RISK FACTORS

An investment in our H Shares involves various risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before deciding to invest in our H Shares. The following is a description of what we consider to be our material risks. The occurrence of any of the following events could materially and adversely affect our business, results of operations, financial condition or prospects. In any such event, the market price of the **[REDACTED]** *could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, results of operations, financial condition or prospects. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.*

Risks Relating to Our Business and Industry

We are engaged in a competitive industry, in which our operational and financial performance, financial condition, and future prospects may be affected by changes in such competitive environment.

According to Frost & Sullivan, the optical interconnect industry in which we operate is relatively competitive. Some of our competitors may have longer operating histories, stronger brand recognition in the industry, larger customer bases and greater financial and technical resources than we do. For example, in some cases our competitors may possess competitive advantages with respect to production costs due to economies of scale and their ability to purchase raw materials and utilities at lower prices. In addition, our competitors may be able to devote greater resources to the research and development of technologies, processes and products that are more effective than ours. They may also adapt more quickly to new technologies and developments in customer demand and requirements. Our competitors may also possess stronger strategic foresight, enabling them to anticipate technological trends, industry developments and shifts in customer demand earlier than we do. These competitive advantages may enable our competition to adapt more quickly to changing customer or consumer preferences. Our failure to maintain our competitive position with respect to technological advances, to adapt to changing market conditions and customer preferences, or to otherwise compete successfully with existing or new competitors may have a material and adverse effect on our business, financial condition and results of operations.

Our success depends on our ability to develop and launch products in a timely and cost-efficient manner that adapts to technological advancements and addresses evolving customer requirements, while anticipating and supporting significant industry transitions.

The continued growth and success of our business depend to a significant extent on our ability to drive ongoing innovation and deliver optical transceivers that align with technological progress and shifting customer requirements. The optical interconnect industry is highly dynamic, featuring frequent product refresh cycles, deeper integration of multiple technology disciplines, and continuous evolution in industry standards and system architectures. Our products rely on advanced technologies across optics, optoelectronics, electronics engineering and materials science, making this a complex and interdisciplinary field. As industry developments accelerate, technological advancements occur more rapidly, requiring us to consistently enhance our research and development capabilities and upgrade our core technologies to sustain our competitive position. Any failure to effectively anticipate emerging technology trends, execute timely upgrades to our core technologies, or accurately position our research and development efforts could hinder the commercialization of new products or result in our existing products being displaced by more advanced solutions.

In addition, due to the sophisticated nature of our products, we face risks associated with overestimating our internal research and development capabilities or underestimating the technical complexity, development timeline and resources required for new product development. Such misjudgments may delay commercialization or prevent us from meeting customer qualification requirements. We have continued to prioritize innovation and have increased our investment in research and development to support product iteration and reinforce our technological capabilities. There can be no assurance that our research and development initiatives or product roadmap will consistently translate into commercially successful or technologically competitive products. If we are unable to successfully develop and launch products or technologies that meet customer needs and keep pace with industry developments, or if our offerings fail to gain market acceptance in a timely manner, our business, results of operations and financial condition could be materially and adversely affected.

Maintaining long-term relationships with our major customers is essential to our continued success, and any disruption or loss of such relationships could adversely affect our results of operations and financial condition.

The sustainability of our success largely depends on our ability to build and maintain long-term, stable relationships with our major customers. Many of these customers are among the world's leading technology companies, including AI data center operators, cloud service providers, telecom operators, switch and networking equipment manufacturers and integrators. These customers usually have considerable purchasing power, stringent technical requirements, and long product qualification cycles.

We cannot guarantee that we will be able to maintain these relationships at their current level or under similar commercial terms. This means they may change their order volumes, adjust product specifications, or delay project schedules at any time. Such changes may result from changes in their internal procurement strategies, changes in business cycles, or shifts in market conditions. In addition, as technological standards develop and demand for end applications such as AI infrastructure and high-speed data centers continues to change, customers regularly adjust their production plans.

To maintain our market position and drive future growth, it is important that we both gain new customers and keep our long-standing relationships with existing ones. A customer's procurement decisions are influenced by many factors, including product performance, consistent quality, pricing competitiveness, reliable delivery, technical compatibility, and after-sales support. If we fail to meet their changing technical or cost expectations, or if we cannot respond quickly to their customized requirements, we may lose existing business opportunities or new design-in projects.

Any slowdown in the growth of the end markets that adopt our products could adversely affect our business, financial condition, and results of operations.

Our products serve a broad range of end markets, and demand for our products is largely correlated with the growth and expansion of these markets, in particular the datacom and telecom sectors. Accordingly, any weakening or slowdown in these downstream industries may have a material and adverse impact on our business performance. Our results of operations for any given period may fluctuate due to changes in the timing, scale and composition of customer orders, which may also be affected by macroeconomic conditions and market volatility. The demand trends in our customers' end markets, which directly affect demand for our products, are influenced by factors beyond our control, including global economic conditions, the pace of technological development and its commercial adoption, changes in industry standards, regulatory developments, customer preferences, production cycles and supply chain disruptions. Any reduction in the pace of technological progress, delays in industry upgrades or interruptions in global supply chains may constrain the growth of end markets and in turn reduce demand for our products.

We cannot assure that developments in technology or industry trends will continue to translate into sustained demand in downstream markets, nor can we assure that the growth rates of the optical interconnect industry will remain consistent with those observed during the Track Record Period. Any sustained slowdown or decline in these or other end markets in which our products are utilized could materially and adversely affect our business, financial condition and results of operations.

