An [**REDACTED**] *in our H Shares may involve significant risks. Potential* [**REDACTED**] *should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any* [**REDACTED**] *in our H Shares. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the* [**REDACTED**] *of our H Shares, and could cause you to lose all or part of your* [**REDACTED**]. *The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business 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 is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements."

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into (1) risks relating to our general operations and industry, (2) risks relating to the research and development and intellectual property rights of our products, (3) risks relating to our financial condition and need for additional capital, (4) risks relating to conducting business in jurisdictions where we operate, and (5) risks relating to the [**REDACTED**].

Additional risks and uncertainties that are presently not known to us or not expressed or implied below or that we currently deem immaterial could also harm our business, results of operations and financial condition. You should consider our business and prospects in light of the challenges we face, including those discussed in this section.

RISKS RELATING TO OUR GENERAL OPERATIONS AND INDUSTRY

The industries that we operate in are characterized by constant changes. If we fail to stay abreast of technology innovation and continuously advance our products to adapt to customers' needs and advancements in technology, our business, results of operations and financial condition may be materially and adversely affected.

The industries that we operate in are characterized by constant changes, including rapid technological evolution, emergence of new industry and regulatory standards and practices, frequent introductions of new products and shifts in customer demands. Specifically, our products are currently primarily used in consumer electronics and automotive industry, and we are also expanding to emerging markets such as embodied intelligence. Technological advancement and new industry standards in these downstream industries, such as new structural demand for automotive-grade chips, may affect the needs of our customers, and we must develop new products or refine our technologies to match the different or additional requirements of these customers. As such, our success will depend, in part, on our ability to respond to these changes in a cost-effective and timely manner. To remain competitive, we must continue to stay abreast of the evolving industry trends and rapid technological development.

We have invested, and will continue to invest, significant resources to enhance our products and technologies. Nevertheless, given the fast pace with which our industry has been and will continue to develop, as well as the rapid development of the downstream sectors that our customers operate in, we may not be able to timely upgrade our products and technologies in an efficient and cost-effective manner, or at all. Despite our constant innovations, our products and the underlying technologies may become suboptimal, obsolete, inefficient, or otherwise unfavored by customers and market. We cannot assure you that these initiatives will ultimately meet market expectations and needs. For example, rapid technological shifts, such as the display industry's transition towards highly integrated "in-cell" technology, previously rendered our standalone, single-function legacy touch ICs product out-of-date. This prompted our strategic discontinuation of such generation of touch ICs resulted in a decrease in revenue from our sensing-control chip products from RMB15.6 million in 2023 to RMB6.4 million in 2024. If we fail to accurately anticipate and respond to similar technological shifts in the future, our current or pipeline products could similarly face premature obsolescence and reduced market demand. Furthermore, during product transition periods, this may in turn adversely affect the market pricing of our products. As a result, our revenue, gross profit and gross profit margin may also be adversely affected. In addition, leading industry players continually upgrade their product portfolios, and we may not be able to match their achievements effectively. Any of the circumstances would render our existing technologies or products obsolete or unattractive and result in customer dissatisfaction. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

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

The edge AI chips and solutions industry in which we operate is competitive. We compete with other companies that focus on developing and commercializing edge AI chips and solutions. Some of our existing competitors have a longer operating history, more established global presence, more sophisticated technological capabilities, more robust customer base, more financial and other corporate resources and greater bargaining power than us. Such competitors may develop and launch more attractive products, adapt to downstream demands or incorporate advanced technologies at a faster pace than us. As such, we may not be able to respond as quickly and effectively to new opportunities, technologies, industry and regulatory standards, customer demand or regulatory requirements as such competitors. In addition, in the event that these competitors lower the prices of their products similar to ours, due to their ability to achieve further cost savings, changes in market conditions or other reasons, we cannot assure you that we can match their pricing strategies in a timely manner, if at all, which could render our products less competitive in the market.

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

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

Our business and results of operations are affected by the macrocondition of semiconductor industry.

Our business and result of operations are subject to the macrocondition of the semiconductor industry at large and the edge AI chips and solutions industry in particular. According to the F&S Report, the semiconductor industry has historically experienced rapid fluctuations, including cyclical downturns due to constant and rapid technological changes, short product life cycles and fluctuations in product supply and demand. Downturns in the semiconductor industry are characterized by a sudden and unforeseen decline in product demand, accelerated erosion of selling prices, lower capacity utilization rates, higher inventory levels and lower inventory valuation. Due to the above factors beyond our control, we cannot assure you that our future performance will not be subject to such impacts. In the event of material downturns in the semiconductor industry, we may not be able to adjust our inventory level to the decline in demand and the price of our products may be adversely affected. If we cannot anticipate market changes or adjust to unforeseen fluctuations, our business, results of operations and financial condition may be adversely affected.

Our business may be negatively affected if we fail to maintain stable relationship with our major customers.

We are exposed to concentration risk with our major customers. We have been largely dependent on a small number of customers for a substantial portion of our business. In particular, we rely on a single customer, Customer A, a company primarily engages in the provision of integrated chip solutions. In 2023, 2024 and 2025, Customer A was our largest customer in each year during the Track Record Period. Revenue generated from Customer A amounted to RMB86.9 million, RMB162.3 million and RMB114.7 million, respectively, accounting for 57.9%, 66.5% and 33.1% of our total revenue in the same respective periods. In addition, revenue generated from our sales to our top five customers in each year during the Track Record Period was RMB118.1 million, RMB216.7 million and RMB271.7 million in 2023, 2024 and 2025, respectively, accounting for 78.6%, 88.8% and 78.3% of the total revenue for the respective periods, respectively. The major risks associated with a concentration on a few major customers include reduced commercial negotiating power, loss of such customers, and difficulty in finding alternative customers. As such, if we cannot maintain collaborative relationship with these major customers, or we cannot find alternative customers with comparable level of collaboration, our business, results of operations and financial condition may be adversely affected.

We expect that we will continue to depend upon a relatively limited number of customers for a majority of our revenues. We cannot assure you that our revenues generated from these customers, individually or in the aggregate, will reach or exceed historical levels in any future period. Loss or cancellation of business from significant changes in scheduled deliveries to, or decreases in the prices of products sold to, any of these customers could significantly reduce our operating revenues.

Our business could also be adversely affected if our customers are not able to settle accounts regularly or make payments on schedule. If our customers face financial difficulties, they may also cancel current or future orders that could materially and adversely impact our sales and results of operations. If a major customer were to enter into bankruptcy proceedings or similar proceedings whereby contractual commitments are subject to a stay of execution and the possibility of legal or other modification, we could be forced to record a substantial loss. Thus, as we generate a significant share of our revenue from a limited number of customers, any loss or fluctuation in their business may adversely affect our results of operations and financial condition.

Some of our products have a limited commercialization record, which makes it difficult to evaluate our business and prospects, and our historical growth may not be indicative of our future performance.

Despite our commercialization efforts in recent years, our operations since inception have primarily focused on R&D activities. As a result of our limited operating history, and particularly in light of the rapidly evolving nature of the edge AI chips and solutions industry, it may be difficult to evaluate our current business and reliably predict our future performance. Our historical results may not provide a meaningful basis for evaluating our business, results of operations, financial condition and prospects, and we may encounter unforeseen expenses, difficulties, complications, delays and other known or unknown factors, and may not be able to achieve promising results in future periods.

In particular, we have a limited track record in the commercialization and sales and marketing of some of our products. For instance, we achieved the mass production of most of our major product series began in or after 2022. Our ability to successfully commercialize our future products may involve more inherent risks, take longer and cost more than it would have if we were a company with a longer track record in commercialization. In particular, the commercialization of new products requires sustained efforts to effectively demonstrate the benefits of our products over our competitors' and maintain and develop key customers with robust and stable demand, and secure our position within their supply chains. Due to our limited track record in the commercialization of some of our products, there can be no assurance that the sales results of our products will meet our expectation and forecast or that third parties will purchase and deploy our products, which, individually or collectively, would materially and adversely affect the commercialization of our products.

We may not implement our growth strategies or manage our growth effectively.

The success of our business expansion depends on our ability to efficiently execute our growth plan. We plan to continue our independent innovation and R&D, extend the downstream applications of our products, expand our overseas markets and cultivate our talent team. See "Business—Our Growth Strategies" and "Future Plans and Use of [**REDACTED**]." However, expanding our business involves risks and challenges. These business initiatives are new and evolving, some of which may prove unsuccessful. It may also take a longer time than expected for us to develop the technologies and build market acceptance of our products, and we may not have sufficient experience in executing these new business initiatives effectively. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate desired outcome. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business, results of operations and financial condition may be materially and adversely affected.

To effectively manage our growth, we need to, among other things: (1) monitor and control our expenses and investments; (2) comply with different or additional laws, regulations and industry standards; (3) enhance our supply chain to support our growth; (4) retain and incentivize our key personnel and maintain our talent pool; and (5) strengthen our operational, financial and management internal controls and systems.

Furthermore, the growth of our business operations may be constrained by the development of our addressable markets. The future market size of the edge AI chips and solutions industry and the demand for relevant products may be difficult to anticipate since it depends on a number of variables, most of which are beyond our control. For instance, we cannot assure you that favorable policies and standards for our products will be promulgated or implemented in an effective and timely manner, if at all, and we cannot predict the impact of such policies on downstream sectors and, as a result, on the industries that we operate in and our performance. We cannot assure you that the size of our addressable markets and the demand for our products will continue to grow as anticipated, if at all. If our products fail to achieve widespread acceptance in any of the downstream sectors, or if customer demand for our products declines or alters due to weakening economic conditions, technical challenges, shifts in regulations and standards, or the emergence of alternative technologies or products, our business, results of operations and financial condition will be materially and adversely affected.

