in product liability claims seeking damages for personal injury if they are caused by the quality problems of our products, with us potentially named as defendants in such lawsuits. Given the unpredictable nature of product liability claims and the challenges in assessing or quantifying their outcomes, we cannot guarantee that these claims will not have a material and adverse impact on our business or tarnish the reputation of our products or our Company.

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

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares by them. Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and its implementation regulations. Accordingly, we are required to

RISK FACTORS

withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual or enterprise resides reduce or exempt the relevant tax obligations. Pursuant to the Arrangement between the Chinese Mainland and the Hong Kong Special Administrative Region (“HKSAR”) for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid by a PRC company to a resident of the HKSAR (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an HKSAR resident directly holds 25% or more of the equity interest in a PRC company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》) issued by the SAT effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above mentioned tax benefits are not subject to the above mentioned provisions. For non-PRC resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), and its implementation regulations, dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 10% rate. The Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, also stipulates that the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares shall be 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise. Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

It may be difficult to effect service of process upon our Directors or executive officers or to enforce certain judgments against us.

The ability to enforce foreign judgments differs across the world. The recognition and enforcement in China of a court judgment obtained in other jurisdictions related to any matter that is not subject to a binding arbitration provision may be difficult or impossible. We are established under the laws of China, and most of our assets are located in China. In addition, most of our Directors and senior management reside within China. As a result, if a foreign legal action is brought against us, our Directors or senior management, there is no guarantee that such foreign judgment will be enforceable in China. On January 18, 2019, the Supreme People’s Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**2019 Arrangement**”), which took effect in January 2024 and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters.

Although we will be subject to the Hong Kong Listing Rules and the Hong Kong Codes on Takeovers and Mergers and Share Repurchases upon the [REDACTED] of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to bring actions on the basis

RISK FACTORS

of violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange to enforce its rules. The Hong Kong Listing Rules and Hong Kong Codes on Takeovers and Mergers and Share Repurchases do not have the force of law in Hong Kong.

RISKS RELATING TO OUR FINANCIAL CONDITION

We must maintain effective internal control over financial reporting, and if we are unable to do so, the accuracy and timeline of our financial reporting may be materially and adversely affected.

In the future, we may identify areas within our internal controls that require enhancement. Should we fail to establish or maintain an effective internal control system over financial reporting, we risk material misstatements in our financial statements, which could hinder our ability to fulfill our reporting obligations. Such failures are likely to erode investor confidence in our financial disclosures, potentially restricting our access to capital markets and adversely affecting our business, financial condition, and operational results. Furthermore, inadequate internal control over financial reporting may increase our vulnerability to fraud or the misappropriation of corporate assets, exposing us to possible penalties, regulatory investigations, and civil or criminal liabilities.

Fair value change of investments measured at fair value through profit or loss may affect our results of operations, financial condition and prospects.

Our investments measured at fair value through profit or loss primarily consist of bank structured deposits and debt investments. As of December 31, 2023, 2024 and 2025, we had investments measured at fair value through profit or loss of RMB178.4 million, RMB188.0 million and RMB175.0 million, respectively. The methodology that we use to assess these financial assets involves a significant degree of management judgment and is inherently uncertain. We cannot assure you that market conditions and regulatory environment will create fair value gains on those financial assets or that we will not incur any fair value losses on those financial assets in the future. If we incur such fair value losses, our results of operations and financial condition may be adversely affected.

We may be required to record a significant charge to earnings if our goodwill, intangible assets or other long-term assets become impaired.

Under IFRS, most long-term assets are tested for impairment only when negative market or economic indicators arise. However, goodwill and indefinite-life intangibles require mandatory annual testing. All of our intangible assets have finite useful lives and therefore do not require mandatory annual testing. In all cases, an impairment loss is recorded if an asset's carrying value exceeds its recoverable amount. We may be required to record a significant charge to earnings in our financial statements during the period in which we determine that our intangible assets or other long-term assets have been impaired. Any such charge would adversely impact our results of operations. As of December 31, 2025, we had intangible assets of RMB166.6 million, goodwill of RMB250.7 million and investments in associates of RMB67.4 million. Our investments or acquisitions and acquired assets or businesses may also result in occurrence of significant investments and goodwill impairment charges, and amortization expenses for other intangible assets. See “— We may not be able to achieve our anticipated benefits and synergistic effects from strategic alliances, investments and acquisitions.”

