RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business is affected by conditions in the vehicle smart imaging device industry, in particular, any adverse development of the supply-demand dynamics may materially and adversely affect the price and market demand of our products.

Vehicle smart imaging devices serve as critical components for enhancing driving safety and enriching travel experiences. These products deliver functions such as enhancing driving safety, capturing travel moments, and integrating with smart connectivity. Our business is influenced by the prevailing market conditions of the vehicle smart imaging device industry and the overall automotive industry.

These market conditions are substantially shaped by supply-demand dynamics, which are subject to factors beyond our control, including industry competition, technological advancements, and changes in government policies. If the supply of vehicle smart imaging devices exceeds market demand, the sales volume and average selling price of our products could be materially and adversely affected.

In addition, many factors may affect the demand for our products, including: (i) the cost-effectiveness, performance, and reliability of our products and related services; (ii) the availability and cost of capital for end users, which tends to decrease when economic growth slows; (iii) the success of technological development in competing fields; (iv) fluctuations in economic and market conditions that affect consumer purchasing power; and (v) the availability of favorable regulations for data security, privacy protection, and product certification in the vehicle smart imaging device industry, the overall automotive industry, and the broader smart mobility ecosystem.

If vehicle smart imaging devices fail to achieve widespread adoption, or if sufficient demand for our products does not develop or takes longer to develop than we anticipate, our revenues may suffer, our business operations and results of operations may be materially and adversely affected, and we may be unable to sustain our profitability.

Our business is affected by changes in user requirements and preferences, and industry demands.

User requirements and preferences regarding vehicle smart imaging devices are constantly evolving in response to market trend shifts, technological advancements, and changing user needs. Users are increasingly transitioning from enhancing driving safety towards capturing travel moments and integrating with smart connectivity that encompasses content creation, intelligent assistance, and cross-device connectivity.

Considering these changing and diversified user requirements, our future growth depends on our ability to adapt to market trends and introduce new products in a timely manner which align with users' expectations. We cannot assure you that our existing product portfolio will continue to be widely accepted by customers, or that we will be able to anticipate or respond to shifts in customer preferences.

We cannot assure you that our new products will be well-received and recognized by the market, or that they will generate acceptable profits. If we are unable to effectively respond to market trends, adjust our product strategy, and successfully develop innovative offerings that address changing demand, our business, financial condition, operating results, and competitive position could be materially and adversely affected.

The vehicle smart imaging device industry is highly competitive and evolving quickly. If we are unable to compete effectively, our results of operations and financial condition could be materially and adversely affected.

The vehicle smart imaging device industry in which we operate is highly competitive and includes a number of companies with widely varying levels of engineering expertise and sophistication, some of which have achieved substantial market shares. General competition in our industry is characterized by price competition and rapid technological changes.

Certain competitors may possess longer operating histories, stronger brand recognition, broader customer bases, and greater financial and operational resources. Consequently, they may benefit from economies of scale and more favorable procurement terms, granting them potential cost advantages. Furthermore, these competitors may be able to allocate greater resources to R&D, enabling them to respond more rapidly to emerging technologies and evolving customer preferences. If we fail to maintain our competitive position, adapt to changing market conditions, or compete effectively against existing and new industry players, our business, financial condition, and results of operations could be materially and adversely affected.

Maintaining the trusted brand image of our DDPAI products is critical to our success, and any failure to do so could severely damage our reputation and brand, which would have a material adverse effect on our business, financial condition and results of operations.

We have established a strong brand name and reputation for our products in Chinese mainland and globally. Any loss of trust in our products could harm the value of our brand, which could materially reduce our revenue and profitability. Our ability to maintain our position as a trusted brand for vehicle smart imaging devices is based in large part upon: (i) the quality, design and accessible pricing that we offer; (ii) user satisfaction with our products; and (iii) increasing brand awareness through marketing and brand promotion activities.

Any public perception that our products are defective or otherwise unsatisfactory, even if factually incorrect or based on isolated incidents, could damage our reputation, diminish the value of our brand, undermine the trust and credibility we have established and could have a negative impact on our ability to attract new users or retain our current users. If we are unable to maintain our reputation, enhance our brand recognition or increase positive awareness of our products and services, it may be difficult to maintain and grow our user base, and our business and growth prospects may be materially and adversely affected.

If we fail to successfully manage frequent product introductions and transitions, we may not remain competitive or be able to stimulate customer demand.

Due to the highly volatile and competitive nature of the industry in which we compete, we must continually introduce new products and technologies, improve existing products and services, effectively stimulate customer demand for new and upgraded products and successfully manage the transition to these new and upgraded products. The success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development in areas such as AI-driven enhancement, AIoT and visual algorithms, market acceptance, our ability to manage the risks associated with new product production ramp-up issues, the availability of application software for new products, the effective management of purchase commitments and inventory levels in line with anticipated product demand, the availability of products in appropriate quantities and at expected costs to meet anticipated demand and the risk that new products may have quality or other defects or deficiencies in the early stages of introduction.

Accordingly, we cannot determine in advance the ultimate effect of new product introductions and updates. In addition, rapid technological development and advancements may render vehicle smart imaging devices in the common forms and with the common functionalities that are generally available to consumers today outdated or obsolete, and emerging products and services may substitute vehicle smart imaging devices as consumers generally know them today. In such an event, we cannot assure you that we will be able to develop and introduce new forms of products and technologies to the markets in a timely manner, or at all, that would allow us to maintain or strengthen our leadership position in our industry. Failure to do so, or to generally stay abreast of the latest technological evolutions, could materially and adversely impact our business operations, prospects and financial performance.

We manufacture a significant portion of our products in-house, and any failure to maintain or improve our production yield rates could adversely affect our profitability.

Our financial performance and gross profit margins depend significantly on maintaining high production yield rates at our facilities. However, the manufacturing of smart imaging devices involves highly complex procedures. Factors such as undetected defects in core components, suboptimal equipment calibration, or manufacturing environmental variations may decrease our yield rates. Furthermore, as we continuously roll out new product lines or next-generation AI devices, we may experience lower yield rates during initial production ramp-up periods. We cannot assure you that we will maintain or improve our production yield rates. Any significant decrease could materially and adversely affect our business, financial condition, and results of operations.

If we fail to grow or retain our user base, or if user engagement ceases to grow or declines, our business and operating results may be materially and adversely affected.

The size of our user base is critical to our success. Our business has been depending and will continue to depend significantly on our users and their loyalty and level of engagement with our products. If users no longer view our products as useful and attractive as competing offerings, we may not be able to increase or maintain our user base and the level of user engagement. A number of factors could negatively affect user growth, retention and engagement, including but not limited to the following: (i) we may be unable to identify and meet evolving user demands; (ii) we may not be able to timely develop and introduce new or updated products, or the new or updated products we introduce may not be favorably received by users; (iii) we may fail to update existing technology or develop new technology in time to stay ahead or abreast of market advances; (iv) we may not be able to continue to successfully drive organic growth of users through word-of-mouth referrals, which may cause the growth of our user base to slow down or stall or require us to increase our promotion and advertising spending or devote more additional resources to acquire users; (v) we may be unable to prevent or combat inappropriate use of our products, which may lead to negative public perception of us and damage our brand or reputation; (vi) we may encounter technical or other problems that prevent our products from operating in a smooth and reliable manner or otherwise adversely affect user experience; (vii) our competitors may launch or develop similar or disruptive products with better user experience, which may result in loss of existing users or decline in new user growth; (viii) we may fail to address user concerns related to privacy and communication, data safety, security or other factors, particularly regarding location data and driving behavior video clips; and (ix) we may be compelled to modify our products to address requirements imposed by legislation, regulations, government policies or requests from government authorities in manners that may compromise user experience.

Our historical financial and operating results during the Track Record Period may not be indicative of our future growth and performance.

During the Track Record Period, we achieved steady revenue, reaching RMB394.5 million, RMB352.4 million, and RMB475.6 million for the years ended December 31, 2023, 2024, and 2025, respectively. Our net profit also grew and was RMB18.6 million, RMB23.0 million, and RMB36.6 million for the years ended December 31, 2023, 2024, and 2025, respectively.