Our business depends on the continuing efforts of our management team and our ability to attract, train, and retain competent talent, especially talent on R&D.

Our future performance depends on the continued services and contributions of our founders, senior management, core R&D members, and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and perform effective product design and R&D.

Our future success depends on our ability to attract, recruit and train a large number of qualified employees and retain existing key employees. In particular, we rely on our top-notch R&D team to develop our advanced products. Loss of core R&D members could materially impair our R&D capabilities, which would in turn affect our business operation and financial position. In order to compete for talents, we may need to offer higher compensation, better trainings and more attractive career opportunities and other benefits to our employees, which may be costly and burdensome. We also rely on our experienced senior management team to oversee and conduct our business operations, including maintenance of our relationships with key business partners, compliance with relevant laws and regulations and facilitation of the commercialization and production of our products. Loss of the service of or changes in the positions of our key personnel could significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, results of operations and financial condition.

We cannot assure you that we will be able to attract or retain a qualified workforce necessary to support our future growth. Furthermore, any disputes between us and our employees or any labor-related regulatory or legal proceedings may divert management and financial resources, negatively impact staff morale, reduce our productivity, or harm our reputation and future recruiting efforts. In addition, our ability to train and integrate new employees into our operations may not meet the demands of our growing business. Any of the above issues related to our workforce may materially and adversely affect our operations and future growth.

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

Under our fabless business model, our business operations depend on the continuous service of certain suppliers, mainly including (1) wafer foundries and (2) packaging and testing service providers. Purchases from our five largest suppliers in each period during the Track Record Period accounted for 83.7%, 83.6% and 69.1% of our total purchase amount in the same periods, respectively. Purchases from our largest supplier in each period during the Track Record Period accounted for 49.4%, 65.6% and 32.6% of our total purchase amount in the same periods, respectively. See "Business—Suppliers—Major Suppliers."

Our relationship with these major suppliers subjects us to the concentration and counterparty risk from these suppliers. We cannot assure you that we will be able to maintain our relationships with our major suppliers in the future. If the supply of wafers or the provision of packaging and testing services is disrupted or delayed, we may fail to find replacements with similar supply capacity on comparable commercial terms within a reasonable period of time, or at all. To the extent we are unable to manage these risks, our ability to timely supply competitive products will be harmed, our costs will increase, and our business, results of operations and financial condition will be adversely affected. Moreover, we cannot guarantee that our major suppliers will not have a change of business scope or business model or will continue to maintain their market position and reputation. Any material adverse change to the operation or financial condition of our major suppliers may result in material adverse impact on their business with us.

If we are unable to ensure the manufacturing or delivery of high-quality products on schedule and on an adequate scale to address our customer demand, our business and results of operations may be materially and adversely affected.

As we operate under the fabless model, our business operations are concentrated on the R&D of edge AI chips and solutions while outsourcing wafer fabrication to trusted third-party partners. Similar to other players that operate under a fabless model, our ability to continually and timely arrange for the manufacturing and delivery of high-quality products meeting the market demand is critical to our business, financial performance and prospects. We have limited control over the quality, availability and costs of our partnered wafer foundries and packaging and testing service providers. We cannot assure you that the products manufactured by our partnered wafer foundries or services provided by our partnered packaging and testing service providers are safe and free of defects or can meet the relevant quality standards.

We may face difficulties meeting our delivery requirements to customers due to a variety of factors, many of which are related to the supply chain or market demand that are generally beyond our control. Failure to fulfill customers' requirements and quality control problems that occur in the manufacturing process of our third-party wafer fabrication partners could prevent us from meeting the stipulated delivery deadline. For example, a decline in yield rates would adversely affect our third-party wafer fabrication partners' production efficiency and product quality. If any of our third-party wafer fabrication partners' production facilities experience interruptions, delays or disruptions in supplying products, our ability to deliver products to customers would be impeded. Further, if our third-party wafer fabrication partners' production facilities or suppliers experience any difficulties or shortages of raw materials, or if they are otherwise unable or unwilling to continue to supply in required volumes or at all, our supply may be disrupted, and we may be required to seek alternate sources of supply. The process of seeking replacements would be highly time-consuming and costly and we cannot assure you that we can locate new suppliers on reasonable or acceptable commercial terms, or at all. In addition, we may also experience delays in shipments caused by our third-party logistic service providers. Moreover, surges in market demand could arise from time to time, and we may not be able to arrange for manufacturing and delivery capacity to efficiently address such demand. Any such issues could have a material adverse effect on our ability to fulfill orders and consummate sales, damage our reputation and brand, and affect our business, results of operations and financial condition.

If we fail to retain existing customers, attract new customers or increase their spending, our business, results of operations and financial condition may be materially and adversely affected.

Our customers primarily consist of distributors and direct sales customers in relevant downstream sectors, in particular Tier 1 suppliers in the automotive industry and electronic system integrators and solution providers in the consumer electronics industry. Our products are distributed to Tier 2 suppliers in the automotive industry primarily through our distributors. However, we cannot guarantee that our existing customers will continue to procure or increase their procurement from us, or that we can attract and secure orders from new customers. As such, if we fail to attract new customers or retain existing customers, our business, results of operations and financial condition may be adversely affected.

Our ability to retain existing customers, attract new customers, and ultimately anchor their demand depends on a number of factors, some of which are beyond our control, such as (1) the perceived value and costs of our products by existing and new customers; (2) the availability, advantages, costs and overall competitiveness of similar products; (3) changes in the R&D planning and procurement strategies of the customers; and (4) shifts in technical and industry standards or regulatory requirements.

We cannot guarantee that our business development strategies will be successfully implemented or bring about outcomes as we expected.

We continue to execute a number of strategies to expand our business. However, expanding our business involves risks and challenges. These business initiatives are new and evolving, some of which may prove unsuccessful. It may also take a longer time than expected for us to develop the technologies and build market acceptance of our products, and we may not have sufficient experience in executing these new business initiatives effectively. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate desired outcome. If our efforts fail to enhance our monetization abilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business, results of operations and financial condition may be materially and adversely affected.

Increases in costs of the materials and other components used in our products would adversely affect our business, results of operations and financial condition.

Significant changes in the markets in which our suppliers purchase materials, components and supplies for the production of our products may adversely affect our profitability. As a result of the global semiconductor shortage and inflationary pressures, we have and may continue in the future experience increases in the cost of our products. The profitability of our products may then fluctuate given different market conditions. We determine our product pricing through negotiations with our customers. We consider factors such as our costs, desired profit margin, pricing of similar products of competitors and degree of market competition in formulating our pricing policies. However, given the competitive nature and pressure of the market in which we operate, we may not be able to pass on the cost increase to our customers by increasing the price of our products. Therefore, any significant increase in the cost of our products may have an adverse impact on our business, results of operations and financial condition.

We may not be able to fully maintain quality control over our products.

The quality of our products depends on the effectiveness of our quality control procedures, as well as those of our suppliers. We have implemented rigorous quality control procedures in multiple steps throughout our R&D process and the manufacturing process of our products. For details of our quality control efforts, see "Business—Quality Control." However, our quality control procedures may not be effective in preventing and resolving deviations from our quality standards, and they may not be adequately implemented. Any failure to execute our quality control procedures could increase our costs, render our products less attractive to customers, adversely impact our market reputation and relationship with business partners and even incur liabilities to us.

In addition, we depend on the quality control procedures of our suppliers. We cannot assure you that the products manufactured by our partnered wafer foundries or services provided by our partnered packaging and testing service providers are safe and free of defects or can meet the relevant quality standards. In the event of any quality issues, we could be subject to complaints and product liability claims and we may not be able to seek indemnification from our suppliers. If we are involved in legal proceedings against our suppliers, such proceedings may be time-consuming and costly regardless of the outcome. Any such issues may materially and adversely affect our business, results of operations and financial condition.

Failure to enhance our brand recognition and sales and marketing capabilities could harm our ability to expand our business operations and customer base, and adversely affect our business, results of operations, financial condition and prospects.

We believe that maintaining and enhancing our brands is of significant importance to the success of our business. As we have relatively short history and operate in a competitive market, our ability to establish, develop and constantly enhance our brand is critical to build our market position and contributes to our long-term success. The successful promotion of our brand also depends on the effectiveness of our marketing efforts and amount of word-of-mouth referrals we received from satisfied customers. We may also incur extra expenses in promoting our brand. However, we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect.

We depend on sales to our distributors for a considerable portion of our revenue, and distributors are expected to remain important in our sales network. If distributors are not able to operate successfully or we fail to maintain good relationships with such distributors, our business, financial condition and results of operations could be materially and adversely affected.

Distributors are important to our business model. Our distributors are primarily responsible for delivery to end customers and settlement with us. Our revenue from sales to distributors accounted for

62.9%, 70.0% and 36.6% of our total revenue for 2023, 2024 and 2025, respectively. We expect that distributorship will remain an important component of our sales network. The effective management and expansion of our distribution network depends on our ability to enter into renewal agreements with existing distributors on terms favorable to us, and expand our distributor base, especially for key distributors. Any decrease in sales from, or loss of our distributors without a corresponding increase in sales from other distributors due to the changes in the distributors' business or for any other reasons would adversely impact our business, results of operations, financial condition and cash flows.