Technological innovation and R&D capabilities are key to our success. If we fail to keep up with the evolution of technologies, enhance our R&D capabilities, or to achieve anticipated R&D milestones, that could materially and adversely affect our competitiveness and profitability.

Our continued success depends heavily on our R&D capabilities and facilities. The industry in which we operate is marked by rapid technological shifts and constant advancements in innovation. In 2023, 2024 and 2025, we incurred R&D expenses of RMB57.3 million, RMB58.4 million, and RMB98.6 million, respectively. These amounts accounted for 9.5%, 6.6%, and 7.9% of our total revenue in each of those years. To offer products with competitive performance and pricing, and to maintain our standing in this fast-changing industry, we may continue to allocate substantial resources to R&D activities. For further details, see "Business — Research and Development" of this document.

However, R&D activities are both complex and uncertain and typically involve long timeframes and significant financial outlays. Our investments in R&D do not ensure that the resulting products will gain market acceptance or generate revenue, nor can we guarantee the recovery of costs we have already spent. There is no assurance that we can develop and launch new, enhanced products in a timely and efficient manner, or that we will consistently achieve technological breakthroughs and successfully commercialize them. Failure to anticipate evolving customer needs and technological trends, or delays in developing new technologies, may lead to significant setbacks in the development of our new and improved products.

Emerging technologies and system architectures, such as CPO and other next-generation optical interconnect solutions, may change customer requirements or reduce the competitiveness of our existing products or technology roadmap. If we fail to accurately assess these technology trends or adapt our product development in a timely manner, our existing products may become less competitive or obsolete, and our business, results of operations and prospects may be materially and adversely affected.

Additionally, our current and potential competitors may create products that are comparable to or superior to ours. These competing products may incorporate more advanced technologies or feature more competitive pricing. Such developments could lead to a decline in our market share, revenue, and profits. They may also compel us to discontinue ongoing R&D projects that no longer hold commercial value, even if we have already invested heavily in those projects. If we are unable to launch new products as planned, our business, future prospects, financial condition, and operating results could suffer material adverse effects.

Our ability to maintain and expand production capacity, and effectively manage capacity utilization, is essential to sustaining our market competitiveness and supporting our future growth.

We operate manufacturing facilities in the PRC and Malaysia, any delays, operational disruptions or quality control problems at these facilities may negatively affect our sales, competitive standing, market reputation and relationships with customers. We may face difficulties in maintaining stable manufacturing yields due to a series of factors. These factors include complex production processes, the launch of new product lines, capacity expansion, changes in customer product specifications, and scaled-up production of next-generation optical transceivers and optical components.

Any notable delays in production or failure to follow customer delivery schedules may lead to lower gross margins, weaker profitability and potential loss of customer confidence. Moreover, a higher rate of product rework or rejection during quality inspections, either before or after product delivery, will increase manufacturing costs and reduce production efficiency. As our products become more technically complex, we may face new technical and manufacturing challenges that require sophisticated processes and specialized equipment. In addition, we may not accurately forecast market demand, which may result in excess production capacity.

Furthermore, our manufacturing operations may be affected by external factors beyond our control, including power outages, equipment failures, labor shortages, natural disasters, public health emergencies or geopolitical disruptions. Any damage to or loss of our key production facilities could seriously disrupt our manufacturing activities and our ability to deliver products to customers. Any long-term disruption or inefficiency in our production system may materially and adversely affect our business, operating results and financial condition.

In addition, we may experience low utilization rates or over-capacity at our production bases, which could adversely affect our profitability and results of operations. If our expanded production capacity is not effectively utilized, certain production facilities or equipment may remain idle or underutilized, while we may still incur depreciation expenses, maintenance costs and other fixed costs associated with such facilities and equipment. Furthermore, if market demand declines, we may not be able to recover the costs incurred for the construction or expansion of our factories or the maintenance of our expanded production capacity. Any delay in or cancelation of our expansion plans could also give rise to disputes with counterparties involved in such plans. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Our historical financial results may not be indicative of future performance.

We experienced fluctuations in our financial results during the Track Record Period and may continue to do so in the future. Our previous results may not be indicative of future performance. During the Track Record Period, we recorded revenue of RMB605.7 million, RMB890.1 million, and RMB1,253.5 million in 2023, 2024 and 2025, respectively. Our gross profit surged significantly from RMB112.6 million in 2023 to RMB206.5 million in 2024, and further to RMB305.7 million in 2025, with the gross margin recorded at 18.6%, 23.2% and 24.4% in the corresponding period, respectively. However, we cannot guarantee that such revenue and gross profit growth rate will be sustained or that our gross margin will not decrease in the future. In particular, as high-speed optical transceivers continue to gain wider application across the industry, the associated product gross margins may continue to face downward pressure, and we cannot assure you that our gross margin will not decline in the future. The profitability of our products may fluctuate given different market conditions, our pricing strategies and factors beyond our control. In addition, fluctuations in raw material costs, which account for a substantial portion of our cost of sales, together with our pricing strategies and market conditions, may further amplify pressure on our gross margin and overall profitability. Failure to effectively manage our growth and profitability or implement the strategies on schedule or within our budget may materially and adversely affect our business operations and prospects.

We are exposed to risks relating to foreign exchange fluctuations.