We may not guarantee the continued growth of our net profit in the future.

Our net profit may fluctuate from period to period due to a variety of factors, many of which are beyond our control. In 2023, 2024, and 2025, our net profit amounted to RMB252.4 million, RMB232.0 million and RMB120.3 million, respectively. Our net profit is affected by, among other things, changes in market demand for our products, fluctuations in gross margins, increases in our

RISK FACTORS

R&D expenses and other operating costs, as well as changes in the macroeconomic and industry environment. We cannot assure you that our net profit will not decrease in future periods. Any significant decrease in our net profit may materially and adversely affect our results of operations, financial condition and prospects.

If we need additional capital in the future, it may not be available to us on favorable terms, or at all. Our ability to raise additional funds depends on a variety of factors, including our credit ratings and anticipated results of operations.

Our cash, cash equivalents, and short term investments are primarily sourced from cash generated through operating activities. However, potential obstacles, such as difficulties in inventory sales or delays in collecting trade receivables could require us to seek additional capital via equity or debt financing. Such financing may not be accessible on favourable terms, or at all, which could materially and adversely affect our business, financial condition, operating results, and prospects. Should we issue additional equity, convertible debt securities, or other equity-linked instruments, existing shareholders may incur substantial dilution and any new securities may possess rights senior to those of our common shares. Additionally, our credit ratings assigned by independent agencies play a critical role; any reduction could elevate our cost of capital and restrict our ability to secure further funding, thereby adversely affecting our growth and business operations.

Fluctuations in exchange rates could have an adverse effect on our business, financial condition and results of operations. Conversion between Renminbi and other currencies may affect our business and operations, our ability to pay dividends and meet our financial obligations, and the value of your investment.

Our Group has significant exposure to foreign exchange rate fluctuations, as our quoted price is dominated in U.S. dollars, while our revenue and costs are dominated in Renminbi. Fluctuations in foreign exchange rates against the Renminbi can affect our reported revenue and operational results due to the foreign exchange impact of translating these transactions into Renminbi. Currency fluctuations may decrease our revenue while increasing our cost of sales.

The conversion of Renminbi into foreign currencies, including U.S. dollars, relies on rates set by the People’s Bank of China. The Renminbi may experience significant and unpredictable fluctuations against the U.S. dollar. Its value relative to the U.S. dollar and other currencies is influenced by global political and economic conditions, as well as foreign exchange policies of different countries and regions. We cannot guarantee that the Renminbi will not experience significant appreciation or depreciation against the U.S. dollar or other currencies in the future. Predicting how market forces, international relations, or policies will affect the exchange rate between the Renminbi and the U.S. dollar or other currencies is challenging. Any substantial appreciation or depreciation of the Renminbi could materially and adversely impact our revenue, earnings, financial position, and the value of any dividends we may distribute. For example, if we need to convert U.S. dollars into Renminbi to cover our operating expenses, an appreciation of the Renminbi against the U.S. dollar could negatively affect the amount of Renminbi we receive from such conversions. Conversely, a significant depreciation of the Renminbi against the U.S. dollar could substantially reduce the U.S. dollar equivalent of our earnings.

We may be exposed to credit risk due to customer defaults, which could harm our business, financial condition, results of operations and cash flows.