Our distributors may not be able to manage their inventory level effectively and we may not be able to track their sales and inventory level, which could cause us to incorrectly predict sales trends and may damage the stability of our distribution network.

Failure to manage inventory level may strain our distributors' financial resources and impair their liquidity, which may lead to their reluctance or inability to purchase products from us. If they experience decreased profitability or suffer losses as a result, they may quit our distribution network. Additionally, distributors may, with or without any merit, complain about and attribute their slow inventory turnover to us, harming our relationship with such distributors and potentially damaging our reputation among distributors. If any of such incidents occurs, the stability of our distribution network may be impaired, and our business, results of operations and financial condition may be materially and adversely affected. Furthermore, we may not be able to track the sales and inventory level of our distributors. This could in turn lead to our inability to accurately predict sales trends and forecast customer demand, which could result in excess inventory levels or a shortage of products. There can be no assurance that we will be able to successfully manage our inventory at a level appropriate for future customer demand.

We have limited control over the operations of our distributors. Our business may be adversely affected due to risks relating to the acts of our distributors and their potential breach of distributorship agreements or applicable laws and regulations.

While we have implemented measures to regulate our distributors, including through our distributorship agreements with them, our control over distributors is limited, and we cannot assure you that we can successfully manage our distributors. We may fail to detect incidents of misconduct or non-compliance on the part of our distributors that violate the terms of our distributorship agreements or applicable laws and regulations in a timely manner, or at all. Misconduct and violations may occur in the form of unauthorized misrepresentation to our end customers, misappropriation of third-party rights and bribery or other unlawful payments during the course of their distribution. Such incidents by any of our distributors could tarnish our brand, disrupt our sales and damage our relationship with such distributors and end customers. These and similar actions could also negatively affect our corporate and product image, result in further loss of customers and decline in sales, or even incur liabilities and claims against us. Moreover, if any of our distributors sell the same products in overlapping markets, this may result in cannibalization or even competition among these distributors, which reduces the efficiency of such distribution channels. In addition, although we require our distributors to follow relevant standards and protocols established by us, we may not be able to continuously monitor or control the quality of customer service provided by our distributors. If our distributors fail to conform to our standards and protocols or provide satisfactory services on our products, our reputation and business may be adversely affected.

Our products may contain defects, malfunction or underperform, and we may be subject to product liability claims, which may incur costs and negatively affect our reputation and business operations.

Products within the edge AI chips and solutions industry are complex and may contain errors, defects, vulnerabilities or other issues that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. In addition, some of the products that we currently offer are critical to automotive safety due to their functions in nature. Any defects, malfunctioning or underperformance concerning these products could cause adverse consequences, including economic damages, accidents, injuries and even fatal events. Responsibilities as to these incidents may extend to suppliers like us, which could involve us in legal and other proceedings, subject us to significant liabilities, damages and penalties and harm our business, reputation and results of operations.

Despite the verification and testing procedures in place, our products may contain errors, defects, vulnerabilities or other issues which we are unable to successfully correct in a timely manner or at all.

Some errors or defects in our products may only be discovered after they have been tested, commercialized and deployed in practice. Under these circumstances, we may incur additional remedial costs to recall, repair or replace and additional development costs to redesign our products. Furthermore, because we are subject to warranty and indemnification provisions based on certain of our agreements with our customers, we may be subject to claims or threats of claims by our customers for their financial loss related to defects in our products. Any such claims would be time-consuming and costly for us to defend and divert our management attention, thereby adversely affecting our business, financial condition and results of operations. These customers may terminate the business relationship with us altogether and as a result, our results of operations and financial condition may be adversely affected. These disputes, proceedings and deterioration of customer relationship may generate negative publicity concerning us and adversely impact our business.

Failure to maintain competitive pricing strategies may have a material adverse effect on our business, financial condition and results of operations.

We aim to provide our customers with high-quality products and services. We determine our differentiated pricing strategy through market research and competition, taking into account multiple factors and designing to cater to the diverse needs of our customer base and product range. However, we cannot guarantee that we will consistently adopt a competitive pricing strategy for our products. If our market research yields inaccurate results that misalign our pricing strategy with market trends, we risk either diminishing profit margins by underpricing, or dampening sales volume and revenue by overpricing.

If we fail to properly manage or maintain sufficient inventory, we could lose sales or experience excess inventory levels, which could negatively affect our financials and operations.

We had inventories of RMB41.3 million, RMB51.1 million and RMB123.0 million as of December 31, 2023, 2024 and 2025, respectively. In 2023, 2024 and 2025, our inventory turnover days were 119, 105 and 130 days, respectively. In the same periods, we had write-down of inventories of RMB1.7 million, RMB7.2 million and RMB10.4 million, respectively. Demand from customers may be affected by general market conditions, new product launches, pricing and discounts, and not all of them are within our control. In addition, as we develop and market a new product, we may not be successful in establishing stable and favorable supplier relationships or accurately forecasting demand. The acquisition of certain types of raw materials and consumables may require significant lead time and prepayment and they may not be returnable. Furthermore, as we plan to continue expanding our offerings, we expect to include a wider variety of raw materials and consumables, which will make it more challenging for us to manage our inventory and logistics effectively. Any mismanagement of inventory could lead to increased write-downs directly impacting our profitability, tied-up capital in slow-moving inventory reducing our liquidity, and higher storage and handling costs pressuring our margins, which may adversely and materially affect our business, results of operations and financial condition.

In addition, our results of operations may, from time to time, be affected by the write-down of inventories. We assess our inventory for indicators of impairment on a regular basis. Where such indicators exist, we perform an assessment by comparing the inventory's carrying amount to its estimated net realizable value. Our inventory impairment losses may fluctuate from year to year, influenced by factors such as our business scale, project mix, and production cycles, and such fluctuations could have a material effect on our results of operations.

We are subject to risks associated with sanctions and export controls laws and regulations, international trade policies and actions, and developing domestic and foreign laws and regulations.

We operate within a global supply chain and our products are sold globally as components of various end products. As such, we face risks associated with international trade regulations and geopolitical developments. Our business activities are subject to the impact of various applicable sanctions and export controls regulations. In recent years, complexities in international relations, such as the geopolitical tensions between the United States and China, have presented new challenges. For example, in February 2026, following the invalidation by the U.S. Supreme Court of the previously imposed reciprocal tariffs and fentanyl-related tariffs, U.S. President announced the introduction of an alternative trade measure. Pursuant to such announcement, a temporary 10% ad valorem surcharge was imposed on goods imported into the United States for a period of 150 days, effective from February 24, 2026. The surcharge applies to imports from all trading partners, subject to specified exceptions for certain goods. U.S. tariff policy has demonstrated a highly dynamic nature and has been subject to abrupt adjustments. To the extent that additional or higher tariffs were to be imposed on our products in the future, such measures could increase costs for our downstream customers and may in turn adversely affect their procurement decisions, demand for our products and overall purchasing volumes, which could consequently have an adverse effect on our business, financial condition and results of operations. In addition to tariff measures, broader changes in trade policies may also have an impact on global economic activity. These circumstances could reduce levels of international trade, investment, technological exchange and other economic activities. They might also lead to changes in political and economic relations between countries, sanctions, export controls, changes in economic and labor conditions, imposition of increased duties, tariffs and taxes, political instability and other geopolitical issues.

In particular, the Export Administration Regulations (the "EAR") regulates U.S. export control, and the Bureau of Industry and Security (the "BIS") of the Department of Commerce administers the EAR. The U.S. export control regime regulates the export, transfer or disclosure of U.S. products, software, and technology to non-U.S. jurisdictions and non-U.S. persons based on the nature of the product or technology, as well as the destination, transferee, or end use of a specific export or transfer. Under the EAR, a non-U.S.-produced item is subject to the EAR if it incorporates or bundles U.S.-origin controlled items valued at a certain ratio or utilizes certain U.S.-controlled software or technologies during the production process. The BIS maintains lists of individuals and entities subject to enhanced export control restrictions. The Entity List is a 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, the BIS has added hundreds of Chinese entities and entities from other countries to the Entity List for a variety of reasons, including foreign policy, defense policy and security. In particular, in October 2022, the BIS issued an interim final rule requiring license for exports, re-exports, or transfers of any item subject to the EAR when there is "knowledge" that the item is destined for end use in the development or production of integrated circuits at a fab in China that fabricates integrated circuits meeting certain criteria. On December 2, 2024, the BIS issued an interim final rule and a final rule, which expanded controls in the EAR on advanced computing and semiconductor manufacturing items. In addition to the United States, Japan, the Netherlands and various other governments are also imposing controls, licensing requirements and restrictions applicable to exports to China. These types of restrictions could impact our ability to supply our products to customers of affected countries, territories and entities and could restrict our ability to obtain components and technologies we incorporate in or use to develop our products.

As we operate under a fabless model and participate in complex, multi-tier semiconductor supply chains, we may from time to time encounter counterparties that are subject to U.S. export control restrictions, including the BIS Entity List. We cannot assure you that we will always be able to avoid all commercial exposure to such restricted parties. In addition, as the BIS rules are evolving, future sanctions and export controls may significantly impact our business relationships with some of the key customers or suppliers. If we fail to promptly secure alternative customers or sources of supply on acceptable terms, our business may be materially and adversely affected. In addition, dealing with customers and suppliers on the Entity List can also make us vulnerable under the EAR and Entity List designation, considering that the Chinese semiconductor industry has been strictly scrutinized by the U.S. government.