However, we cannot assure you that our revenue will continue to grow at the same rate, or that we will maintain net profit comparable to that recorded during the Track Record Period. Our historical financial performance reflects our operational results under specific market conditions, competitive dynamics, and industry trends, and does not necessarily indicate or guarantee our future financial performance. Future growth depends on multiple factors, many of which are beyond our control, including changes in global and regional regulatory environments, fluctuations in global and local economies affecting consumer purchasing power, shifts in industry competition including price wars, adjustments to our product portfolio and pricing strategies, volatility in the costs of raw materials and labor, and changes in exchange rates affecting overseas sales.

Additionally, our gross profit margins may fluctuate due to pricing agreements, technical complexity in manufacturing, and urgent delivery requirements that may increase production costs. If we fail to secure new business opportunities, effectively control operating costs, or maintain profit margins, our financial condition may be materially and adversely affected.

We rely on distributors to expand our sales channels, and misconduct, default or failure to maintain our distributor network may materially and adversely affect our business, financial condition and results of operations.

We engage distributors to accelerate market penetration, particularly in overseas markets. During the Track Record Period, our distributor partnerships contributed a significant portion of our revenue. As of December 31, 2023, 2024, and 2025, we had 141, 180, and 189 distributors, respectively, and for the years ended December 31, 2023, 2024 and 2025, our sales to distributors amounted to RMB199.8 million, RMB195.5 million, and RMB266.0 million, respectively, representing 50.7%, 55.6%, and 55.9% of our revenue for the same periods.

While we enter into distributorship agreements to regulate conduct, we cannot exercise absolute control over their activities. Misconduct or non-compliance by distributors, such as unauthorized misrepresentation to end customers, infringement of third-party intellectual property, bribery or other unlawful payments, or failure to obtain required licenses, may expose us to complaints, reputational harm, and potential liability. Distributors may also default under agreements by selling competing products, failing to devote sufficient efforts to promote our devices, or engaging in unauthorized sales outside designated territories, which could disrupt our sales channels and market strategies.

We also face challenges in maintaining and expanding our distributor network. Competitive pressures, reduced margins, or more attractive incentives offered by rivals may cause distributors to terminate agreements or prioritize competing products. Replacing underperforming or breaching distributors can be costly and time-consuming, and there is no assurance that suitable replacements can be engaged promptly. Defaults, misconduct, or bankruptcy of distributors may result in financial losses, litigation, diversion of management attention, and adverse impacts on our business and results of operations.

Technological changes in the vehicle smart imaging device industry could render our products and our production facilities uncompetitive or obsolete, which cannot be accurately predicted nor fully mitigated.

The vehicle smart imaging device industry is characterized by rapid technological advancements and evolving standards. If we fail to timely identify and adopt the latest technologies, keep pace with market innovations, or effectively launch and refine our products, our offerings may become obsolete or uncompetitive against rivals with superior performance or lower production costs. This could result in a substantial loss of market share and materially and adversely affect our business, financial condition, and results of operations.

We may fail to derive benefits from our investments in R&D, keep pace with and respond to trends, technological changes and evolving industry standards in an efficient and timely manner.

Our prospects for growth and reputation depend largely on our R&D capabilities and production capacity. We have an R&D team, comprising technical development personnel covering main business segments. Our product development requires significant resources to enhance our R&D capabilities to lead in technological innovations and sustain our competitiveness. Our R&D expenses accounted for 8.0%, 7.6%, and 6.8% of our total revenue for the years ended December 31, 2023, 2024, and 2025, respectively, amounting to RMB31.6 million, RMB26.9 million, and RMB32.1 million. Key investments were focused on technology platforms, our product development, platform development and project management teams.

R&D activities inherently involve uncertainties. The direction of our R&D efforts may not always align with market needs, technological advancements, or industry trends. There can be no assurance that our endeavors in R&D will yield viable outcomes. Failures could arise from shifts in market demand, technological challenges, or unforeseen trends in technological development. As a result, our significant investments in R&D may not always yield expected returns or contribute proportionally to our business growth. In the event of underperformance in our R&D, our competitive standing could be compromised, resulting in material adverse effects on our business, results of operations, prospects and reputation.

We may not be able to implement our business strategies and plans successfully.

Our future business plans are subject to uncertainties and risks. These plans are based on assumptions of future events, which are inherently uncertain and may prove incorrect, affecting the commercial viability of our strategies. Even if our strategies are sound, delays or failures in execution, such as inability to expand into new markets, adapt to regulatory changes, or recruit skilled personnel, may materially and adversely affect our business, profitability, and financial condition.

We face various risks associated with our international operations, and our inability to effectively manage and contain them could adversely affect our business and performance.

We have been exploring business opportunities in overseas regions. For the years ended December 31, 2023, 2024, and 2025, we generated 21.8%, 37.5%, and 55.4% of our total revenue from overseas sales, respectively. 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.

Operating in multiple jurisdictions around the world and expanding into new markets may subject ourselves to the following risks: (i) challenges in providing products, services and customer support, in recruiting personnel in international markets and in managing sales channels effectively; (ii) challenges in commercializing our products and services in new markets with limited experience with the local market dynamics and no existing or developed sales and marketing infrastructure; (iii) differences in accounting treatment in different countries and jurisdictions, uncertainties in interpretation and application of tax laws and regulations, more onerous tax obligations and unfavorable tax conditions and foreign exchange losses; (iv) exposure to litigation or third-party claims, inability to effectively enforce contractual or legal rights and difficulty in obtaining or enforcing legal rights and judgments overseas; (v) instability or unavailability of international transportation or logistics services due to macroeconomics, geopolitical and other factors; (vi) changes in or failure to comply with laws, regulations and policies as well as political, economic and market instability, geopolitical risks or civil unrest in the relevant countries and jurisdictions; and (vii) unfavorable market conditions, intense competition, unattractive products and services, downward pressure on our selling price and any other inherent risks associated with our international business operations.

We are subject to transfer pricing policies across jurisdictions, which could result in additional tax liabilities and materially and adversely affect our business, financial condition and results of operations.

Under the laws and regulations in the PRC and Hong Kong, arrangements and transactions among entities within our Group may be subject to audit or challenge by the relevant tax authorities. See "Business – Transfer pricing analysis" for further details. We could face material and adverse tax consequences if the relevant tax authorities determine that the certain inter-company transactions of us do not represent arm's-length negotiations and consequently adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, increase our tax liabilities. If we fail to rectify such incident within the limited timeframe required by the relevant tax authorities, the relevant tax authorities may impose late payment interest or surcharge and other penalties on us for any unpaid taxes. In addition, a transfer pricing arrangement may give rise to tax recoverable in certain jurisdictions as a result of tax adjustments. There is no assurance that we could successfully recover the tax recoverable from the relevant tax authorities. Our business, financial condition and results of operation may therefore be materially and adversely affected.

We relied on third-party payment service providers for settlement of transactions, and any disruption, misconduct or regulatory non-compliance in such payment channels may materially and adversely affect our business, financial condition and results of operations.

We depended on third-party payment service providers to facilitate settlement of transactions with our direct customers, distributors and others, both in Chinese mainland and overseas. For the years ended December 31, 2023, 2024, and 2025, a substantial portion of our revenue was collected through such payment channels, amounting to RMB31.6 million, RMB40.8 million, and RMB36.8 million, representing 8.0%, 11.6%, and 7.7% of our revenue. While these arrangements enhance efficiency and support overseas sales, they also expose us to risks beyond our direct control.

Although we have completely ceased third-party payment arrangements and implemented rectification measures, we may still be exposed to potential risks and liabilities arising from such historical transactions. During the Track Record Period, certain of our customers settled their payments through third-party payment arrangements. Although we have proactively taken internal control and rectification measures to remediate this issue and have strictly terminated all third-party payment arrangements going forward, we may still be subject to residual risks associated with these historical transactions. Specifically, any past misconduct or non-compliance involved in these third-party payments, such as misappropriation, unauthorized withholding of funds, or violations of applicable laws and regulations could subject us to retrospective regulatory scrutiny, penalties, and reputational harm. Furthermore, if any disputes arise regarding these historical third-party remittances, or if counterparties claim for the return of funds, our financial position could be impacted. Any adverse regulatory actions or disputes related to our historical third-party payment arrangements could materially and adversely affect our business, financial condition, and results of operations.