Our operations cover multiple countries and regions, and certain of our bank balances, trade and other payables, trade and other receivables and borrowings are denominated in currencies other than Renminbi, which is our Group's reporting currency. During the Track Record Period, our business transactions involved multiple currencies, such as Renminbi, U.S. dollars, MYR, Japanese yen, euros, pounds sterling and Hong Kong dollars. As a result, we are exposed to foreign exchange risk. Fluctuations in the exchange rates between these currencies and Renminbi may affect the carrying value of our monetary assets and liabilities, as well as our reported revenue and expenses. We recorded net foreign exchange gains of RMB2.4 million, RMB11.3 million and RMB11.3 million for the years 2023, 2024 and 2025, respectively. In addition, since the net **[REDACTED]** from the **[REDACTED]** will be denominated in Hong Kong dollars, exchange rate movements between the Renminbi and the Hong Kong dollars will influence the Renminbi-denominated purchasing power of such **[REDACTED]**.

Exchange rate movements are affected by various factors beyond our control, including monetary policy changes, geopolitical developments, broader economic conditions and the PRC foreign exchange regime and related policies. In particular, changes in U.S. monetary policy may increase U.S. dollar volatility and affect capital flows and financing conditions for Chinese companies with international operations. We cannot assure you that the Renminbi will not experience significant appreciation or depreciation against other currencies, and our hedging arrangements, including forward currency contracts, may not be effective or available at reasonable costs. Future exchange rate movements are inherently difficult to predict and may adversely affect our business operations and financial results.

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

We maintain a certain level of inventory to meet the customer needs and ensure timely delivery of our products. During the Track Record Period, our inventories primarily consisted of raw materials, work-in-progress, and finished goods. As of December 31, 2023, 2024 and 2025, we held inventories of RMB365.9 million, RMB539.7 million, and RMB961.7 million, respectively. Our inventory impairment provisions amounted to RMB47.6 million, RMB70.8 million and RMB128.4 million as of December 31, 2023, 2024 and 2025, respectively. In 2023, 2024 and 2025, our inventory turnover days were 262, 242 and 289, respectively.

We employ a flexible inventory management strategy, under which we adjust our inventory levels in response to changes in market demand. We increase inventory holdings during periods of rising demand to maintain stable supply capacity. Such an approach nonetheless carries inherent uncertainty, given that product demand may fluctuate substantially between the order date and the scheduled delivery date. We are unable to ensure that optimal inventory levels can be sustained at all times. Excess inventory stock or a material drop in market prices could lead to inventory write-downs or write-offs. We may be required to make additional inventory impairment provisions if the net realizable value of our inventories declines, or where the relevant inventories have low expected future utilization. We may also be forced to dispose of surplus inventory at discounted prices, which could materially and adversely affect our profitability.

We are exposed to regulatory, operational and other risks associated with our global operations.

We conduct our business operations on a global scale by maintaining manufacturing facilities in the PRC and Malaysia, and providing sales, customer service and R&D support globally. During the Track Record Period, revenue generated from countries and regions outside the Chinese Mainland represented the majority of our total revenue. In 2023, 2024 and 2025, revenue from countries and regions outside PRC reached around RMB483.6 million, RMB793.7 million, and RMB1,120.3 million, and accounted for roughly 79.8%, 89.2% and 89.4% of our total revenue in the respective years. As our global presence continues to grow, we face a wide variety of risks that come with operating in multiple jurisdictions.

Our global operations are subject to diverse legal and regulatory requirements, including those relating to export controls, customs, data protection, labor and environmental matters. Changes in laws, regulations or enforcement practices, delays in obtaining approvals, or differing local interpretations may increase compliance costs or disrupt operations. In addition, trade disputes, geopolitical tensions, sanctions, tariffs, political instability, natural disasters, energy shortages or public health events may adversely affect our production, sales, logistics or supply chain. If we fail to manage these risks effectively, our business, results of operations and future prospects could be materially and adversely affected.

Our operations may be materially and adversely affected if our suppliers fail to deliver raw materials as required in terms of time, cost, quality or quantity, or if our relationships with key suppliers deteriorate.

We depend on several key suppliers for our operations. During the Track Record Period, the costs of raw materials accounted for 68.8%, 76.6%, and 81.9% of our total cost of sales in each respective year. We may face shortages of raw materials due to delivery delays, substandard quality, production interruptions at our suppliers or deterioration in our relationships with major suppliers. We cannot guarantee that these suppliers will continue to provide materials in sufficient quantities, on schedule, at acceptable quality standards or on commercially reasonable terms. Any interruption to raw material supply may cause temporary halts to our production, delay the delivery of our products, increase our cost pressures or otherwise adversely affect our daily operations and financial performance.

In addition, as our business continues to grow, we may need to increase our production volume and order additional raw materials from suppliers within a relatively short period of time. Our suppliers may not be able to meet our increased demand, and even if they have the capacity to do so, they may not deliver the raw materials quickly or offer favorable pricing. During the term of certain procurement arrangements, we may also be unable to adjust our procurement costs in response to subsequent market price changes. As a result, fluctuations in raw material prices, including any significant increase in raw material costs that was not anticipated when pricing our products with customers, may adversely affect our profitability.

If we fail to obtain sufficient raw materials from existing suppliers, we may need to source materials from alternative suppliers. However, the process of finding and qualifying new suppliers usually requires extended evaluation and testing, and may require additional time and resources to confirm product quality and alignment with customer requirements. In certain cases, switching to alternative suppliers may require us to adjust product designs or production procedures, which could result in project delays or higher costs. We have entered into strategic cooperation and capacity assurance arrangements with certain suppliers and also seek to identify new suppliers to source certain components at lower costs, but we cannot assure you that these measures will be sufficient or effective. Any of the above situations may have a material adverse effect on our business, results of operations and financial condition.