As a fabless IC design house, we use software and commodities subject to the EAR, including certain electronic design automation ("EDA") software. Our research and development activities also involve the licensing-in of U.S.-origin intellectual property. As the U.S. continued to impede China's advanced semiconductor industry, several leading EDA software suppliers in the U.S. stated that they received notices from BIS to cease supplying EDA software to China recently. We understand that these developments introduced uncertainties to global supply chains, limited access to key software, and increased production and compliance costs for companies operating in affected industries. If these trade restrictions or geopolitical tensions escalate, we may face additional risks, including reduced access to key software, which could negatively impact our design capabilities. In addition, if changes in U.S. export control policies were to affect our foundries, suppliers, or downstream customers, such effects could be transmitted to us through our commercial relationships and may, in turn, have secondary impacts on our business operations and financial performance.

We are exposed to risks associated with U.S. Executive Order 14105 and its implementing regulations that set prohibition or notification requirements on U.S. persons for certain investments.

On October 28, 2024, the U.S. Department of the Treasury (the "Treasury") issued a final rule (the "Final Rule", "U.S. Outbound Investment Rule" or "OIR"), codified in the United States Code of Federal

Regulations at 31 C.F.R. part 850, to implement the Executive Order 14105 of August 9, 2023, which became effective on January 2, 2025. The Final Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau) that are engaged in activities relating to three sectors: (1) semiconductors and microelectronics, (2) quantum information technologies, and (3) artificial intelligence systems, collectively defined as "covered foreign persons." U.S. persons subject to the Final Rule are prohibited from making, or required to report, certain investments in covered foreign persons, which are defined as "covered transactions," and include certain acquisitions of an equity interest, certain debt financing, joint ventures, and certain investments as a limited partner in a non-U.S. person pooled investment fund. The Final Rule contains exceptions for certain investments, including those in publicly traded securities, except when the U.S. person investor secures rights that go beyond standard minority shareholder protections. The Final Rule may introduce new hurdles and uncertainties for cross-border collaborations, investments, and funding opportunities of China-based issuers including us. On February 21, 2025, U.S. President issued a memo entitled the "America First Investment Policy" (the "America First Memo"), indicating that Executive Order 14105 is under review and the Trump Administration will consider new or expanded restrictions, such as broadening the sectors. Moreover, the "National Defense Authorization Act for Fiscal Year 2026" (S. 1071, the "NDAA 2026") further directs the Secretary of the Treasury to issue regulations restricting United States outbound investments in countries of concern involving certain technologies.

We believe that we are deemed to be a covered foreign person engaged in one of the "covered activities" (each as defined in the Final Rule) as we design integrated circuits as described in the definition of "notifiable transactions" in 31 C.F.R. §850.217. We are not directly or indirectly engaged in any "covered activities" as described in the definition of "prohibited transactions" (each as defined in the Final Rule) as we do not design, fabricate or package any integrated circuit described in 31 C.F.R. §850.224(c), (d) or (e) and activities described in the other sections of 31 C.F.R. §850.224. However, there is no assurance that the Treasury will take the same view as ours. U.S. persons engaged in a "covered transaction" (as defined under the Final Rule) that involves the acquisition of our equity interests (including the [**REDACTED**] of our H Shares in the [**REDACTED**]) may need to make a notification to the Treasury pursuant to the Final Rule, which could limit our ability to raise capital or contingent equity capital from U.S. investors. In addition, even though U.S. persons' investment of certain publicly traded securities (such as [**REDACTED**] our H Share in the [**REDACTED**]) falls under an exception in the Final Rule, it could still limit our ability to raise capital or contingent equity capital from U.S. investors given that the relevant laws, regulations and policies continue to evolve. In addition, the application and implication of the Final Rule, the America First Memo, NDAA 2026 and any related policies, laws and regulations are complex, which may be changed and updated from time to time. Future changes in the Final Rule, the America First Memo, the NDAA 2026 and any related policies, laws and regulations or their interpretations, or any similar or more expansive restrictions imposed by the U.S. or other jurisdictions, may result in additional costs on our business and/or limit our ability to raise capital or contingent equity capital from U.S. investors and other sources that may otherwise be beneficial to us, which could adversely affect our performance, financial condition and prospects.

Our overseas expansion may not be successful, and we are exposed to the risks associated with overseas operations.

We have been exploring business opportunities in overseas regions. However, we have limited experience in doing business in these markets and our products and business may not be well accepted. We cannot assure you that we can replicate our success or compete effectively in these markets. Moreover, as our overseas expansion proceeds, we may have to adapt our business models to the local market due to various legal requirements and market conditions and incur additional costs associated with such operations.

Specifically, we are subject to risks typically associated with overseas operations including, but not limited to, compliance with local laws and regulations, such as those related to trade practices and tariffs, intellectual property, labor, anti-corruption, taxation, intra-group transactions and trade practices and data practice. If any of our overseas operations, or our associates, agents or distributors, violate laws in the relevant jurisdictions, we could become subject to sanctions or other penalties. We may also need to obtain additional government approvals, licenses or other authorizations for doing business in overseas markets. Changes in the political and economic environments in the markets where we operate and the imposition of tariffs, duties or other protectionist measures may also have a material adverse impact on our overseas operations.

We may be involved in legal and other disputes and claims from time to time arising from our operations and any litigation, legal and contractual disputes, claims or administrative proceedings against us and any failure to comply with relevant laws and regulations may expose us to legal risks.

We may be involved in litigation, legal or contractual disputes, governmental investigations or administrative proceedings in the ordinary course of our business. These may concern issues relating to, among others contract disputes relating to our daily business operations. Any such claim or proceeding involving us, with or without merit, may be expensive, time-consuming and disruptive to our operations and distracting to management. In addition, even if we ultimately succeed in such disputes or proceedings, negative publicity may arise therefrom and materially and adversely affect our reputation and business. If one or more legal or administrative matters were resolved against us, or certain injunctions are granted to prevent us from using certain technologies in our products, our business, results of operations and financial condition could be materially and adversely affected. Furthermore, unfavorable outcomes could result in significant compensatory or punitive monetary damages, disgorgement of revenue or profits, corporate remedial measures, injunctive relief or specific performance against us that could materially and adversely affect our results of operations and financial condition.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in China. We may be subject to investigations and proceedings by PRC governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial conditions and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal controls, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties and sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent disclosure of trade secrets and other proprietary information.

In addition to our registered patents and patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to protect our products and thus maintain our competitive position. We protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements, non-compete covenants or include such undertakings in the agreements with parties that have access to them. We also enter into employment agreements with our employees that include undertakings regarding assignment of inventions and discoveries. Nevertheless, there can be no guarantee that an employee or a third party will not make unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will gain access to such information and make use of such information, and that our competitive position will be compromised, despite any legal action we might take against such persons. In addition, to the extent that our employees or business partners use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Our employees or business partners might intentionally or inadvertently disclose our trade secret information to competitors, or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and/or is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. We also seek to enter into agreements with our employees that obligate them to assign any inventions created during their work for us to us. However, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing. It is possible that technology relevant to our business will be independently developed by a person that is not a party to such agreement. Furthermore, if the employees who are parties to these agreements breach the terms of these agreements, we may not have adequate remedies for any such breach, and we could lose our trade secrets and inventions through such breaches. We may be involved in claims by or against us related to the ownership of such intellectual property. If we fail in prosecuting or defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to our management and research and development personnel.

Acquisitions, investments or strategic alliances may fail and materially and adversely affect our reputation, business and results of operations.

We may continue to enter into acquisitions investments or alliances with various third parties. These investments could subject us to a number of risks, including the degree of synergy, the success of integration, risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in relevant expenses, any of which may materially and adversely affect our business, results of operations and financial condition. We also cannot assure you that the business and financial performance of our investees will always meet our expectations, or that such investments will always be aligned with our business planning. We may also have little ability to control or monitor the actions of relevant third parties, including our investees and investment partners. To the extent such third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing businesses. Future acquisitions and the subsequent integration of new assets, technologies and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing businesses, which in turn could adversely affect our business. Acquired assets, technologies or businesses may not generate the financial or operating results we expect. In addition, acquisitions and investments may also involve significant capital outlays, the issuance of equity securities that could dilute existing shareholders, or the assumption of debt, any of which could adversely impact our financial position. Any failure to realize the anticipated benefits from investments and acquisitions could materially and adversely affect our business, results of operations and financial condition.

Rumors or negative publicity involving our Company, our products, our management, our customers, our business partners or our industry in general may materially and adversely affect our reputation, business, results of operations and growth prospects.

Negative publicity involving our industry, our Company, our products and services, our management, our customers or our business partners may materially and adversely harm our business and reputation. We cannot preclude media reports of a similar nature or similar allegations from other parties from being made in the future, nor can we assure you that we will be able to defuse such negative publicity to the satisfaction of our investors, customers and business partners or prevent related misconception and other damages caused by such reports. We may have to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports or allegations, which may materially and adversely affect our results of operations.

The insurance coverage we have may not adequately protect us against all operating risks.