We derive a substantial portion of our revenue from our five largest customers. Any changes of business relationship with these customers, or failure to secure new customers, may materially and adversely affect our business, financial conditions and results of operations.

For the years ended December 31, 2023, 2024, and 2025, revenue from our five largest customers for each year during the Track Record Period accounted for 38.3%, 34.9%, and 34.5% of our total revenue, respectively. Our largest customer contributed RMB54.2 million, RMB41.8 million, and RMB43.6 million in those years, representing 13.7%, 11.9%, and 9.2% of our total revenue, respectively.

Our reliance on a concentrated customer base exposes us to significant risks. If any of our major customers reduce or cancel orders, adjust procurement strategies, or encounter operational or financial difficulties, our revenue could decline materially. We cannot assure you that our major customers will not change their business scope, adjust their business models, suspend operations, or face compliance issues. If we are unable to acquire suitable new customers within a reasonable period and at a reasonable cost to offset the loss of any major customer, we may face challenges in utilizing production capacity. The loss of sales to any key customer could have a material adverse effect on our business, prospects, and results of operations.

An increase in prices of raw materials or any shortage in supply may disrupt our supply chain, increase our production costs and delay deliveries of our products to customers.

The principal raw materials used in the production of our products include SoC, CIS, lens, memory chips such as embedded multimedia card (the "**eMMC**") and double data rate (the "**DDR**"), printed circuit board (the "**PCB**") and other supporting electronic and structural components. During the Track Record Period, the costs of raw materials accounted for a significant portion of our total cost of sales. For the years ended December 31, 2023, 2024, and 2025, our raw material costs were RMB220.5 million, RMB192.2 million, and RMB262.8 million, respectively, representing 87.8%, 87.9%, and 89.4% of our cost of sales.

Our production costs are contingent upon our ability to procure principal raw materials at competitive prices. These inputs are subject to price volatility driven by commodity price fluctuations, supply and demand dynamics, logistics and processing costs, inflationary pressures, and governmental regulations. Any substantial increase in raw material prices or shortage of supply could adversely alter our cost structure and erode our gross profit margin.

We cannot fully mitigate the risks of raw material supply disruptions, nor can we guarantee our ability to identify all quality issues in purchased raw materials. Factors beyond our control, such as trade sanctions, export controls, natural disasters, public health emergencies, civil unrest, wars, or strikes, may disrupt supply and affect market prices. Any such disruption could materially reduce our production capacity utilization, delay deliveries to customers, and adversely impact our business, financial condition, and results of operations.

We may not continue to be successful in maintaining a cost-effective product manufacturing capability.

As of December 31, 2025, our annual production capacity of smart imaging mainframes was 1,675,000 units, serving our core product lines. To enhance competitiveness amid growing global demand, we intend to optimize and expand our production capacity. We do not plan to construct new production bases in the short to medium term, but we will focus on enhancing supply chain management, improving production engineering efficiency, and adopting flexible expansion modes.

However, developing and maintaining cost-effective manufacturing capabilities involves complex processes such as incoming quality control ("**IQC**"), SMT, camera module focusing, DIP, assembly, aging and testing, as well as packaging. We may face challenges in process improvement, capital expenditures for advanced equipment, and production investments to keep pace with technological advances. We cannot guarantee that we will realize the expected benefits of our capacity optimization or achieve adequate returns on these investments. Any delays in production line upgrades, lower-than-expected efficiency due to process adjustments, or ineffective control of production costs may materially and adversely affect our business and prospects.

Our manufacturing operations are subject to various risks. Any unanticipated or prolonged interruption of our production facilities, production machinery and equipment would materially and adversely affect our business, results of operations, financial results and prospects.

Our success and reputation depend on our ability to deliver quality products on time and in required quantities, which relies on the stable operation of our production facilities and equipment. Any operational disruption or machinery breakdown could directly impact production schedules and stock levels, hindering our ability to meet customer orders and affecting customer satisfaction.

Operational disruptions may arise from unexpected incidents or catastrophic events, including natural disasters, fires, technical failures, power shortages, explosions, labor strikes, epidemics, loss of licenses or permits, changes in government planning for the underlying land, or regulatory developments. Instability or shortages in electricity supply could also halt production activities, causing delays in fulfilling customer orders.

Identifying and securing alternative facilities or machinery in a timely and cost-effective manner may not always be feasible. Delays in resuming normal operations could affect the quality and schedule of product deliveries, damage our reputation, and impair customer relationships. Any prolonged suspension of operations or significant disruptions in our production processes could materially and adversely affect our business operations, financial condition, and results of operations.

We rely on our major suppliers for the supply of the principal raw materials used in the production of our products. Any changes of business relationship with these suppliers may adversely affect our business, results of operations, financial results and prospects.

The principal raw materials used in our production include SoC, CIS lens, memory chips, PCB and other supporting electronic and structural components. During the Track Record Period, we purchased a significant proportion of our raw materials from our five largest suppliers for each year during the Track Record Period, with purchases amounting to RMB53.5 million, RMB54.8 million, and RMB106.0 million for the years ended December 31, 2023, 2024 and 2025, respectively, accounting for 22.5%, 28.6%, and 33.0% of our total purchases.

Our reliance on a limited number of major suppliers exposes us to risks if these suppliers experience operational or financial difficulties, fail to meet quality standards, delay deliveries, or terminate supply arrangements. In addition, changes in relevant laws, regulations, or market dynamics may affect their ability to supply us with principal raw materials.

We cannot assure you that we will always be able to secure a steady and adequate supply of principal raw materials from our major suppliers. If we are unable to secure sufficient supply or quickly identify alternative suppliers with comparable quality and cost, our production and delivery capabilities may be hindered, our costs may increase, and our product quality may be affected. Any disruption in supply relationships could materially and adversely affect our business, financial performance, and results of operations.

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

During the Track Record Period, our inventories mainly consisted of raw materials, work in progress and finished goods. As of December 31, 2023, 2024 and 2025, we had inventories of RMB105.0 million, RMB85.0 million, and RMB120.5 million, respectively. Our average inventory turnover days were 172 days, 176 days and 140 days for the years ended December 31, 2023, 2024 and 2025, respectively.

If we are unsuccessful in efficiently managing appropriate levels of inventory, our business, financial condition and results of operation may be materially and adversely affected. We cannot assure you that our inventories will not be damaged or impaired, as our storage may encounter unforeseeable events. As such, failure to manage our inventories effectively may adversely affect our financial condition and results of operations.

With the aging of inventory balance, we may be required to write down inventories, which, if significant, may have a material and adverse impact on our financial condition and results of operations.

Our failure to maintain an effective quality control system may result in a material adverse effect on our business, reputation, financial condition and results of operations.

We have established a comprehensive quality management system covering R&D, supply chain management, and production processes, and obtained ISO9001 and IATF 16949 international quality management system certifications. As a result of the rigorous implementation of quality control policies and procedures, we did not experience any material product sales returns, product liability claims, or recalls during the Track Record Period up to the Latest Practicable Date.

Nevertheless, despite our systematic and standardized quality control approach, we cannot assure you that defects or unsatisfactory performance will not occur in the future. Defects may arise from technological difficulties, supply disruptions, substandard raw materials, or manual errors in manufacturing. Customers may return products or file warranty claims for quality issues. Increased product returns, recalls, or warranty obligations could lead to significant repair, replacement, and logistics costs.

In addition, product defects or perceived substandard quality, amplified by negative feedback on e-commerce platforms or social media, could damage our market reputation and reduce sales. As reliability is essential in providing vehicle smart imaging devices, any failure to consistently deliver high-quality products may materially and adversely affect our business, financial condition, and results of operations.

Our operations and production depend on a stable, timely and adequate supply of utilities and various services from third-party providers at commercially reasonable prices.