We are subject to the risk of customer concentration, and our revenue could be adversely affected if we lose or are prevented from selling to any of our major customers.

A significant portion of our revenue is derived from a small number of major customers. The revenue generated from our five largest customers was RMB283.0 million, RMB564.5 million, and RMB822.7 million in 2023, 2024 and 2025, respectively, accounting for 46.8%, 63.4% and 65.7% of our total revenue for the corresponding periods. For further details, see "Business — Our Customers" of this document. We anticipate that significant revenue concentration will continue for a certain period of time in the future.

Demand for our products from our customers may fluctuate as a result of factors outside our control, including shifts in their business strategies, capital expenditure budgets and end-market conditions. Our procurement arrangements with customers generally do not impose any obligation on them to purchase a specific quantity of our products or to do so over a specified period. Consequently, the risk remains that the loss of sales from any of our current major customers could have an adverse impact on our revenue. In the future, these customers may choose to purchase fewer products than in previous periods, delay or cancel orders, adjust product specifications, or modify their procurement patterns in other respects. Such changes could have an adverse effect on our business, results of operations, financial performance and prospects. The loss of one or more of our major customers, restrictions on our ability to sell to such customers, or any significant reduction in their orders, could have a material adverse effect on our operating results and financial condition.

As we continue to grow, we may not be able to effectively manage our growth and expand our operations, which could negatively impact our operating performance, results of operations and financial condition.

Our business has grown rapidly in recent years in terms of business scale, product portfolio and global operations. As we continue to expand our manufacturing capacity, enhance our R&D capabilities and broaden our customer base across different markets, we face increasing demands on our management, operational and financial resources. To support such growth, we must continuously improve our organizational structure, internal processes and control systems. If we fail to effectively manage our expansion, our operating efficiency, profitability and ability to achieve our strategic objectives may be adversely affected.

Our continued growth may also require us to expand production capacity, operational systems, recruit and retain qualified personnel, and incur significant capital expenditures and higher operating costs. At the same time, as production volume and customer diversity increase, we may face greater challenges in maintaining product quality, delivery performance, supply chain coordination and effective management oversight across different regions. If our expenses grow faster than our revenue, if we fail to achieve expected economies of scale, or if we are unable to maintain effective controls and consistent operational standards as our business expands, our business, results of operations and financial condition may be adversely affected.

If we fail to recruit, retain and motivate key management members and highly skilled personnel, or maintain our corporate culture as we grow, we could lose the innovation, collaboration and focus that contribute to our business.

Our growth and technological development depend on our ability to attract, retain and motivate key management members and highly skilled engineers. The optical interconnect industry is highly competitive for talent, and experienced professionals with specialized knowledge are in limited supply. The loss of key personnel could disrupt our operations, delay product development or adversely affect customer relationships. We may also need to offer competitive compensation and incentives to attract and retain talent, which could increase our operating costs.

Our business also depends on the leadership and strategic direction of our senior management team. If we fail to implement effective succession planning or maintain smooth transitions in key positions, our long-term development may be affected. In addition, as we continue to expand globally, it may become more difficult to preserve a corporate culture that supports innovation, collaboration and execution. Any failure to attract, retain or motivate key personnel, or to maintain our corporate culture, could materially and adversely affect our business, results of operations and financial condition.

Any disruption to our manufacturing facilities could materially and adversely affect our business and results of operations.

We operate manufacturing facilities in the PRC and Malaysia, which are critical to our production efficiency, product quality and timely delivery to customers. Our manufacturing operations may be affected by natural disasters, power outages, water shortages, pandemics, labor disputes, supply disruptions or changes in governmental policies relating to land use, industrial zoning or other regulatory matters. Any interruption to electricity, utilities or the operation of precision equipment could result in production losses, shipment delays or damage to manufacturing assets. In addition, our production may involve hazardous materials, special gases and chemicals, which create operational safety and environmental risks. Accidents such as equipment failures, gas leaks, fires or explosions may still occur, which could lead to personal injury, property damage, operational suspension, regulatory penalties or reputational harm.

We are also expanding our manufacturing capacity and optimizing our global production layout, which may involve delays in construction, qualification, production ramp-up or disruptions arising from technical or regulatory issues. Our overseas production bases are also subject to additional uncertainties, including geopolitical tensions, cross-border logistics restrictions and changes in local industrial or tax policies. Any significant damage to, or prolonged suspension of, our manufacturing facilities could disrupt product supply, increase costs, harm customer relationships and materially and adversely affect our business, results of operations and financial condition.

If we fail to maintain and enhance our brand recognition, our business, results of operations and financial condition could suffer.

We believe maintaining and enhancing our brand is critical to the success of our business. A well-recognized brand helps boost the appeal of our products to customers. Moreover, operating in a highly competitive market means that brand maintenance and enhancement directly influence our ability to hold our market position. The success of our brand promotion will depend on how effective our marketing activities are and the word-of-mouth recommendations from our satisfied customers. We may need to spend additional funds on brand promotion, and the returns from these efforts might not offset the increased investment costs. We cannot ensure that our marketing initiatives will succeed or that they will bring significant benefits that justify the expenses involved. If our marketing efforts fail, our market recognition and position may decline, which could adversely affect our business, financial condition and operating results.

Increase in labor costs and other labor-related matters may adversely affect our business operations and financial condition.