We currently have product liability insurance and transportation insurance that covers the delivery of wafers. However, it may not be adequate to fully compensate for all kinds of losses we may suffer in the future. In particular, we do not carry insurance in respect of certain risks that we believe are not insured under customary industry practice in Chinese mainland, or which are uninsurable on commercially acceptable terms, if at all, such as those caused by war, nuclear contamination, tsunami, pollution, acts of terrorism and civil disorder. In addition, our insurers generally review our policies every year and we cannot guarantee that our policies can be renewed on similar or other acceptable terms, or at all. Furthermore, if we suffer unexpected severe losses or losses that far exceed the policy limits, it could materially and adversely affect our business, results of operations and financial condition.

If we fail to obtain and maintain the requisite licenses and approvals required in any jurisdictions where we operate, our business, results of operations and financial condition may be materially and adversely affected.

We are required to obtain and maintain the requisite licenses and approvals for our business in China where we currently operate our business. We cannot assure you that we can successfully update or renew the licenses required for our business in a timely manner or that these licenses are sufficient to conduct all of our present or future businesses. Any failure to obtain or renew any approvals, licenses, permits or certificates necessary for our operations may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities ceasing our operations, and may include corrective measures requiring capital expenditure or remedial actions. Uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any of the laws, regulations and policies currently in effect or any future laws, regulations and policies. If we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdictions where we operate our business, we may be subject to various penalties, such as the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition.

We may be subject to fines for failing to register the lease agreement of leased property.

As of the Latest Practicable Date, we had not filed the lease agreements for registration with respect to six leased properties in China, primarily used as our R&D facilities and office. Under the Civil Code of the PRC, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreement are not affected by the failure to register or file the lease agreement with the relevant government authorities.

According to the Measures for the Administration of Commercial Housing Leases (商品房屋租賃管理辦法), within thirty days after the conclusion of a housing lease contract, the parties to the lease shall register the contract with the construction (real estate) authority of the people's governments of centrally administered municipalities, cities, or counties where the leased property is located; any violation of the provisions of these measures shall be ordered by the relevant authority to rectify within a specified time limit, where the entity fails to rectify within the specified time limit, it shall be fined between RMB1,000 and RMB10,000.

Our PRC Legal Advisor has informed us that if the relevant local housing management authorities require us to complete registration within a specified time limit and we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each property. As of the Latest Practicable Date, we have not received any rectification orders or imposed any fines for unregistered lease agreements. Therefore, our PRC Legal Advisor believes that if the registration of our lease agreements can be completed within the timeframe specified by the government authorities in accordance with relevant laws and regulations, the risk of significant penalties being imposed on us for such non-compliance is minimal.

We may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations.

Companies operating in the PRC are required to participate in various employee benefit plans, including social insurance fund and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business. During the Track Record Period, we did not make adequate contributions to the social insurance for some of our employees and housing provident fund for a small number of employees, as required by the relevant PRC laws and regulations. As a result, we may be required to make additional contributions of social insurance fund and/or housing provident fund and late payments and fines under PRC laws and regulations. In 2023, 2024 and 2025, the aggregate shortfall of social insurance and housing provident fund contributions amounted to RMB2.8 million, RMB2.1 million and RMB0.9 million, respectively. In terms of the social insurance fund and housing provident fund attributable to December 2025, we had rectified the noncompliance by making adequate social insurance fund and housing provident fund contributions for our employees and will make such adequate contributions thereafter.

According to the relevant PRC laws and regulations, if the competent PRC government authority determines that the social insurance contributions we made for our employees violate the requirements under the relevant PRC laws and regulations, we may be required to pay all outstanding social insurance contributions within a stipulated period, with late fees at a daily rate of 0.05% of the outstanding amount.

If we are required to settle the shortfall of social insurance contribution, and we fail to make the payment within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount on us. In addition, pursuant to relevant PRC laws and regulations, in case of a failure to pay the full amount of housing provident fund, the competent PRC government authority may require us to pay the outstanding amount within a stipulated period. If the payment is not made within such stipulated period, an application may be made to the PRC courts for compulsory enforcement. According to the Notice on Implementing Several Measures for Further Supporting and Serving the Development of the Private Economy (國家稅務總局關於實施進一步支持和服務民營經濟發展若干措施的通知) issued and implemented by the SAT on November 16, 2018, provides that "tax authorities at all levels shall not in any case, on their own initiative, organize and conduct centralized collection and settlement of arrears of social insurance fund on payers including private enterprises from previous years."

Considering that (1) pursuant to the relevant provisions promulgated by the Ministry of Human Resources and Social Security of the PRC and the SAT as set out above, the competent authorities shall not, on their own initiative, organize any centralized collection and payment of historical social insurance shortfalls from enterprises; (2) based on the credit reports issued by the public credit information centers in the locations where our Company and our PRC controlling subsidiaries are situated, our Company's confirmations, and the interviews conducted by our PRC Legal Advisor with the competent authorities, we were not subject to any administrative penalties imposed by the competent authorities for violations of laws and regulations relating to labor protection, social insurance and the housing provident fund during the Track Record Period; (3) we confirmed that we had rectified the aforesaid non-compliance in relation to the payment of social insurance and the housing provident fund, and we had not received any notice from the competent authorities for social insurance or the housing provident fund requiring us to make supplementary payments of social insurance contributions or housing provident fund contributions or imposing any penalties thereon, nor have we received any complaints or reports from any employees in relation to the payment of social insurance or the housing provident fund; and (4) we have undertaken that, if we receive in the future any notice from the competent authorities requiring us to make payment or supplementary payment within a prescribed time limit, imposing late payment surcharges, or requiring us to make housing provident fund contributions within a prescribed time limit, we will make the required supplementary payments within the prescribed time limit in accordance with the requirements of the competent authorities, our PRC Legal Advisor is of the view that, assuming there is no material change in the current policies and regulations and the local governments' enforcement and supervision requirements, and no employee complaints or reports occur or relevant litigation or arbitration is initiated, the risk that we will be subject to centralized collection and payment and penalties by the competent authorities for failure to make social insurance fund and housing provident fund contributions in compliance with applicable PRC laws is remote. As a result, we had not made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period.

However, we cannot assure you that we will not be subject to any order to rectify the non-compliance in the future, nor can we assure you that there are no, or will not be any, employee complaints regarding payment of the outstanding amount of the social insurance and housing provident fund contributions against us, or that we will not receive any claims in respect of the outstanding amount of the social insurance and housing provident fund contributions under national laws and regulations. In addition, we may incur additional expenses to comply with such laws and regulations promulgated by the PRC government or relevant local authorities.

The Interpretation (II) of the Supreme People's Court on Issues Concerning the Application of Law in the Trial of 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 came into force on September 1, 2025 reiterates the position that a worker's waiver of social insurance rights is invalid. Any agreement or declaration in which a worker abandons or purports to abandon social insurance rights shall be deemed invalid. Workers remain entitled to the statutory benefits and compensations stipulated in the Labor Contract Law. For details, see "Regulatory Overview — Regulations on Labor Employment." As advised by our PRC Legal Advisors, given that (1) the Interpretation II does not introduce new provisions or substantive interpretations regarding social insurance or housing provident fund; and (2) the Company and its PRC subsidiaries have not made any arrangement with their employees not to participate in statutory social insurance, the Interpretation II will not have a material adverse impact on our compliance status.

Any future occurrence of natural disasters, outbreaks of contagious diseases or other force majeure events may materially and adversely affect our business, results of operations and financial condition.

Our business is subject to general economic and social conditions. Uncertainties about global economic conditions and regulatory changes and other factors including fluctuation of interest rates, inflation level, unemployment, labor and healthcare costs, access to credit, consumer confidence and other macroeconomic factors may pose risks and materially and adversely affect demand for our products. In addition, natural and man-made disasters and other force majeure events which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people there. For instance, typhoons, sandstorms, snowstorms, fires and droughts, as well as the outbreak of a widespread health epidemic such as COVID-19, SARS, Ebola or Zika could pose significant risks to the regions where we or our business partners conduct business operations, including the research and development, manufacturing and commercialization activities. The potential occurrence or recurrence of any of these events could result in a slowdown of global economy or cause substantial disruptions to our operations, which could materially and adversely affect our business, results of operations, financial condition and prospects. Additionally, acts of war and terrorism may also damage the facilities of our business partners, disrupt our sales channels and destroy our markets. The potential for war or terrorist attacks may also harm or cause uncertainty to our business in ways that we cannot predict.

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

We have been and intend to continue investing heavily in our R&D and such investments may not yield the results we expect, and we may fail to continue to research and develop or effectively respond to the evolving technology and market dynamics of the edge AI chips and solutions industry.

We have been investing, and expect to continue to invest, heavily in our R&D efforts. Our research and development expenses amounted to RMB124.7 million, RMB86.8 million and RMB93.5 million in 2023, 2024 and 2025, respectively. Our industry is subject to rapid technological changes and is quickly evolving in terms of technological innovation. We need to invest significant resources, including financial resources, in R&D to make technological advances in order to maintain the competitiveness of our products or expand our product offerings. As a result, we expect to continue to incur significant research and development expenses in the future.

However, we cannot guarantee that our efforts will achieve the outcomes as we anticipate. The outcomes of R&D activities are inherently uncertain. Even if we succeed in our R&D efforts and generate the results as we expect, we may still encounter practical difficulties in commercializing our products incorporating our research and development outcomes. New technologies could render our existing technologies and/or products or technologies and/or products we are developing obsolete or unattractive, thereby rendering us unable to recover research and development expenses, which could materially and adversely affect our business, results of operations and financial condition.