As of December 31, 2023, 2024 and 2025, our trade receivables were RMB443.1 million, RMB477.7 million and RMB426.1 million, respectively. If the volume of our trade receivables grows in the future, it increases our exposure to credit risk. We cannot guarantee that we will be able to recover all trade receivables in the future. If we are unable to collect these receivables, it could negatively impact our business, financial condition, and operational results. Although we typically do not agree to extend payment terms for our customers, we cannot rule out the possibility

RISK FACTORS

of having to do so in specific situations moving forward. Any loss or significant decline in our customers’ sales, defaults on payments, prolonged delays in receiving trade receivables, or extensions of payment terms could adversely affect our cash flow, liquidity, and overall financial health.

We may not be able to enjoy certain government grants and incentives we received in the past.

We have historically received government grants in the form of subsidies received from local government intended to support our business operations. In 2023, 2024 and 2025, we recognized government grants under other net income of RMB33.9 million, RMB38.9 million and RMB23.0 million, respectively. For details, see “Financial Information — Principal Components of Consolidated Statements of Profit or Loss — Other Income and Gains.” Our eligibility for government grants depends on various factors, including the VAT additional input tax credit policy and qualification as a Key Integrated Circuit Design Enterprise. In addition, the policies according to which we historically received government grants may be halted by the relevant government entities at their sole discretion. There is no assurance that we will continue to receive such government grants or receive similar level of government grants, or at all, in the future.

If we are unable to continuously obtain or maintain certain preferential tax treatments, our effective tax rate may increase, which could have a material and adverse impact on our financial performance and profitability.

During the Track Record Period, we were entitled to several preferential PRC corporate income tax policies. During the Track Record Period, our Company was qualified as a key integrated circuit design enterprise encouraged by the PRC and entitled to a preferential EIT rate of 10% in 2023 and 2024, and was qualified as a High-New Technology Enterprise and entitled to a preferential tax rate of 15% during 2025. Our key subsidiaries were also entitled to preferential rates: Shanghai YG was qualified as a Small and Micro Enterprise, enjoying a preferential EIT rate of 20%, and Molchip Technology was qualified as a High-New Technology Enterprise, benefiting from the relevant preferential policy of a 15% EIT rate. We cannot assure that we will be able to meet the requirements to maintain these preferential tax policies in the future. Furthermore, the tax treatments may be amended, revoked or applied more restrictively by the authorities. If we fail to obtain such treatments, our effective tax rate would increase significantly. Any of these would materially and adversely affect our net income, cash flow and profitability.

RISKS RELATING TO THE [REDACTED]

We will be concurrently subject to laws and regulatory requirements of Chinese Mainland and Hong Kong.

As a company incorporated in China, we are subject to the tax laws and regulations of the PRC. Any violations could lead to fines, penalties, or other actions and proceedings that may adversely impact our business, financial condition, and operational results.

As we are listed on the ChiNext of the Shenzhen Stock Exchange and will be [REDACTED] on the Main Board of the Stock Exchange, we will be required to comply with the listing rules (where applicable) and other applicable regulatory regimes of both jurisdictions, unless an exemption is available or a waiver has been obtained.

Accordingly, we may incur additional costs and resources in continuously complying with both sets of listing rules in the two jurisdictions.

RISK FACTORS

We are listed on the Shenzhen Stock Exchange and failure to comply with evolving laws and regulations on corporate governance and public disclosure, among other matters, may lead to penalties, disciplinary actions and other negative consequences.

As a publicly traded company in China, we face heightened scrutiny regarding corporate governance and public disclosure related to the supervision of listed companies in China. This increased oversight may lead to higher costs. For instance, we are under the supervision of the CSRC, which is responsible for investor protection and the oversight of publicly traded companies in China. We must also adhere to new and evolving regulatory measures under applicable laws. Additionally, the ongoing evolution of the laws, regulations, and standards governing our operations may create challenges regarding compliance matters and lead to additional costs associated with continuously updating our disclosure and governance practices.

Our A Share(s) are listed on the Shenzhen Stock Exchange, and the characteristics of the A Share(s) and H share markets may differ.

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

There has been no prior public market for our H Shares, and there can be no assurance that an active market will develop or be sustained after the [REDACTED].