In addition to principal raw materials, we depend on the stable supply of utilities, including electricity, water, and network connectivity to maintain our production processes and overall operations. Our production volume, production efficiency, and cost control are directly dependent on our ability to source such utilities at acceptable prices and ensure an uninterrupted supply.

The prices of these utilities are subject to volatility driven by various factors beyond our control. These include inflation, disruptions to local infrastructure, supplier capacity constraints, general economic conditions, regional energy policy adjustments, demand from other manufacturing industries, and local or national regulatory requirements. There can be no assurance that shortages of utilities will not occur in the future, for example, power outages caused by extreme weather or grid maintenance, or that we will be able to pass on related cost increases to our customers through product price adjustments, especially amid intense market competition.

Significant fluctuations in utility costs may have a material impact on our profitability if we are unable to timely adjust product prices or optimize production processes to offset the increases. Such cost volatility may also erode our competitive advantages in terms of pricing and profit margins for affected products, particularly in price-sensitive markets or segments.

We are required to comply with economic sanctions and import and export controls laws and regulations that could subject us to liability and impair our ability to compete in overseas markets.

Our global business operations expose us to diverse economic sanctions and export control regulations across jurisdictions. We have exported our products to numerous countries and regions such as Asia (excluding Chinese mainland), America and Europe, and generated significant revenue from these overseas sales. If any of these export destinations impose economic sanctions, import restrictions, or tariff hikes targeting our products or vehicle smart imaging devices, our market access, sales volume, and profitability may be adversely affected.

We also rely on a global supply chain network to procure principal raw materials and production equipment, including SoC, CIS, lenses, memory chips and PCB. If countries or regions where we source these materials impose export controls, tariffs, or trade restrictions on critical components, or if any of our suppliers fail to comply with export control regulations, we may face disruptions to the steady supply of principal raw materials or equipment. This could lead to increased procurement costs, production delays, or inability to meet customer orders.

We conducted limited sales of hardware terminals and companion applications that were ultimately delivered to Iran (the "**Iran Transactions**"), generating aggregate revenue of US$3,463.4 in 2024 (approximately 0.001% of our total consolidated gross revenues for the Track Record Period) and nil in all other years of the Track Record Period. We permanently ceased all sales, product deliveries and business contacts with Iran prior to January 1, 2025 and have implemented internal policies and procedures to prevent any future sales or deliveries to Iran or any other comprehensively sanctioned jurisdiction, or any sanctioned person, organization or entity.

The International Sanctions Legal Adviser has advised that there is no apparent or material sanctions risk (whether primary or secondary) arising from the Iran Transactions or any of our historical activities or the **[REDACTED]** and that the sanctions risk exposure to our Group and all Relevant Persons is very low. For further details, see the section headed "Business — Regulatory review of certain historical trading activities."

Nevertheless, international sanctions regimes are complex, subject to frequent change and have an extraterritorial effect. Future changes in laws, regulations, interpretations or enforcement priorities, or any perceived sanctions-related risk by financial institutions, **[REDACTED]** or business partners, could lead to increased compliance costs, banking or payment disruptions, reputational harm or other adverse effects on our business, financial condition, results of operations and prospects. Any such developments could also adversely affect the **[REDACTED]** price and liquidity of our Shares.

We require significant capital resources to fund our operations and future business developments. If we cannot obtain additional capital in a timely manner and on favorable terms or at all, our growth prospects and future profitability may be materially and adversely affected.

Our business and growth strategies involve projects that are subject to significant uncertainties, including market volatility, regulatory changes, cost overruns, and operational disputes. There is no assurance that these projects will be completed on schedule, within initial budgets, or that they will achieve their anticipated commercial viability. Furthermore, if **[REDACTED]** from our existing operations are insufficient and we fail to obtain additional external financing on acceptable terms, we may be forced to delay, restructure, or abandon our expansion plans, which could materially and adversely affect our business, financial condition, results of operations, and growth prospects.

Our level of indebtedness may materially and adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk, and prevent us from meeting our obligations under our indebtedness.

During the Track Record Period, we, to a certain extent, utilized bank borrowings to finance our capital expenditures as well as our operating activities. We expect that we may continue to do so in the future, and any failure to effectively manage our debt levels could adversely affect our liquidity. As of December 31, 2023, 2024 and 2025, our interest-bearing bank borrowings amounted to RMB26.0 million, RMB45.3 million and RMB41.2 million, respectively.

A high level of bank borrowings and gearing ratio may, among others, (i) make it more difficult for us to satisfy our obligations under our indebtedness, exposing us to the risk of default; (ii) subject a portion of our operating cash flow to debt repayment, which requires us to actively manage our liquidity for other operational needs; (iii) increase our vulnerability to adverse economic industry conditions; and (iv) limit our flexibility in planning for, or reacting to, changes in our business or in the industry in which we operate.

The restrictive covenants could result in a default concerning the related indebtedness. If a default occurs, the relevant lenders could demand immediate payment. This, in turn, could cause cross-default or payment acceleration of our other debts. If some or all of our debts are accelerated and become immediately due and payable, we may not have the funds to repay or the ability to refinance such debt.

Our trade payables are primarily in relation to our procurement of raw materials, components, and services from our suppliers. We may fail to settle trade payables in a timely manner, or at all, and we may not properly manage our liquidity to meet our short-term payment obligations.

As of December 31, 2023, 2024, and 2025, our trade payables amounted to RMB95.6 million, RMB80.1 million, and RMB126.5 million, respectively. Any adverse changes in our cash flows or financial condition may negatively affect our ability to settle associated trade payables, which could lead to a deterioration of our relationships with key suppliers, tightened credit terms, or supply chain disruptions. This would, in turn, materially and adversely affect our business, financial condition, and results of operations. As we grow our business, the amount of trade payables may increase, which may subject us to greater liquidity risks and working capital constraints.

We are subject to credit risks from our customers, and our inability to collect on our trade receivables from our customers may materially and adversely affect our cash flows, business, financial condition and results of operations.

Our trade receivables are in relation to our sales of products to customers. Our customers may fail to settle trade receivables in a timely manner, or at all, and we may not properly assess and respond in a timely manner to changes in their credit profiles and financial condition.

As of December 31, 2023, 2024, and 2025, our trade receivables amounted to RMB34.3 million, RMB18.8 million, and RMB16.3 million, respectively. For the years ended December 31, 2023, 2024 and 2025, we incurred impairment of trade receivables of RMB2.1 million, RMB2.1 million and RMB1.8 million, respectively. Adverse changes in our customers' financial condition may negatively affect the time to collect associated trade receivables measured at amortized cost or reduce the likelihood of ultimate collection, which would, in turn, materially and adversely affect our business, financial condition and results of operations. As we grow our business, the amount of trade receivables may increase, which may negatively impact our cash flow.

Interruption in or failure of IT, control and communication systems that we manage or that are managed by third parties with which we do business, including cyber-attacks to or other data security incidents, could materially and adversely affect us.

We rely significantly on our information technology, control, and communication systems to manage our business operations, production processes, and customer interactions. These systems, whether managed internally or by third-party service providers, are vulnerable to interruptions or failures caused by hardware malfunctions, software glitches, telecommunications failures, power outages, natural disasters, or human errors. In addition, our infrastructure may be subject to cyber-attacks, malicious software, ransomware, or unauthorized access that could compromise the integrity and availability of our network and operational data. Any prolonged interruption or systemic failure of these critical systems could disrupt our manufacturing workflows, delay product fulfillment, and impair our overall operational efficiency.

We cannot assure you that our defensive measures will be entirely effective against evolving cyber threats or system disruptions. Any security breach or operational failure could result in the loss or corruption of critical business data, damage our brand reputation, and require us to incur substantial capital expenditures to remediate and upgrade our IT infrastructure. Furthermore, we could face operational disputes with our business partners or potential legal liabilities arising from system downtimes. If any of these risks materialize, our sales channels, business operations, financial condition, and results of operations could be materially and adversely affected.

We are subject to complex and evolving laws and regulations regarding data privacy and protection. Any actual or perceived failure to comply with such requirements could materially and adversely affect our business and reputation.