Our R&D efforts may not translate into contribution to our results of operations, if at all, and even when they do, such contributions may not meet our expectations, and we may never recover the costs of such efforts, which would materially and adversely affect our business, results of operations, financial condition and competitive position.

If we are unable to develop and introduce new products, our future business, results of operations, financial condition and competitive position would be materially and adversely affected.

Our business is R&D-driven. Continuous R&D enables our products to meet emerging requirements for safety, functionality, integration, power efficiency and cost effectiveness, as well as address ever-evolving demand and requirements from customers and downstream sectors. Our business, results of operations, financial condition and competitive position depend on our ability to develop and introduce new and enhanced products that incorporate the latest technological advancements. We may encounter unexpected technical and production challenges or delays in completing the development of new and enhanced products in a cost-efficient manner. Successful product development and upgrades not only require us to invest significant resources in research and development and also require that we: (1) design products with better functionality, cost savings or other benefits that differentiate from those of our competitors; (2) quickly and cost-effectively adjust to evolving customer demands, market conditions and industry trends; (3) rapidly and satisfactorily meet new industry and regulatory standards and requirements; and (4) continuously enhance our technology stack.

If we are unable to complete the development of new and enhanced products and/or technologies without delay or at all, we may not be able to satisfy our customers' demand or achieve broader market acceptance of our products, and our business, results of operations, financial condition and competitive position would be materially and adversely affected.

We may not be able to adequately protect our intellectual property rights, or the scope of such intellectual property rights protection may not be sufficiently broad.

Our ability to protect our proprietary technologies and our products by obtaining, maintaining and enforcing our intellectual property rights, including patent rights, is critical to our long-term competitiveness. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China. As of December 31, 2025, we had 166 granted patents, comprising 124 invention patents, 42 utility model patents and 150 patent applications which were pending approval. As of the same date, we had 38 software copyrights and 35 registered trademarks. See "Business—Intellectual Property Rights." The intellectual property application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable intellectual property applications at a reasonable cost or in a timely manner, if at all. In addition, we may however fail to identify patentable aspects of our R&D outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields.

Even if we have identified, filed and prosecuted our intellectual property applications, our applications may not be granted or our intellectual property may be invalidated for multiple reasons, including known or unknown prior deficiencies in the intellectual property application or the lack of novelty of the underlying technology. Moreover, the patent position of edge AI chip and solution providers like us may be uncertain because it involves complex legal and factual considerations. As such, we cannot assure you that we will be able to discern the scope of the intellectual property protection or obtain adequate intellectual property protection with respect to our products. Governmental patent agencies also require compliance with a number of procedural, documentary, fee payment, and other similar provisions during the patent application process and over the lifetime of the patent. Non-compliance events can result in abandonment or lapse of the relevant patent or patent application, leading to partial or complete loss of patent rights in the relevant jurisdiction.

Even if our intellectual property applications are approved, they may not be approved in a form that will provide us with meaningful protection from competition or with any competitive advantage. For instance, our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China and other jurisdictions. Further, although various extensions may be available, the life of a patent and the protection it affords is limited. If we fail to extend the life of our patents, we may face competition for any approved products even if we successfully obtain patent protection once the patent life has expired for the product.

Any of the foregoing could materially and adversely affect our business, results of operations, financial condition, competitive position and prospects.

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

The industries in which we operate are patent-intensive. Companies in these industries routinely seek patent protection for their product designs. Some of our competitors have large patent portfolios with broad rights and may claim that our expected commercial use of our products has infringed their patents. Specifically, these competitors could allege that certain features of our products fall within the coverage of their patents. They may initiate legal proceedings alleging that we are infringing, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of our products.

In addition, to accelerate our development cycles and enhance system stability, we plan to selectively acquire or license mature third-party IPs, such as computing modules and DSP cores. However, our use of these third-party IPs exposes us to various risks, including potential licensing restrictions, renewal risks and infringement claims. Specifically, our use of such third-party IPs is subject to the terms of the relevant license agreements, and any inadvertent breach of licensing restrictions could result in the termination of our rights to use these IPs. We also face renewal risks; there is no guarantee that we will be able to maintain or renew these IP licensing agreements upon their expiration on commercially reasonable terms, or at all, which could significantly disrupt our product development and operations. Furthermore, despite our efforts to carefully select reliable third-party IPs, we cannot assure you that the licensors possess all requisite rights to license such IPs to us, or that the licensed IPs themselves do not infringe upon the intellectual property rights of others. If third parties assert infringement claims against us based on our use of such acquired or licensed IPs, we could be subject to costly litigations.

Whether a product (including those incorporating third-party IPs) infringes a patent involves an analysis of complex legal and factual issues and the conclusion of such analysis is often uncertain. Although we intend to identify and avoid intellectual property infringement activities, (1) we may hire employees who have previously worked for our competitors and cannot assure that such employees will not use their previous employers' proprietary know-how, technology and other proprietary information in their work for us, which could result in litigation against us; (2) in the case where our employees are obligated to assign any inventions created during their work to us under assignment agreement, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing; and (3) our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claimed rights that have not been revealed through our searches of relevant public records. Therefore, our efforts to identify and avoid infringing on third parties' intellectual property rights may not always be successful. Any claims of patent or other intellectual property infringement, regardless of their merit, could be expensive and time-consuming. These claims and the relevant proceedings could diverge management attention and result in substantial financial costs. If our competitors or employees succeed in raising their claims, we may be required to suspend our sales efforts of the relevant products in controversy, redesign, re-engineer or rebrand such products, pay substantial damages to third parties, or enter into royalty or licensing agreements which may not be available on terms favorable to us.

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

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

RISKS RELATING TO OUR FINANCIAL CONDITION AND NEED FOR ADDITIONAL CAPITAL

We have incurred net losses and negative operating cash flow and we may not be able to achieve or maintain profitability in a short time.

Since our inception, we have incurred net losses. In 2023, 2024 and 2025, we had losses for the year of RMB153.4 million, RMB80.8 million and RMB94.5 million, respectively. We may continue to incur net losses in the short term, as we are in the stage of expanding our business and operations in the rapidly growing edge AI chips and solutions market and are continuously investing in research and development. We may not be able to achieve or subsequently maintain profitability in the near future. We believe that our future revenue growth will depend on, among other factors, our ability to develop new technologies, enhance customer experience, establish effective commercialization strategies, effectively and successfully compete, and develop new products. Accordingly, you should not rely on the revenues of any prior period as an indication of our future performance. Our costs and expenses may continue to increase in future periods, as we continue to expand our business and operations and invest in research and development activities. In addition, we expect to incur substantial costs and expenses as a result of being a public company. If we are unable to generate adequate revenues and manage our expenses, we may continue to incur significant losses and may not be able to achieve or subsequently maintain profitability.

We recorded net cash used in operating activities of RMB121.8 million, RMB74.9 million and RMB149.4 million in 2023, 2024 and 2025, respectively. See "Financial Information—Liquidity and

Capital Resources—Cash Flows." We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. If we continue to record net operating cash outflows in the future, our working capital may be constrained, which may adversely affect our financial condition. Our future liquidity primarily depends on our ability to maintain adequate cash inflows from our operating activities and adequate external financing such as offering and issuing securities, and/or other sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we fail to obtain sufficient funding in a timely manner and on reasonable terms, or at all, we will be in default of our payment obligations and may not be able to expand our business. As a result, our business, results of operations and financial condition may be adversely affected.

We may need additional capital for business growth, product development, research and development and marketing efforts. If we are unable to raise capital in a timely manner or on acceptable terms, or at all, we could incur losses and be forced to delay, reduce or eliminate such efforts.

We require additional capital from time to time to execute our R&D and procurement plans, broaden and enhance our offerings, grow our business, better serve our customers, and improve our operations. In particular, companies operating under fabless model in the semiconductor sector typically have a relatively long and uncertain design and development cycle before mass production and commercialization, which makes the availability of upfront financing critical. Accordingly, we may need to sell additional equity or debt securities or obtain a credit facility. Future issuances of equity or equity-linked securities could significantly dilute our existing Shareholders. The incurrence of debt financing would result in increased debt service obligations. It could also result in operating and financing covenants that would restrict our operation or our ability to pay dividends to our Shareholders.

Our ability to obtain additional capital is subject to a variety of uncertainties, including our market position and competitiveness, our potential for profitability, overall financial condition and results of operations, the general market condition for capital-raising activities by companies in our industry, and the economic, political and other conditions in China and globally. We may be unable to obtain additional capital in a timely manner or on favorable terms, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it, our ability to continue to support our business growth could be significantly impaired, and our business and prospects could be adversely affected.

We are subject to credit risks related to our customers, and any significant default or delay in settlement of our trade receivables may affect our business, prospects, results of operations and financial conditions.