Prior to this [REDACTED], there was no public market for our H Shares. The [REDACTED] is the result of negotiations between us and the [REDACTED] (for themselves and on behalf of the [REDACTED]) and may differ significantly from the market price of our H Shares following the [REDACTED]. We have applied for the [REDACTED] of, and permission to deal in, our H Shares on the Stock Exchange. A [REDACTED] on the Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the [REDACTED] or that the market price of our H shares will not drop below the [REDACTED] at any time after the completion of the [REDACTED].

You will incur immediate and substantial dilution and may experience further dilution if we issue additional H Shares in the future.

As the [REDACTED] of our H Shares is higher than the consolidated net tangible assets per Share immediately prior to the [REDACTED], purchasers of our H Shares in the [REDACTED] may experience an immediate dilution in the [REDACTED] consolidated net tangible asset value. To expand our business, we may consider [REDACTED] and issuing additional H Shares in the future. Purchasers of the [REDACTED] may also experience dilution in the net tangible asset value per Share of their H Shares if we issue additional H Shares in the future at a price lower than the net tangible asset value per Share at that time.

RISK FACTORS

Future sales or the market perception of sales of a substantial number of our H Shares on the public market and potential conversion of our A Shares into H shares, in the [REDACTED] could materially and adversely affect the trading price of our H Shares.

After the completion of the [REDACTED], future sales of a substantial number of our H Shares or other securities relating to our H Shares on the public market, the issuance of new H Shares or other securities relating to our H Shares, or the market perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could adversely affect the market price of our H Shares and our ability to raise future capital at a favorable time and price. We cannot predict the effect of any future sales or market perception of sales of a substantial number of our H Shares on the public market on the market price of our H Shares. In addition, our Shareholders may experience dilution in their holdings if we issue more securities in the future. 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.

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

Certain facts, forecasts, and other statistics in this document are derived from various official government resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, information from official government sources has not been independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED], the [REDACTED] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. 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 consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED] and you may not necessarily agree with how we use them.

Our management may spend the [REDACTED] from the [REDACTED] in ways you may not agree with or that do not yield a favorable return. See “Future Plans and [REDACTED]” for details. However, our management will have discretion as to the actual application of our [REDACTED]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the [REDACTED] from this [REDACTED].

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

We have declared dividends in the past. We protect our Shareholders’ interest by ensuring a consistent dividend policy. However, there is no assurance that we will be able to declare or distribute dividends of any amount in any year in the future. Under the applicable PRC laws and regulations, the payment of dividends may be subject to certain limitations, and the calculation of our profit under the Accounting Standards for Business Enterprises may differ in certain respects from the calculation under IFRS Accounting Standards. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors, including but not limited to our results of operations, financial condition, cash flows, capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Directors may deem relevant, and subject to the approval at Shareholders’ meeting. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the

RISK FACTORS

applicable PRC laws and regulations. See “Financial Information — Dividend Policy” for more details of our dividend policy. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our historical dividends should not be taken as indicative of our dividend policy in the future.

Under the 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, approval from or registration with competent government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of China.

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

As our A Shares are listed on the Shenzhen Stock Exchange, we have been subject to periodic reporting and other information disclosure requirements in China. As a result, from time to time, we publicly release information relating to us on the Shenzhen Stock Exchange or other media outlets designated by the CSRC. However, the information announced by us in connection with our A Shares listing is based on regulatory requirements of the securities authorities, industry standards and market practices in China, which are different from those applicable to the [REDACTED]. The presentation of financial and operational information for the Track Record Period disclosed on the Shenzhen Stock Exchange or other media outlets may not be directly comparable to the financial and operational information contained in this document. Therefore, prospective investors in our H Shares should be reminded that, in making their investment decisions as to whether to purchase our H Shares, they should rely only on the financial, operating and other information included in this document. By applying to purchase our H Shares in the [REDACTED], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and any formal announcements made by us in Hong Kong with respect to the [REDACTED].

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

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