While we continue to enhance the level of automation in our production processes, our operations still rely on a skilled workforce across our global production bases. As competition for qualified personnel intensifies, we may need to offer more competitive remuneration and benefits to attract and retain employees. In addition, rising labor costs resulting from wage inflation, labor shortages, demographic changes or changes in labor laws, minimum wage standards, employee benefits and social security obligations may increase our operating expenses and adversely affect our profit margins. Differences in labor laws and compliance requirements across jurisdictions may also increase our administrative costs.

Inflationary pressure on salaries and other production-related costs may reduce our cost competitiveness. If we cannot offset such increases through higher productivity, automation or pricing adjustments, our margins may decline. We also face risks of labor disputes, workforce shortages and employee turnover, particularly during periods of capacity expansion or key project delivery. Any strike, labor conflict or production disruption may delay deliveries, affect customer satisfaction and increase operating costs, which could materially and adversely affect our business, financial condition and results of operations.

Failure to meet industry standards, certifications or customer qualification requirements may adversely affect our business.

Our products are important components of optical and electronic communication systems and must comply with applicable industry standards, technical protocols, interface specifications and customer qualification requirements to ensure interoperability, reliability and performance. The optical interconnect industry is characterized by evolving standards and technical requirements, which may change due to technological developments, new data center architectures and increasing demand for higher bandwidth, lower latency and energy efficiency. In addition, certain customers may impose proprietary or customized specifications for their systems.

Our competitiveness depends on our ability to timely identify and comply with changing standards and customer requirements in a cost-effective manner. New standards or system architectures may reduce the competitiveness or compatibility of our existing products, requiring additional time, engineering resources and capital expenditure for redesign or requalification. If we fail to obtain or maintain required certifications or qualifications, or to adapt to changing standards and requirements, we may lose customer opportunities, market share or incur additional costs, which could materially and adversely affect our business, results of operations and prospects.

Our insurance coverage may be insufficient to cover all of our potential losses and business risks.

We cannot assure you that our insurance will provide adequate coverage for all the risks in connection with our business operations. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we may be required to bear our losses to the extent that our insurance coverage is insufficient. As a result, we could suffer significant costs and diversion of our resources, which could have a material and adverse impact on our business, results of operations and financial condition.

We face risks arising from evolving privacy and data protection regulations, which may affect our legal obligations, financial performance and operational activities.

In the course of our operations, we collect, process and store business, operational and transaction-related data generated through interactions with customers, suppliers and business partners. The secure management of such data is important to our business. For further details, see "Business — Information Security and Data Privacy" of this document, cybersecurity and data protection laws continue to evolve across the jurisdictions where we operate and may become more stringent, complex or uncertain in their interpretation and enforcement. As a result, we may need to update our systems, data management practices, technical protections or business processes to maintain compliance, and we may not be able to adapt to evolving privacy, cybersecurity or data protection requirements in a timely or cost-effective manner.

Any actual or alleged failure to comply with applicable privacy, cybersecurity or data protection requirements may result in investigations, liabilities, reputational harm or loss of customer confidence. We may also incur substantial costs to upgrade our information systems, implement additional controls or satisfy customer compliance requirements. Regulatory changes may further affect our product design, IT architecture, cross-border data transfers and cooperation with customers or suppliers. If we fail to manage these changes effectively, or if compliance obligations become excessively burdensome or costly, our business, financial condition and results of operations may be materially and adversely affected.

Disruptions and unauthorized access such as cyberattacks to our IT systems or those of third-party service providers could have a material adverse effect on our business operations, results of operations, reputation and financial condition.

Our business relies on information technology systems to support research and development, manufacturing, supply chain management and customer services activities. These systems are important to our operations and data security, but are subject to risks such as system failures, cyberattacks, data breaches and other security incidents. As our business becomes more digitalized, we may face increasing cyber threats, including ransomware, phishing and unauthorized access. Cyberattacks, data breaches, system failures or other security incidents may occur and disrupt our operations or compromise proprietary or customer data. We also depend on third-party vendors for certain IT infrastructure, cloud services, data storage and software services. Any failure, security weakness or unauthorized access affecting such third-party providers may also compromise our systems.

Any cyber incident or system failure could disrupt our operations, compromise proprietary or customer data, and result in remediation costs, legal liabilities, regulatory penalties, customer claims or reputational harm. Addressing such incidents may require substantial management time and resources. If we fail to manage these risks effectively, our business, financial condition and results of operations could be materially and adversely affected.

We face risks that certain of our lease agreements may not be renewed on existing or favorable terms, or at all, which could materially and adversely affect our business, financial condition, results of operations, and prospects.

We lease properties in the PRC and overseas for office, R&D and manufacturing purposes. Many of these leases are short-term or subject to regular renewal. We cannot guarantee that we will be able to renew these leases upon expiration on the same terms or on commercially reasonable terms. If landlords decline to renew, impose substantial rent increases or adopt stricter terms, we may need to relocate our operations. Relocation of manufacturing or R&D facilities may cause operational downtime, delays in production, higher costs for transportation and equipment relocation, and disruptions to customer shipments. In addition, early termination by landlords under applicable laws or contractual terms, or refusal to renew at expiry, may result in the loss of critical premises and operational disturbances. Replacement leases may not be as favorable as our current ones, and may involve higher rental expenses or more restrictive usage conditions. Our lease arrangements may also be affected by cross-border regulatory requirements. Leases in certain jurisdictions are subject to statutory registration, maximum lease terms and other procedural rules. Non-compliance with such regulatory requirements may expose us to administrative penalties or affect the enforceability of our lease rights.