During our operations, we collect, process, and store certain user data, such as account information and device usage data, through our smart imaging devices and our DDPAI App. The regulatory framework for data privacy, user protection, and information security is constantly evolving across the jurisdictions where our products are sold. We are required to comply with a variety of strict and continuously updated legal requirements concerning the collection, use, retention, sharing, and security of personal information.

Although we have implemented internal policies and security measures to ensure compliance with applicable data protection requirements, we cannot assure you that our measures will always be fully effective or immune to evolving regulatory scrutiny. Any unauthorized access, data breaches, or perceived failures to comply with applicable privacy regulations could result in government investigations, administrative fines, operational restrictions, and a severe loss of user trust. Furthermore, complying with newly introduced privacy standards may require us to incur substantial compliance costs and modify our existing product features, which could materially and adversely affect our business, financial condition, and results of operations.

Our business depends on our key senior management, key R&D and technical personnel, and our skilled labor force. Our business may be materially and adversely affected if we fail to retain them and/or fail to find a suitable replacement in case of the loss of services of any of them.

Our future success depends significantly on the continued service of our senior executives and key R&D personnel. Our management team possesses deep professional backgrounds in consumer electronics, automotive electronics R&D, and global brand operations, which are vital for our global market expansion and organizational development. Simultaneously, our R&D personnel, primarily senior engineers experienced in intelligent hardware and imaging technology, are indispensable for driving core technology research, optimizing production, and iterating on products. Any unexpected loss of service from these key individuals, coupled with the potential challenges in finding suitable replacements with comparable industry insights and ecosystem familiarity, could severely delay ongoing projects, hinder technological breakthroughs, and materially and adversely affect our business and operations.

Furthermore, our growth relies heavily on our ability to attract, train, and retain qualified professionals in a highly competitive market. The vehicle smart imaging device industry faces intense competition for talent, particularly in specialized fields such as AIoT, visual algorithms, chip development, and product design. To attract and retain key talent, we may be required to offer highly competitive compensation packages, including base salary, performance bonuses, and stock options, which would increase our operating expenses and could adversely affect our financial condition. If we fail to recruit or retain the necessary personnel due to intense industry competition or insufficient compensation, we may incur additional recruitment costs, and our R&D progress, market expansion pace, and long-term competitiveness could be severely disrupted.

We may be unable to sufficiently safeguard or enforce our intellectual property rights or to prevent third parties from copying or reverse engineering our products, the measures we take to defend and protect such intellectual property rights may be costly.

There can be no assurance that we can prevent third parties from infringing upon our intellectual property rights. Our patents, software copyrights, trademarks, and other intellectual property cover areas such as AIoT, visual algorithms, chip development and product designs. Given the increasingly intense competition in the vehicle smart imaging device industry, if any of our intellectual property rights are invalidated, there is a risk that the technologies disclosed in the invalidated patents or claims may be imitated by competitors. Unauthorized use of our intellectual properties, unfair competition, defamation or other violations of our rights by our employees and/or third parties may harm our brand and reputation, and the expenses incurred in protecting our intellectual property rights may materially and adversely affect our business.

We may, from time to time, be required to institute litigation, arbitration or other proceedings to enforce our intellectual property rights, such as addressing trademark squatting or patent infringement, which may be time-consuming and expensive to resolve and could divert our management's attention regardless of the outcome, and adversely affect our business, financial condition and results of operations. It can be difficult to register, maintain and enforce intellectual property rights in the jurisdictions where we operate, including both Chinese mainland and overseas markets. Laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently across regions. Preventing any unauthorized use of our intellectual properties is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual properties. Any failure in protecting or enforcing our intellectual property rights, or any intellectual property litigation, disputes or invalidation of our intellectual property rights, may have a material and adverse effect on our business, financial condition and results of operations.

We may face claims of infringement on know-how and intellectual property rights by third parties, which, if resolved unfavorably, could result in the loss of rights and the obligation to pay damages.

We may, from time to time, be subject to legal proceedings and claims relating to the intellectual property rights of third parties. In addition, there may be third-party patents, software copyrights, trademarks, and other intellectual property that are infringed upon by our products, services, or other aspects of our business without our knowledge, particularly as the industry's technological convergence accelerates and intellectual property layouts become increasingly complex.

Holders of such intellectual property rights may seek to enforce their rights against us in Chinese mainland or other jurisdictions where we operate. If any third-party infringement claims are brought against us, we may be forced to divert management's attention and other critical resources from core business operations to defend these claims, regardless of their merits. This diversion could delay project progress and increase operational costs.

Additionally, the application and interpretation of intellectual property laws in Chinese mainland and other jurisdictions are still evolving, and procedures and standards for granting and enforcing patents, software copyrights, trademarks, and other intellectual property may vary across regions. There can be no assurance that courts or regulatory authorities in Chinese mainland or overseas will agree with our analysis of intellectual property compliance.

If we were found to have violated the intellectual property rights of any third party, we may be subject to legal liability, including fines or compensation, prohibited from manufacturing, selling, or using the infringing products or technologies, or required to pay licensing fees to obtain the right to use such intellectual property. Alternatively, we may need to invest significant time, funds, and R&D resources to develop alternative technologies or products that avoid infringement. Any of these events could disrupt our production and sales, increase costs, damage our brand reputation, or lose market share, thereby materially and adversely affecting our business, financial condition, and results of operations.

We may not be able to protect our trade secrets and there is a risk of leakage of our key technologies.

In addition to our existing intellectual property rights and/or applications, we rely on trade secrets to protect our business and maintain our competitive position. These trade secrets include unpatented know-how, core technologies, and other proprietary information. Our principal business involves high technological sophistication, and these core technologies and technical information are regarded as our most critical confidential assets, developed and controlled by our R&D team through systematic collaboration, without dependence on any single individual.

Nevertheless, as our business continues to expand globally and management complexity increases, the risk of leakage of our core technologies and technical information may also rise if confidentiality measures are not fully implemented. We have signed confidentiality agreements with employees, especially R&D personnel and key business partners, and established internal access controls for technical data. However, there can be no guarantee that an employee or a third party will not make unauthorized use or disclosure of our proprietary confidential information, whether intentionally or inadvertently. If a competitor gains access to and exploits such information, our competitive advantages, including technological barriers and product differentiation, will be compromised, notwithstanding any legal action we might take against those responsible for the unauthorized disclosure.

Trade secrets are inherently difficult to protect, given that technological iteration is rapid and talent mobility is common. Our employees or business partners may intentionally or inadvertently disclose our trade secrets or core technical information to competitors, or such information may be misappropriated through other means. Enforcing a claim that a third party illegally obtains and uses our trade secrets is expensive, time-consuming, and subject to uncertain outcomes, especially across different jurisdictions with varying intellectual property protection standards. If we fail in prosecuting or defending any such claims, we may face not only monetary damages but also the loss of valuable intellectual property rights. Even if we succeed in such litigation, the process could consume substantial financial and human resources that would otherwise be allocated to R&D, market expansion, or other core business areas. Any leakage of our core technologies or technical information could weaken our market competitiveness, hinder product innovation, and have a material adverse effect on our business, competitive position, and long-term development.

We may be subject to additional contributions, late fees, or administrative penalties due to our failure to make full contributions to social insurance and housing provident funds for some of our employees.

Pursuant to applicable PRC laws and regulations, we are required to make contributions to the social insurance and housing provident fund for the benefit of our employees in China. During the Track Record Period, we did not make social insurance and housing provident fund contributions for some of our employees in full.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), for the shortfall of social insurance contributions, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period and to pay a daily overdue charge of 0.05% of the delayed payment amount, and (ii) to pay a fine of one to three times the overdue amount if such payment is not made within the stipulated period. Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), for the shortfall of housing provident fund contributions, we may be subject to the following legal consequences: (i) to compensate for the shortfall within a prescribed period, and (ii) an application may be made by the relevant competent authorities to the courts for compulsory enforcement if the payment is not made within such time limit. The occurrence of any such events could have a material adverse effect on our business, financial condition and results of operations. In addition, according to Article 19(1) of the Supreme People's Court's Interpretation (II) on Several Issues Concerning the Application of Law in Labor Dispute Cases (《最高人民法院關於審理勞動爭議案件適用法律問題的解釋(二)》) (the "**New Judicial Interpretation**"), any agreement or undertaking that exempts an employer from paying social insurance contributions shall be deemed invalid. See "Regulatory Overview – Regulations on labour and employment – Housing provident fund" for further details.