We are exposed to credit risk relating to potential delays in payment and defaults of our customers. We had a growing balance of our trade receivables during the Track Record Period, in part due to our increased business scale. As of December 31, 2023, 2024 and 2025, our trade and bill receivables (net of loss allowance) amounted to RMB5.8 million, RMB5.7 million and RMB12.2 million, respectively, with an allowance for impairment of trade and bill receivables amounting to RMB1.1 million, RMB3.1 million and RMB1.1 million as of the same dates, respectively. Our trade receivable turnover days were 28, 12 and 11 days in 2023, 2024 and 2025, respectively. We may not be able to collect all such trade receivables due to a variety of factors that are beyond our control, such as long payment cycles of certain customers. If the relationship between us and any of our customers is terminated or deteriorated, or if any of our customers experience financial difficulties in settling the trade receivables, our corresponding trade receivables recoverability will be adversely affected. The increase in the amount of provisions made on our trade receivables will be recorded as expenses on our results of operations. As such, if we are unable to manage the credit risk associated with our trade receivables effectively, our results of operations may be materially and adversely affected. Furthermore, substantial defaults or delays by our customers could materially and adversely affect our cash flow and working capital conditions, and we may have to terminate our relationships with such customers.

We are subject to risk related to the prolonged cash conversion cycle.

In 2023, 2024 and 2025, our inventory turnover days were 119, 105 and 130 days, respectively. See "Financial Information—Discussion of Major Items In the Consolidated Statements of Financial Position—Inventories." Besides, our trade receivables turnover days were 28 days in 2023, 12 days in 2024 and 11 days in 2025. See "Financial Information—Discussion of Major Items In the Consolidated

Statements of Financial Position—Trade and Bill Receivables." The relatively long inventory turnover days and trade receivable turnover days may lead to delays in converting our revenue into cash. While we continue to enhance our working capital management, future performance may be influenced by factors such as customer payment patterns, supply chain dynamics, and broader macroeconomic conditions. A longer cash conversion cycle may increase our reliance on working capital or external financing to support operations and growth. If we are unable to manage our inventory and receivables efficiently or to secure adequate financing on acceptable terms, our liquidity position, results of operations and financial condition could be materially and adversely affected.

We have granted and may continue to grant share options and other types of awards, which could result in share-based compensation costs that may affect our financial performance, and potentially dilute existing Shareholders' ownership.

We recorded share-based payments expenses of RMB24.2 million, RMB12.1 million and RMB31.3 million in 2023, 2024 and 2025, respectively, in connection with employee share incentive grants. We believe such share-based awards are important to our ability to attract, retain and motivate our key individuals, and we may continue to grant share-based awards in the future. As a result, our share-based payment expenses may increase, which may further increase our share-based payments expenses, adversely affect our financial performance, and dilute existing Shareholders' stake.

Changes in the fair value of our financial assets may materially and adversely affect our results of operations, financial condition and prospects.

Our financial assets at fair value through profit or loss ("FVPL") consisted of (1) wealth management products, and (2) structured deposits. Our financial assets at FVPL were RMB126.6 million, RMB163.8 million and RMB10.0 million as of as of December 31, 2023, 2024 and 2025. Financial assets at FVPL are stated at fair value, and net changes in their fair value are recorded as other income and gains, net, and therefore directly affect our results of operations. We recorded gains of RMB0.6 million, RMB0.4 million and nil in 2023, 2024 and 2025, respectively arising from changes in fair value.

Asset valuations in future periods, reflecting then prevailing market conditions, may result in negative changes in the fair values of these financial investments, which could have a negative impact on our results of operations. We cannot assure you that market conditions and regulatory environment will create fair value gains and we will not incur any fair value losses on our financial assets at FVPL in the future. In addition, the value we ultimately realize from the disposal of these investments may be lower than their current fair value. Any of these factors could require us to record negative fair value adjustments, which may have a material and adverse effect on our results of operations, financial condition or prospects.

We cannot assure you that we can always obtain necessary or reliable data to apply relevant financial valuation models for determination of fair values, due to factors beyond our control such as loss of data or insufficient market information. In such circumstances, we need to make assumptions, judgments and estimates in order to establish the fair value. Since assumptions are subjective in nature and inherently uncertain, the actual results may differ from our estimates. Any consequential impairments or write-downs in future periods could have a material and adverse effect on our results of operations, financial condition and prospects.

Discontinuation of preferential tax treatment available to us in China could adversely affect our results of operations and financial condition.

We are subject to preferential income tax treatments during the Track Record Period. See "Financial Information—Results of Operations—Income Tax Expense."

If we cease to be entitled to such preferential tax treatment or if the relevant PRC laws and regulations change, our income tax expenses may increase, which could adversely affect our business, results of operations, financial condition and prospects. In addition, we may not be able to successfully or timely obtain the preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations and financial condition.

We historically received government grants and we may not receive such grants or subsidies in the future.

During the Track Record Period, we also received government grants, some of which are non-recurring in nature or are subject to periodic review. In 2023, 2024 and 2025, the government grants we recognized as other net income amounted to RMB8.1 million, RMB8.4 million and RMB11.1 million, respectively.

If we cease to be entitled to such government grants or if the relevant PRC laws and regulations change, it could adversely affect our business, results of operations, financial condition and prospects. As these government grants are provided typically on a one-off basis, there is no guarantee that we will continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants that may become available to us in the future, and such failure could adversely affect our business, results of operations and financial condition.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTIONS WHERE WE OPERATE

Changes in the economic, political or social conditions, laws, regulations or government policies in PRC could have a material adverse effect on our business and operations.

During the Track Record Period, substantially all of our revenue was derived from our businesses in China. Accordingly, our business, results of operations, financial condition and prospects are, to a material extent, subject to economic, political and legal developments in China. In particular, factors such as corporate and government spending, business investment, level of economic development, and resource allocation could affect the growth of our business.

The PRC economy has experienced significant growth over the past decades since the implementation of China's reform and opening-up policy. In recent years, the PRC government has implemented measures emphasizing the utilization of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. If the business environment in China changes, our business in China may also be affected.

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

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the July 6 Opinion, which calls for, among others, enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and five supporting guidelines (together, "Overseas Listing Trial Measures"), which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, further follow-up offerings after overseas listings also require a filing within three business days after the completion of the offering, and the listed companies will need to report to the CSRC upon the occurrence and public disclosure of certain significant matters such as a change in control, penalty received from overseas securities regulators or relevant PRC regulators, a switch of listing status and a termination of listing. See "Regulatory Overview—Laws and Regulations on Overseas Securities Issuance and Listing of Domestic Companies" for details.

If the filing procedure with the CSRC under the Overseas Listing Trial Measures is required for any future offerings, listing or any other capital raising activities, it is uncertain whether we could complete the filing procedure in relation to any further capital raising activities in a timely manner, or at all.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection, and the National Archives Administration of China published the revised Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic

Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the "Archives Rules"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic companies, either in direct or indirect form, such domestic companies, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

The CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures in addition to those prescribed under the Overseas Listing Trial Measures for the Global Offering or future capital raising activities, and we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Such procedures for obtaining the waiver remain unclear. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and trading price of the H Shares.

Governmental supervision of currency conversion, and restrictions on the remittance of Renminbi into and out of China, may limit our ability to pay dividends and other obligations, and adversely affect the value of your [REDACTED].

The PRC government imposes supervision on the convertibility of Renminbi into foreign currencies. Substantially all of our transactions are denominated in Renminbi. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers, if any. Shortages in the availability of foreign currency may restrict our ability to remit sufficient foreign currency, or otherwise satisfy our foreign currency denominated obligations. 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 direct investments, repayment of loans denominated in foreign currencies, repatriation of investments and investments in securities outside of China. Failure to obtain approval from or complete registration with competent government authorities related to overseas direct investments may result in cessation of the implementation of relevant projects, restrictions on the remittance of Renminbi into or out of China, or even legal of administrative liabilities. If the foreign exchange regulatory policies prevent 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.

The PRC government policy on foreign investment in the PRC may adversely affect our business and results of operations.

The investment activities of foreign investors in the PRC are subject to certain regulations regarding the industry participated and imposed to additional verification procedures by certain authorities. The Special Management Measures (Negative List) for the Access of Foreign Investment (2024 Revision) (外商投資准入特別管理措施(負面清單)(2024年版)) (the "Negative List") issued by the NDRC and MOFCOM on September 6, 2024, effective on November 1, 2024, which sets out in a unified manner the restrictive measures for the access of foreign investments such as the requirements for equity and senior management, and the industries that are prohibited for foreign investment. The Negative List covers 11 industries, and any field not covered by the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment. As of the Latest Practicable Date, our main business in China had not fallen within the Negative List. However, certain industries are specifically prohibited for foreign investment, which may restrict us from entering into these industries afterwards. Also, as the

Negative List could be updated in the future, we cannot assure you that the PRC government will not change its policies in a manner that would render part of our business in China within the Negative List. If we cannot obtain approval from relevant approval authorities to engage in a business in China that becomes prohibited or restricted for foreign investors, we may be forced to sell or restructure our business which has become restricted or prohibited for foreign investment. If we are forced to adjust our corporate structure or business line as a result of changes in government policy on foreign investment, our business, results of operations and financial condition may be adversely affected.

Failure to comply with rapidly evolving governmental regulations and other legal obligations concerning data protection and cybersecurity may materially and adversely affect our business, as we routinely collect, store and use data during the conduct of our business.

We are subject to various regulatory requirements relating to cybersecurity and data privacy in the PRC, including the PRC Data Security Law (中華人民共和國數據安全法) and the Cybersecurity Law of PRC (中華人民共和國網絡安全法). We are required to ensure that our data processing activities are carried out in a lawful, legitimate, specific and clear manner. In the course of conducting our business, the data we collect mainly pertains to employee information, customer and supplier contact information and other data necessary for operation and management. Due to our business nature, we generally do not engage in collecting personal information through public channels such as operational websites, apps, or mini-programs on internet platforms. However, we may still incur expenses to comply with laws and regulations relating to data privacy, data security and consumer protection, as well as relevant industry standards and contractual obligations.