Ineffective relationship management with our third-party service providers and business partners may adversely affect our brand, business, results of operations and financial performance.

We work with a broad range of third-party service providers and business partners, including logistics service providers and contract manufacturers. These third parties are subject to risks similar to ours relating to business interruption, system and employee failures, cybersecurity and data protection, and are also subject to their own legal, regulatory and market risks. Our third-party service providers and business partners may not fulfill their respective commitments and responsibilities in a timely manner, in accordance with the agreed terms or in compliance with applicable laws. In addition, we do not have control over the business operations, governance and compliance systems, practices and procedures of such third parties, which may increase our financial, legal, operational and reputational risks.

We have engaged contract manufacturers for certain of our products and thus are exposed to their quality risks. There can be no assurance that our quality control procedures will be effective in consistently preventing any deviations by the contract manufacturers from our quality standards. The failure of our contract manufacturers to follow our manufacturing schedules, maintain product quality or comply with applicable production standards could affect our ability to fulfill our obligations to customers and expose us to potential liabilities. In addition, our contract manufacturers may have access to certain product specifications, manufacturing procedures, technical know-how or other proprietary information in connection with outsourced production. Any unauthorized use, disclosure or misappropriation of such information, or any failure by contract manufacturers to comply with confidentiality, intellectual property protection or applicable legal requirements, could harm our competitive position and expose us to disputes, liabilities or reputational damage.

If we are unable to effectively manage our relationships with third-party service providers and business partners, or if any of our third-party service providers or business partners fails to satisfactorily fulfill its commitments and responsibilities for any reason, our business, results of operations and financial condition could suffer. Upon expiry of our existing contracts with such third parties, we may not be able to renew such contracts on commercially favorable terms, or at all, or find appropriate substitutes in a timely manner, in which case our business may be adversely affected.

We utilize third-party sales agents for a portion of our sales activities, which may expose us to risks relating to the performance of their operations.

During the Track Record Period, we engaged third-party commission agents and resale agents to support a limited portion of our sales activities. While these agents only account for a small part of our overall business, we have limited control over their conduct, customer communications and business practices. Any misconduct, non-compliance with applicable laws, unauthorized representation or failure to properly perform agreed services by such agents may adversely affect our customer relationships, expose us to disputes or liabilities, and harm our reputation.

Any product defects or quality inconsistencies may materially and adversely impact our business and reputation.

Our products involve high technological complexity and must meet stringent performance, reliability and safety standards. Due to the precision required in product design, manufacturing, assembly and testing, our products may in the future experience defects, failures or performance issues arising from design, fabrication, materials, assembly or end-use conditions, some of which may not be identified until after delivery, field deployment or prolonged use. Such defects or quality inconsistencies may result in malfunctions, system downtime, delayed customer acceptance, disqualification from future projects, customer complaints, product recalls, replacement obligations, compensation claims, indemnification obligations, additional remediation costs, or harm to our customer relationships, reputation and competitive position, particularly as we introduce new product generations, adopt new technologies and develop customized products.

We cannot completely eliminate the risk of product defects or quality deviations. Any material defects, failures or repeated quality inconsistencies could result in lost design wins, customer claims, regulatory penalties or damage to our brand reputation, which could materially and adversely affect our business, operating results and financial condition.

We are subject to governmental export and import controls, tariffs, economic sanctions and other trade protection measures, which could affect our ability to compete in certain markets or expose us to liability in certain jurisdictions.

We operate as part of a global supply chain, and our products are sold worldwide as components of various end products. Our products incorporate foreign-origin parts, such as certain U.S.-branded chips. We also utilize certain U.S.-branded software and technology in our product development and manufacturing process. Accordingly, we are exposed to risks relating to export and import controls, tariffs, economic sanctions and other trade protection measures.

Recent trade tensions, including the ongoing U.S.-China trade dispute, have resulted in broader and significantly higher tariffs, export controls and other restrictive measures affecting high-technology goods, semiconductors and electronics. Our sales to the United States represented approximately 41.0%, 61.3% and 67.7% of our total revenue during the Track Record Period, we remain exposed to the effects of these measures through our international customers and global supply chains.

Since 2018, the U.S. government has imposed a series of tariffs under Section 301 of the Trade Act of 1974 (19 U.S.C. §2411), which apply to our products manufactured in China but not those manufactured in Malaysia, due to various policy reasons including reciprocal trade agreements. In 2025, the U.S. government imposed a number of new or enhanced tariff measures on products of all countries which remain in effect as of the Latest Practicable Date, including new tariffs on automobiles and automobile parts, and medium and heavy trucks and truck parts, as well as enhanced tariffs on steel and aluminum derivative products under Section 232 of the Trade Expansion Act of 1962. In 2026, following the U.S. Supreme Court's decision striking down the government's "reciprocal" tariffs on nearly all countries, including the PRC, and the supplemental "trafficking" tariffs against the PRC specifically as unlawful, the U.S. government implemented a temporary, 150-day global tariff aimed at addressing persistent and substantial trade deficits, which is set to expire in July 2026. On May 7, 2026, the U.S. Court of International Trade ruled that the U.S. government is not authorized to implement the temporary global tariff under current economic conditions, and the U.S. government appealed the decision on May 8, 2026.