Furthermore, as the interpretation and implementation of the labor-related regulations are evolving, we cannot assure you that our employment practices are, or will in the future be, fully in compliance with labor-related laws and regulations in the PRC, which may subject us to labor disputes or government investigations, we cannot assure that such risks we may be exposed to will not have any adverse effect on our reputation, business, results of operations and financial condition or otherwise divert our resources in handling any lawsuits, legal proceedings or complaints.

We are subject to a variety of occupational health and production safety laws and regulations.

We are subject to a variety of occupational health and production safety laws and regulations. Compliance with existing and future occupational health and production safety laws and regulations could subject us to costs or liabilities, including monetary damages and fines, impact our production capabilities, result in suspension of our business operations, and impact our overall financial performance. If we are held liable for damages in the event of any injury or violation of applicable occupational health or production safety laws or regulations, we may also be subject to adverse publicity and our business, financial conditions and results of operations could be materially and adversely affected.

Our business operations are subject to the risks relating to potential accidents arising from our operations and failure to comply with safety measures and procedures, and other unforeseen risks.

Our business involves the operation of manufacturing equipment and machinery, which, if improperly operated, may result in physical injuries or even fatalities. We require all our employees to comply with relevant safety measures and procedures relating to operations and production, as stipulated in our internal policies. There is no assurance that some of our employees will not contravene or violate our safety measures or that accidents will not occur in the future. We cannot guarantee that material workplace accidents or fatal accidents will not occur in the future. In such cases, we may be subject to government investigations and administrative penalties. Even if such accidents were not caused by our fault or negligence, such accidents may still cause us to incur substantial costs and damage to our reputation, such as negative publicity, which could adversely affect our business and financial condition and operating results. If work-related accidents resulting in employee injuries or deaths occur, we may be liable for claims from the employees and their families, in addition to fines or penalties. We cannot assure you that all risks relating to production safety incidents have been adequately covered by our existing insurance policies. If we incur substantial liabilities, which are not covered by our insurance policies, our business and financial condition and results of operations may be adversely affected.

We may not be able to detect or prevent fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which may subject us to liability and harm our reputation and business.

We may be exposed to fraud, bribery, corruption, or other misconduct committed by our employees, customers or other third parties, which could subject us to financial losses and penalties from governmental authorities. Our internal control procedures might not be effective enough to identify all instances of non-compliance, suspicious transactions, fraud, corruption or bribery in a timely manner. If such misconduct occurs, we may be subject to claims, fines or suspension of our operations and may suffer from negative publicity and reputational damage.

We have limited insurance coverage and may incur significant losses resulting from operating hazards, product liability claims, project construction or business interruptions.

Our operations involve the use, handling, generation, processing, storage, transportation and disposal of hazardous materials, which may result in fires, explosions, spills and other unexpected or dangerous accidents causing personal injuries or death, property damages, environmental damages and business interruption.

Our insurance on properties, equipment, health, fire and product liability is limited in scope and may not cover all claims relating to personal injury, property or environmental damage arising from incidents on our properties or relating to our operations. For risk exposure not covered by our insurance policies, we share the potential liability with counterparties in accordance with our agreements with such counterparties and applicable laws and regulations. Any occurrence of these or other incidents which are not insured under our existing insurance policies could have a material adverse effect on our business, financial condition or results of operations.

We are also exposed to risks associated with product liability claims if the use of our devices results in injury. We may not have adequate resources to satisfy a judgment if a successful claim is brought against us. If potential claims exceed the scope or amount of coverage under such insurance, our business could be materially and adversely affected.

In addition, the normal operation of our production plants may be interrupted by accidents caused by operating hazards, power supply disruptions, equipment failure, and natural disasters. Any significant damage or interruption to these production plants could still have a material and adverse effect on our results of operations.

Our production and operations are subject to extensive environmental protection laws and regulations, and costs for compliance with these laws and regulations may increase in the future.

Our production and operations are subject to various environmental protection laws and regulations in the PRC in relation to the discharge of wastewater, exhaust gas, solid wastes and gases in the course of production. The relevant PRC authorities may impose penalties, suspend operations, order rectification or close down the production facilities that fail to comply with such laws and regulations.

During our production process, exhaust gas and solid waste are discharged. In order to comply with the applicable environmental protection laws and regulations in the PRC, we have installed waste treatment facilities in our production facilities and engaged third-party service providers to treat the waste generated in our production process. Our business operations also involve the use and storage of chemicals that are potentially dangerous.

We cannot assure you that we will always correctly interpret the relevant laws and regulations and be in full compliance with the relevant laws and regulations at all times. If we are not in compliance with the applicable environmental protection laws and regulations or if our service providers fail to provide waste treatment services to the extent that keeps us in compliance with applicable PRC environmental protection laws and regulations, we may be required to rectify such non-compliance and may also be subject to fines, sanctions and remedial measures and substantial costs in connection with remedial measures, which may materially and adversely affect our business, financial performance and operating results.

Furthermore, the PRC government may promulgate new environmental protection laws and regulations and enforce more stringent interpretations of environmental protection laws and regulations in the future. As a result, additional costs may be incurred to introduce relevant preventive or remedial measures, adjust our production process, purchase new pollution control equipment and enhance our compliance and monitoring system to ensure compliance with such amended laws and regulations. In addition, our budget with respect to environmental compliance may not be sufficient to cover such costs and we may need to allocate additional funds for such purpose, which may materially and adversely affect our operation and financial performance. If we fail to introduce new preventive or remedial measures, make relevant adjustments to our production process, purchase new pollution control equipment or establish effective compliance and monitoring systems in a timely manner or at all, we may be subject to substantial fines or penalties as a result of such non-compliance and our business operations may be disrupted, thus materially and adversely affect our operations and financial performance.

If the PRC government imposes more stringent environmental protection laws and regulations, our production costs may substantially increase, or we may need to incur material capital expenditures or other costs in order to remain in compliance and we may not be able to pass on these additional costs to our customers.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control in the future could materially and adversely affect our business, results of operations, financial results and prospects.

Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions we conduct business. These regions may be under the threat of typhoons, tornadoes, snowstorms, earthquakes, floods, droughts, power shortages or failures, or are susceptible to epidemics, such as coronavirus, severe acute respiratory syndrome, avian influenza, H1N1 influenza, potential wars or terrorist attacks, riots, disturbances or strikes. Serious natural disasters may result in a tremendous loss of lives and injury and destruction of assets and disrupt our business and operations. Severe communicable disease outbreaks could result in a widespread health crisis that could materially and adversely affect business activities in the affected regions, which could materially and adversely affect our operations. Acts of war or terrorism, riots or disturbances may also injure or cause deaths to our employees and disrupt our business network and operations. Any of these factors and other factors beyond our control could have an adverse effect on the overall business environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely affect our business, financial condition and results of operations.

Work stoppage increases in employee benefit expenses and other labor-related matters may have a material and adverse effect on our business.

We believe that we have a good working relationship with our employees. We did not experience any material work stoppages, strikes or other major labor problems during the Track Record Period. However, there can be no assurance that any of such events will not arise in the future. If our employees were to engage in a strike or other work stoppage, we could experience significant disruption of our operations and/or higher ongoing employee benefit expenses, which may have an adverse effect on our business, financial condition and results of operations.

In addition, our employee benefit expenses incurred for our production personnel were RMB16.7 million, RMB16.1 million and RMB19.0 million, for the years ended December 31, 2023, 2024 and 2025, and could potentially continue to increase, which may further increase our cost of sales. Factors contributing to rising employee benefit expenses include inflationary pressures, changes in minimum wage laws and increased demand for skilled workers. Additionally, regulatory changes or enhanced employee benefits mandated by law could further exacerbate these expenses. The competition for skilled labor in our industry is intense, and we may be required to offer more attractive compensation packages to retain and attract qualified personnel.