Regulatory requirements on cybersecurity and data privacy are constantly evolving and can be subject to varying interpretations or significant changes, resulting in uncertainties about the scope of our responsibilities in that regard. We may also be subject to additional or new laws and regulations regarding the protection of personal information and important data or privacy related matters in connection with our methods for data collection, analysis, storage and use. If we are unable to comply with the applicable laws and regulations or effectively address data privacy and protection concerns, such actual or alleged failure could damage our reputation, discourage customers from purchasing our products and subject us to significant legal liabilities.

As of the Latest Practicable Date, we are not applicable to the declaration of cybersecurity review, on the basis that: (1) we had not been notified of being classified as a critical information infrastructure operator. (2) We have not received any material queries or notifications from any PRC governmental authorities, have not received any notification with regard to cybersecurity review, and have not been subject to any material administrative penalties or other sanctions by any competent regulatory authorities in relation to cybersecurity, data and personal information protection. (3) Our business does not involve the cross-border transfer of personal information and important data. (4) During the Track Record Period and up to the Latest Practicable Date, there had not been a significant cybersecurity or data protection incident regarding theft, leakage, damage or loss of data or personal information. (5) Based on the consultation with the China Cybersecurity Review, Certification and Market Regulation Big Data Center ("CCRC"), Hong Kong is not included in the definition of "abroad" hereof and listing in Hong Kong is not in the scope of "listing abroad" (國外上市), which is not explicitly required to apply for a cybersecurity review.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. We cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our reputation, business, results of operations and financial condition. Furthermore, the PRC government from time to time adjusts or changes its tax laws and regulations. Further adjustments or changes to PRC tax laws and regulations, together with any uncertainty resulting therefrom, could also have an adverse effect on our business, results of operations and financial condition.

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.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income 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) (the "IIT Law") and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax issued by the MOF and SAT (財政部、國家稅務總局關於個人所得稅若干政策問題的通知) (Cai Shui Zi [1994] No. 020) on May 13, 1994, the income gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempted from individual income tax for the time being. In addition, under the IIT Law and its implementation regulations, non-PRC resident individual holders of H shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H shares. However, pursuant to Circular of Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) (Cai Shui Zi [1998] No. 61) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, the income of individuals from the transfer of the shares of listed enterprises continues to be exempted from individual income tax.

As of the Latest Practicable Date, no aforesaid provisions had expressly provided that individual income tax shall be levied non-PRC resident individual holders on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges, and to our knowledge, no such individual income tax was levied by PRC tax authorities in practice. However, the PRC tax authorities may change these practices, which could result in levying income tax on non-PRC resident individual holders on gains from the sale of H shares.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those have establishments or premises in China but whose income is not related to such establishments or premises, under the EIT Law 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 subject to PRC enterprise income tax at a rate of 10%. In accordance with the Circular on Issues Relating to 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) (Guo Shui Han [2008] No. 897) issued by SAT on November 6, 2008, the withholding tax rate for dividends payable to non-PRC resident enterprise holders of H Shares will be 10% and we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including [**REDACTED**] Nominees). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the PRC tax authorities' approval. For details, see "Regulatory Overview—Laws and Regulations on Taxation."

Despite the arrangements mentioned above, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the competent tax authorities and the PRC tax laws and regulations may also change, which may adversely affect the value of your [**REDACTED**] in our H Shares.

You may have limited resources in effecting service of legal process or enforcing foreign judgments against us, and our Directors and management.

We are a company incorporated under the PRC laws, and the vast majority of our assets and subsidiaries are currently located in China. Substantially all of our Directors and senior management reside within China. The assets of these Directors and senior management also may be located within China. As a result, it may be difficult or impossible for you to effect service of process upon us or these individuals, or to bring an action against us or against these individuals in the event that you believe your rights have been infringed under the applicable securities laws or otherwise.

On January 14, 2019, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region signed 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 on January 29, 2024. The 2019 Arrangement seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Chinese mainland and Hong Kong, based on criteria other than a written bilateral choice of court agreement. Under the 2019 Arrangement, any party concerned may apply to the relevant PRC or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases, subject to the conditions set forth in the 2019 Arrangement. However, we cannot assure you that all final judgments will be recognized and effectively enforced by the relevant Chinese mainland and Hong Kong court.

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

Under PRC laws, dividends may be paid only out of distributable profits. Distributable profits are defined as our profits after taxes as determined under applicable accounting standards less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. As a result, we may not have sufficient, if any, distributable profits to enable our Company to make dividend distributions to its shareholders in the future, including periods for which our Company's financial statements indicate that our operations have been profitable. Any distributable profits not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under the IFRS in certain respects, our Company may not have distributable profits as determined under PRC GAAP, even if it has profits for that year as determined under the IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our PRC subsidiaries. Restrictions on dividend payment could have a negative impact on our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

RISKS RELATING TO THE [REDACTED]

An active [REDACTED] market for our H Shares may not develop or be sustained.

Prior to the completion of the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. We cannot assure you that an active [**REDACTED**] market for our H Shares with adequate liquidity will develop or be sustained following the completion of the [**REDACTED**]. The initial [**REDACTED**] is the result of negotiations between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), which may not be indicative of the price at which our H Shares will be [**REDACTED**] following the completion of the [**REDACTED**]. The [**REDACTED**] of our H Shares may drop below the initial [**REDACTED**] at any time following the [**REDACTED**].

We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares (including any H Shares which may be [**REDACTED**] pursuant to the exercise of the [**REDACTED**]). A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] market for the H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will not decline following the [**REDACTED**]. If an active public market for our H Shares does not develop following the completion of the [**REDACTED**], the [**REDACTED**] and liquidity of our H Shares could be materially and adversely affected.

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could lead to substantial losses to [REDACTED].

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

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the [REDACTED] of our H Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future [**REDACTED**], could also materially and adversely affect our ability to raise [**REDACTED**] at a specific time and on terms favorable to us. 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.

While [**REDACTED**] shares in the [**REDACTED**] are not subject to any restrictions on the disposal of the H Shares they [**REDACTED**] (except as disclosed in "[**REDACTED**]"), they may have existing arrangements or agreements to dispose part or all of the H Shares they hold immediately or within certain period upon completion of the [**REDACTED**] for legal and regulatory, business and market, or other reasons. Such disposal may occur within a short period or any time or period after the [**REDACTED**].

Any sale of the H Shares [**REDACTED**] by such [**REDACTED**] pursuant to such arrangement or agreement could adversely affect the [**REDACTED**] of our H Shares and any sizeable sale could have a material and adverse effect on the [**REDACTED**] of our H Shares and could cause substantial volatility in the [**REDACTED**] volume of our H Shares.

Any possible conversion of Unlisted Shares into H Shares could increase the supply of H Shares in the market, which may negatively impact the [REDACTED] of H Shares.

According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, our Unlisted Shares may be converted into H Shares and such converted H Shares may be [**REDACTED**] or [**REDACTED**] on an overseas stock exchange, provided that prior to the [**REDACTED**] and [**REDACTED**] of such converted shares, the requisite internal approval processes have been duly completed, the filing with the CSRC and the requisite regulatory approvals have been completed, and the requirements and procedures prescribed by the related regulations and guidelines have been satisfied. In addition, such conversion, [**REDACTED**] and [**REDACTED**] must comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange. We can apply for the [**REDACTED**] of all or any portion of our Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the [**REDACTED**]. This could increase the supply of H Shares in the market, and future sales, or perceived sales, of the converted H Shares may adversely affect the [**REDACTED**] of H Shares.

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

The [**REDACTED**] of the [**REDACTED**] is higher than the net tangible asset value per Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. We cannot assure you that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to Shareholders after the creditors' claims. To expand our business, we may consider [**REDACTED**] and [**REDACTED**] additional Shares in the future. Purchasers of the [**REDACTED**] may experience dilution in the net tangible asset value per Share of their Shares if we [**REDACTED**] additional Shares in the future at a [**REDACTED**] which is lower than the net tangible asset value per Share at that time.

Certain facts, forecasts and statistics contained in this document are derived from various official sources and may not be accurate, reliable, complete or up to date.

We have derived certain information and statistics in this document, particularly the section headed "Industry Overview," from the F&S Report, which was commissioned by us, and from various official government publications and other publicly available publications provided by the PRC government, industry associations, independent research institutes and other third-party sources. The information from official government sources has not been independently verified by us, the Sole Sponsor, [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], any of their respective directors and advisors, or any other persons or parties involved in the [**REDACTED**], and, therefore, we cannot assure you as to the accuracy and reliability of such information and statistics, which may not be consistent with other information compiled inside or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. 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 you should attach to or place on such information or statistics.

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

The [**REDACTED**] market for our H Shares will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade our H Shares, the [**REDACTED**] for our H Shares would likely decline.

If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the [**REDACTED**] of or [**REDACTED**] volume for our H Shares to decline.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your [REDACTED].

During the Track Record Period, substantially all of our revenue and expenditures were denominated in Renminbi, and substantially all of our financial assets were also denominated in Renminbi. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our H Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including [**REDACTED**] from the [**REDACTED**], as Renminbi is the functional currency of our subsidiaries inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our H Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

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