The United States and China are engaged in ongoing trade discussions, but there is no assurance that the higher tariffs will be suspended further or that a long-term agreement will be reached, and there is no assurance that the tariff policy will remain in its current form. Any additional tariff may increase the price of the end products imported to the U.S. market and reduce their competitiveness. Our customers who import the products may wish to pass on the additional tariff to us, their other suppliers or their customers. Even if the tariff is not passed on to us, the reduced competitiveness of our customers' end products could lead to the reduction or cancelation of their purchases from us, and tariffs could generally negatively affect economic conditions in China and other countries, which could adversely affect our business.

In addition to tariffs, certain foreign jurisdictions and intergovernmental organizations, mainly the United States, the European Union, the United Kingdom, Australia, Canada and the United Nations, impose sanctions and other trade restrictions that directly or indirectly affect China-based companies based on product origin, ownership, or other factors. Such trade-related restrictions frequently change and are subject to uncertain interpretation and enforcement. In recent years, the United States has tightened export controls on exports and reexports to China under the Export Administration Regulations (the "EAR"), administered by the U.S. Department of Commerce's Bureau of Industry and Security ("BIS"). The EAR prescribes an Entity List that identifies foreign parties subject to specified trade limitations. Absent satisfaction of applicable license requirements, the export, reexport, or in-country transfer of items subject to the EAR to a party on the Entity List is generally prohibited. Beginning in October 2022, BIS has further strengthened controls on semiconductor-related items and technologies destined for, or manufactured in, China. For example, Section 734.9 of the EAR now contains Foreign Direct Product Rules that capture certain advanced integrated circuits that are direct products of certain controlled U.S.-origin technologies and are intended for, or developed by, entities in China. BIS has also increasingly designated PRC-based entities on the Entity List. These existing and any future, similar, or more expansive restrictions imposed by the United States or other jurisdictions could materially impede our ability, and the ability of our suppliers and customers, to acquire technologies, systems, devices, or components critical to our infrastructure, product portfolio, and operations, and the attendant uncertainty may negatively affect our reputation and business. Moreover, if any of our customers or suppliers are added to the Entity List and thereby face restrictions on sourcing or selling technologies, software, or components to or from us, we may be unable to obtain, extend, or maintain necessary regulatory authorizations for transactions with those counterparties.

These measures have increased uncertainty across global supply chains, constrained access to critical raw materials and components, and raised production costs, compliance burdens, and operational risks for participants in affected industries. For example, restrictions on the export of particular technologies or materials to certain regions may impair our ability to source key inputs or deliver products to customers in those markets, which could lead to delays or disruptions in our operations. If trade restrictions or geopolitical tensions continue to escalate, we may also encounter additional risks, such as diminished access to important markets, pressure on customer relationships and reduced business opportunities. Compliance with complex export control regulations and sanctions regimes may require significant management attention and additional resources. Tariffs, quotas, and local content requirements may further increase our manufacturing costs and reduce the profitability and competitiveness of our products.

Moreover, certain foreign investment restrictions may affect our ability to attract foreign investments. For instance, on October 28, 2024, the U.S. Department of the Treasury issued the Outbound Investment Rule, which became effective on January 2, 2025. The Outbound Investment Rule imposes investment prohibition and notification requirements on U.S. persons for a wide range of investments in entities associated with China (including Hong Kong and Macau), collectively defined as "covered foreign persons" that are engaged in covered activities relating to three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence systems. U.S. persons subject to the Outbound Investment Rule are prohibited from making, or required to report, certain investments in covered foreign persons.

As advised by our International Sanctions Legal Advisor, we do not believe we are a covered foreign person as our Group does not engage in any covered activities in semiconductors and microelectronics, quantum information technologies, or artificial intelligence sectors. However, we cannot rule out the possibility of being deemed a covered foreign person due to different views taken by the U.S. Department of the Treasury, potential amendments to the Outbound Investment Rule or the introduction of similar regulations. This may reduce U.S. investors' interest in our equity securities and the value of the Shares, as well as limit our ability to raise capital or contingent equity capital from U.S. investors after this **[REDACTED]**. If our ability to raise such capital is significantly and negatively affected, it could be detrimental to our business, financial condition and prospects. In such case, the value of our Shares may significantly decline. U.S. persons (and their controlled non-U.S. subsidiaries) that acquire our Shares in the **[REDACTED]** should consult their legal counsel regarding their obligations under the Outbound Investment Rule, including the applicability of any exceptions.

We received government grants and preferential tax treatment during the Track Record Period, and any discontinuation of government grants or preferential tax treatment or any material change in the relevant policies may adversely affect our financial performance and results of operations.

We received government grants and preferential tax treatment during the Track Record Period. In 2023, 2024 and 2025, we recognized income from government grants of RMB11.6 million, RMB7.1 million and RMB9.1 million respectively. We may not be able to continue to enjoy similar government grants and preferential tax treatment in the future as they are non-recurring in nature. The discontinuation of any of our government grants or current tax treatments could adversely impact our profit and materially increase our tax obligations. Government grants and preferential tax treatments are subject to review by authorities and may be adjusted or revoked at any time in the future. We cannot guarantee that government grants and preferential tax treatments to which we and certain of our subsidiaries are currently entitled will be successfully renewed. There can be no assurance that the local tax authorities will not change their position in the future and discontinue any of our current tax treatments, potentially with retrospective effect.

We have experienced net cash outflows from operating activities, and may continue to do so in the future.

In 2025, our net cash used in operating activities amounted to RMB206.2 million, which was primarily attributable to a significant increase in inventories in connection with our business expansion and product mix upgrade, and an increase in trade and bills receivable. Our future business activities and other external factors may adversely affect our operating cash flows and we cannot assure you that we will be able to generate positive cash flows from operating activities in the future. A sustained net operating cash outflow could materially harm our financial health, results of operations, and cash flows.