We enjoy certain preferential tax treatments, government grants and certain favorable regulatory treatments. Any expiration or change of these preferential tax treatments and government grants could have a material and adverse effect on our operating results.

We currently benefit from several preferential tax treatments. See "Financial Information — Description of major components in our consolidated statements of comprehensive income — Income tax credit or expense" to this document for more information. The discontinuation of any of the preferential income tax treatments that we currently enjoy could have a material and adverse effect on our results of operations and financial condition. We cannot assure you that we will be able to receive such preferential tax treatments in the future.

In addition, we recorded government grants of RMB2.0 million, RMB0.8 million, and RMB0.8 million for the years ended December 31, 2023, 2024, and 2025, respectively. See "Financial Information — Description of major components in our consolidated statements of comprehensive income — Other income" in this document for more information. The amounts and conditions of such government grants are determined at the sole discretion of the relevant PRC authorities. We cannot assure you that we will continue to receive government grants at the same level, if at all, or that we will be able to secure new grants in the future. Even if we remain eligible to receive such government grants, we cannot guarantee that any conditions attached to the grants will be as favorable to us as they have historically been, or that the government grants would be awarded to us in a timely manner.

Our business requires a number of licenses, approvals, and permits, and our failure to obtain or renew these licenses, approvals, and permits in a timely manner may materially and adversely affect our business, results of operations, financial results and prospects.

Our business operations are subject to extensive regulatory requirements, necessitating the acquisition and maintenance of various licenses, approvals, and permits. We cannot guarantee our ability to successfully maintain, renew, or obtain these requisite authorizations in the future, particularly as regulatory standards for renewal and assessment may change over time or new compliance requirements may emerge. Any failure to obtain or renew such authorizations could lead to enforcement actions, including orders to cease operations and requirements for corrective measures, which would severely disrupt our business, significantly increase compliance costs, and result in a material adverse effect on our business, financial condition, and results of operations.

We are, and may in the future be, subject to legal, administrative and regulatory claims, proceedings and/or investigations in the ordinary course of our business.

In the ordinary course of business, claims involving customers and suppliers may be brought against us in connection with contracts. Claims may be brought against us for back charges for alleged defective or incomplete work, liabilities for defective products, personal injuries and deaths, damage to or destruction of property, breaches of warranty, delayed payments to our suppliers, late completion or other contractual disputes. The claims and back charges may involve actual damages and contractually agreed-upon liquidated sums. If we are found liable on any of the claims, we would have to incur a charge against our current earnings to the extent that adequate provisions had not been established for the matter in our accounts, or to the extent the claims were not sufficiently covered by our insurance coverage.

Both claims brought against us and by us, if not resolved through negotiation, are often subject to lengthy and expensive litigation or arbitration proceedings. Amounts ultimately realized from our customers or other claims by us could differ materially from the balances included in our financial statements, resulting in a charge against earnings to the extent profit has already been accrued on a project or other contract. Charges associated with claims brought against us and write-downs associated with claims brought by us could have a material adverse impact on our business, financial condition, results of operations, and cash flows. Moreover, legal proceedings resulting in judgments or findings against us may harm our reputation and damage our prospects to secure vehicle smart imaging device contracts in the future.

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

Negative publicity involving us or the vehicle smart imaging device industry may materially and adversely harm our brand image and reputation and cause a deterioration in the level of market recognition of and trust in the products and services provided by us, thereby resulting in the reduced customer visits and potential loss of revenue. Such negative publicity may also result in diversion of management's attention, and governmental investigations or other forms of scrutiny. These consequences may have a material and adverse effect on our business, results of operations, financial condition, and prospects.

RISKS RELATING TO THE JURISDICTIONS IN WHICH WE OPERATE

Changes in economic, political or social conditions or government policies in the markets in which we operate could have a material adverse effect on our business and results of operations.

We operate our business in Chinese mainland and overseas. Accordingly, our business, financial condition and results of operations may be influenced to a significant degree by political, economic and social conditions in these markets. Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, inflation and the availability and cost of capital and credit have been and will continue to affect the markets where we operate. In some of these markets, governments continue to play a significant role in regulating industry development by imposing industrial policies. Additionally, we are a company incorporated under the PRC laws and a majority of our assets are located in Chinese mainland, our financial condition, results of operations and prospects are subject to economic, political, and legal developments in China. Any changes in the global or local economy in the markets in which we operate may materially and adversely affect our business, results of operations and financial condition.

We may be subject to additional regulatory requirements under new laws and regulations on overseas offerings and listings issued by PRC government authorities.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC, the National Administration of State Secrets Protection of China, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "**Archives Rules**"), which came into effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of Chinese mainland enterprises, either in direct or indirect form, such Chinese mainland enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. The interpretation and implementation of the Archives Rules may continue to evolve, and any non-compliance therewith may materially adversely affect our business, prospects, results of operations, financial condition, and cash flows. See "Regulatory Overview – Regulations on overseas securities offering and listing."

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.

We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. If it is determined in the future that approval from filing with the CSRC or other regulatory authorities or other procedures is required, we may fail to obtain such approval, perform such filing procedures or meet such other requirements in a timely manner or at all. We may face sanctions from the CSRC or other PRC regulatory authorities for failure to seek CSRC approval or other government authorization, or perform filing procedures, for this **[REDACTED]** or our future financing activities, and these regulatory authorities may impose fines and penalties on us, limit our operating activities in the PRC, limit our ability to pay dividends outside the PRC, delay or restrict the repatriation of the **[REDACTED]** from the **[REDACTED]** into the PRC or take other actions to restrict our financing activities, which could have a material and adverse effect on our business, prospects, results of operations, financial condition, and cash flows.

We are subject to risks associated with international trade policies, geopolitical developments, and global trade protection measures, which could adversely affect our business, financial condition and results of operations.

We have generated revenue from overseas markets, including Asia (excluding Chinese mainland), Europe and America, and our business is subject to risks associated with changes in international trade policies, geopolitics, trade protection measures, export controls, and economic or trade sanctions.

The United States and other jurisdictions have implemented various trade measures, including but not limited to tariffs, economic sanctions, and trade restrictions, which directly or indirectly affect companies based in certain jurisdictions. These measures could result in disruptions to established trade relationships and supply chains. Geopolitical and trade conflicts like this may also lead to volatility in financial markets, fluctuations in currency exchange rates and increased procurement costs. In extreme cases, such conflicts could result in economic downturns that adversely impact our operations. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if any government takes retaliatory trade actions due to recent global trade tensions, such changes could have an adverse effect on our business, financial condition and results of operations.

Likewise, potential national security and foreign policy concerns may prompt governments to impose trade or other restrictions, which could make it more difficult to sell our products in, or restrict our access to, certain markets, or affect our supply chain. In this regard, various trade, export controls, and economic sanctions laws and regulations may affect our businesses.

As our business depends on markets located oversea, any of these factors could have a material adverse effect on our and our consumers' business, prospects, financial condition, and results of operations. The current international trade tensions and political tensions, and any escalation of such tensions, may have a material negative impact on our ability to continue to sell to global consumers and further grow our user base. For example, if additional sanctions or export restrictions are imposed or if existing restrictions are expanded in certain jurisdictions where we have sales presence, our ability to continue to sell in these jurisdictions and expand into new jurisdictions could be limited, and we may be subject to additional compliance costs, which may adversely affect our global operations.

We are subject to PRC foreign exchange regulatory requirements, which may affect our liquidity, remittance ability, and dividend payments.

We receive substantial payments in RMB from our operations in Chinese mainland and also derive significant foreign currency proceeds from our overseas sales. To support our principal business operations in the PRC, we are required to convert foreign currency proceeds into RMB, and we may also need to convert RMB into foreign currencies to fund our business activities outside Chinese mainland. The convertibility of RMB into foreign currencies, the conversion of foreign currencies into RMB, and, in certain cases, the overseas remittance of any currency to or from Chinese mainland are all subject to specific regulatory requirements and foreign exchange control provisions under PRC laws and regulations.

Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require prior approval from the State Administration of Foreign Exchange ("**SAFE**"), but we are required to present documentary evidence of such transactions and conduct them through designated foreign exchange banks within China that are licensed to carry out foreign exchange business. Following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding the payment of dividends in foreign currencies will continue in the future.

Shortages in the availability of designated foreign currencies, restrictions on conversion or remittance, or changes in regulatory requirements may impair our ability to convert overseas foreign currency proceeds into usable RMB in a timely manner or to remit sufficient foreign currency to satisfy our foreign currency-denominated obligations. Any insufficiency of foreign exchange may restrict our ability to pay dividends to shareholders, purchase raw materials outside the Chinese mainland, or otherwise fund business activities conducted in foreign currencies. As a result, our operational liquidity, capital expenditure plans, and overall business operations could be materially and adversely affected.

Our operations are subject to 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. The PRC tax laws and regulations might be subject to interpretations and adjustments by relevant authorities from time to time. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could materially and adversely affect our business, prospects, results of operations, financial condition, and cash flows.

Holders of H Shares may be subject to PRC income taxes.

Holders of H Shares, being non-PRC resident individuals or non-PRC resident enterprises, whose names appear on the register of members of H Shares of our Company, are subject to PRC income tax in accordance with the applicable tax laws and regulations, on dividends received from us and gains realized through the sale or transfer by other means of H shares by such shareholders.

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) and the Implementation Regulations for the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), both came into effect on January 1, 2019, the tax applicable to non-PRC resident individuals is proportionate at a rate of 20% for any dividends obtained from within China or gains on transfer of shares and shall be withheld and paid by the withholding agent. Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region (the "**Hong Kong SAR**") for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Double Taxation Arrangements**") executed on August 21, 2006, the PRC Government may levy taxes on the dividends paid by PRC companies to Hong Kong residents in accordance with the PRC laws, but the levied tax (in the case the beneficial owner of the dividends is not companies directly holding at least 25% of the equity interest in the company paying the dividends) shall not exceed 10% of the total dividends.

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was newly revised and implemented on December 29, 2018, and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), which came into effect on January 20, 2025, if a non-resident enterprise has no presence or establishment within China, or if it has established a presence or establishment but the income obtained has no actual connection with such presence or establishment, it shall pay an enterprise income tax on its income derived from within China with a reduced rate of 10%. Pursuant to the Double Taxation Arrangements, dividends paid by PRC resident enterprises to Hong Kong residents can be taxed either in Hong Kong or in accordance with the PRC laws. However, if the beneficial owner of the dividends is a Hong Kong resident, the tax charged shall not exceed: (i)

5% of the total amount of dividends if the Hong Kong resident is a company that directly owns at least 25% of the capital of the PRC resident enterprise paying dividends; or (ii) otherwise, 10% of the total amount of dividends.

Considering the foregoing, non-PRC resident holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and gains realized through sales or transfers by other means of the H Shares.

There might be difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions against us or our Directors, supervisors, and senior management in the PRC.

We are incorporated in China. In addition, all of our Directors and senior management reside within Chinese mainland, and substantially all of our and their assets are located within the PRC. Therefore, it may be difficult and time-consuming for **[REDACTED]** to effect service of legal process upon us or our Directors and senior management from outside the PRC. As a result, the service of process, investigation, collection of evidence, ratification, and enforcement procedure inside China should follow the rules set forth in the Civil Procedure Law of the People's Republic of China as well as other applicable laws, regulations and interpretations. It would generally require you to commit more time and economic cost.

On July 14, 2006, the Supreme People's Court of the PRC and the government of Hong Kong SAR entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**2006 Arrangement**"), which was taken into effect on August 1, 2008.

Pursuant to the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the 2006 Arrangement in which a Hong Kong court or a mainland court is expressly selected as the court having sole jurisdiction for the dispute.

On January 18, 2019, the Supreme People's Court of the PRC and the government of Hong Kong SAR 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 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 Hong Kong SAR and the Chinese mainland. On January 29, 2024, the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》)(the "**2024 Arrangement**") was declared effective jointly by the Supreme People's Court of the PRC and the government of Hong Kong SAR, which has replaced the 2019 Arrangement. The 2024 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in Chinese mainland and those in Hong Kong.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for the H Shares and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the completion of the **[REDACTED]**, there has been no **[REDACTED]** for our H Shares. There can be no guarantee that an active **[REDACTED]** for our H Shares will develop or be sustained after completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations between us and the **[REDACTED]** 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 completion of the **[REDACTED]**. The **[REDACTED]** of our H Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

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

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

You will incur immediate and significant dilution if the [REDACTED] of the [REDACTED] is higher than the net tangible asset value per H Share, and may experience further dilution if we [REDACTED] 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]** net tangible asset value. There can be no assurance 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 price that is lower than the net tangible asset value per Share at that time.

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

The **[REDACTED]** of our H Shares could decline as a result of future **[REDACTED]** of a substantial number of our H Shares or other securities relating to our H Shares in the **[REDACTED]**, or the **[REDACTED]** of new shares or other securities, or the perception that such **[REDACTED]** or **[REDACTED]** may occur. Future **[REDACTED]**, or anticipated **[REDACTED]**, of substantial amounts of our securities, including any future **[REDACTED]**, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our Shareholders may experience dilution of their holdings if we **[REDACTED]** more securities in the future. New shares or share-linked securities **[REDACTED]** by us may also confer rights and privileges that take priority over those conferred by the 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 conversion and **[REDACTED]** of such converted shares, the requisite internal approval processes (but without the necessity of Shareholders' approval by class) have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, have been obtained. 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 H Share register. This could increase the supply of H Shares in the market, and future **[REDACTED]**, or perceived **[REDACTED]**, of the converted H Shares may materially and adversely affect the **[REDACTED]** of H Shares.

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

Our Controlling Shareholders have substantial influence over our business and operations, including matters relating to management and policies, decisions in relation to acquisitions, expansion plans, business consolidation, the sale of all or substantially all of our assets, nomination of directors, dividends or other distributions, as well as other significant corporate actions. Immediately following the completion of the **[REDACTED]**, and assuming that no new Shares are issued under the **[REDACTED]**, and no other changes are made to the issued share capital of our Company between the Latest Practicable Date and the **[REDACTED]**, Mr. Luo, Weiyou Gongchuang, Weiyou Gongying, Weiyou Gongxing, Weiyou Gongsheng, Weiyou Gonghui and Shenzhen Yichen will become a group of our Controlling Shareholders, directly and indirectly holding an aggregate of approximately **[REDACTED]**% of the total issued share capital of our Company. See "Relationship with Our Controlling Shareholders" for further details. The concentration of voting power and the substantial influence of our Controlling Shareholders over our Company may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and reduce the **[REDACTED]** of our H Shares. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. Subject to the Listing Rules, our Articles of Association and other applicable laws and regulations, our Controlling Shareholders will continue to have the ability to exercise substantial influence over us and to cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

There can be no assurance of the accuracy or completeness of certain facts, forecasts, and other statistics obtained from various official government sources contained in this document.

This document contains information and statistics relating to the vehicle smart imaging device industry and other relevant industries. Such information and statistics have been derived from various official government sources. The information from official government sources has not been independently verified by us, or any other persons or parties involved in the **[REDACTED]**, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In any event, you should consider carefully the importance placed on such information or statistics.

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

You are strongly advised to read the entire document carefully and are cautioned against placing any reliance on the information in any press article or any other media coverage that contains information not disclosed or not consistent with the information included in this document.

Prior to the completion of the **[REDACTED]**, there may be press and media coverage regarding our Group and the **[REDACTED]**, which contained certain financial information, projections, valuations and other forward-looking information about us and the **[REDACTED]**. Our Directors would like to emphasize to prospective **[REDACTED]** that we do not accept any responsibility for the accuracy or completeness of such information, and such information is not sourced from or authorized by our Directors or our management team. Our Directors make no representation as to the appropriateness, accuracy, completeness or reliability of any information or the fairness or appropriateness of any forecast, view or opinion expressed by the press or other media regarding our Group or our H Shares. In making decisions as to whether to **[REDACTED]** in our H Shares, prospective **[REDACTED]** should rely only on the financial, operational and other information included in this document.