Our business, reputation, financial condition and results of operations could be materially and adversely affected by our investments, acquisitions or other strategic transactions.

As part of our growth strategy, we may continue to pursue investment, acquisition, and other strategic opportunities. However, such transactions involve significant uncertainties and execution risks. We may face difficulties in retaining key employees and customer relationships, integrating acquired businesses, or resolving issues relating to technology, internal controls, accounting systems or compliance matters. Where we do not obtain management or operational control, our ability to influence strategic decisions and realize expected benefits may be limited.

Such transactions may also disrupt our operations, divert management attention, increase costs and expose us to unknown liabilities, regulatory risks or reputational harm. They may require significant cash resources or the issuance of equity securities, which could reduce our liquidity or dilute our Shareholders. In addition, anticipated synergies or growth opportunities may not be realized. If any of these risks occur, our business, reputation, financial condition and results of operations could be materially and adversely affected.

If we fail to fulfill our obligations under our contracts with customers in respect of contract liabilities, our results of operations and financial condition may be adversely affected.

As of December 31, 2023, 2024 and 2025, our contract liabilities amounted to RMB0.2 million, RMB0.1 million, and RMB15.1 million, respectively. Our contract liabilities primarily represent routine payments received from customers for our optical transceiver products, which increased significantly in 2025, primarily represented a payment received from a customer to support our R&D activities. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the purchase price we have received, which may materially and adversely affect our cash flow and liquidity condition, our ability to meet our working capital requirements and our results of operations and financial condition. In addition, if we fail to fulfill our obligations under our contracts with customers, it may adversely affect our relationship with such customers, which may also materially and adversely affect our reputation, business and results of operations in the future.

Our financial condition could be materially and adversely affected if we incur additional tax liabilities arising from our transfer pricing arrangements.

During the Track Record Period, we entered into certain intra-group transactions, consisting primarily of manufacturing-related sales and service arrangements. For further details, see "Business — Transfer Pricing Transactions" of this document. Our profit allocation and income tax positions across relevant jurisdictions under these transfer pricing arrangements are subject to the interpretation of applicable tax laws and transfer pricing rules by the respective tax authorities. The determination of profit allocation and tax positions in respect of our transfer pricing arrangements involves significant judgment and estimation. If a relevant tax authority determines that our adopted transfer prices, transaction terms, or historical income tax provisions and accruals are inappropriate, it may require the relevant subsidiaries to reassess transfer prices, reallocate income, or adjust taxable income. In the event we are found to be non-compliant with applicable transfer pricing regulations, the relevant tax authority may also impose outstanding tax payments, statutory surcharges, or penalties.

We may from time to time be subject to claims, disputes, lawsuits, and other legal and administrative proceedings.

We may from time to time be subject to various legal or contractual disputes, claims, litigation or administrative proceedings in the ordinary course of our business, including, but not limited to, various disputes with or claims from our suppliers, customers and other third parties. Ongoing or threatened litigation, legal or contractual disputes, claims or administrative proceedings may divert our management's attention and other resources. Furthermore, any litigation, legal or contractual disputes, claims or administrative proceedings that are initially not of material importance may escalate and become important to us, due to a variety of factors such as the subject matter of the disputes, the likelihood of loss, the monetary amount at stake and the parties involved. If any adverse verdict, judgment or award is rendered against us or if we settle with any third parties, we may be required to pay significant monetary damages or assume other liabilities. In addition, negative publicity arising from litigation, legal or contractual disputes, claims or administrative proceedings may damage our reputation and have a material and adverse impact on our business, results of operations and financial condition.

We have been and may in the future become, subject to intellectual property infringement claims, which may be time-consuming, cause us to incur significant liability and increase our costs of doing business.

We cannot assure you that our operations, products or other aspects of our business do not, or will not, infringe patents, copyrights, trademarks or other intellectual property rights of third parties, or that we will not breach licensing arrangements relating to certain intellectual property rights. We may from time to time become subject to claims, disputes or legal proceedings in jurisdictions where we operate or sell our products. In addition, intellectual property laws, and their interpretation and enforcement, may continue to evolve across different jurisdictions.

If we are found to have infringed the intellectual property rights of others, we may be subject to damages, injunctions, licensing fees or restrictions on the use of relevant intellectual property, and we may need to develop alternative solutions. We may also incur substantial legal and other costs and divert management time and resources in defending such claims. During the Track Record Period, we had not been involved in any material intellectual property dispute or litigation. However, any intellectual property-related claim, dispute or litigation, regardless of its merits or ultimate outcome, could materially and adversely affect our business, financial condition and results of operations.

We may not be able to prevent unauthorized use of our intellectual property, which could harm our business and competitive position.

Our trade secrets, trademarks, patents, software copyrights and other intellectual property rights are important to our business. We rely on applicable laws and contractual protections, including confidentiality agreements with employees and third parties, to protect such rights. However, these measures may be insufficient or breached, and our intellectual property may be misappropriated, challenged, invalidated or otherwise infringed. In addition, there can be no assurance that our applications for trademarks, patents or other intellectual property rights will be approved, or that rights granted in one jurisdiction will provide equivalent protection in other jurisdictions.

Protecting and enforcing our intellectual property rights may be difficult, costly and time-consuming. We may need to monitor unauthorized use, pursue litigation or take other actions to enforce our rights, which could require substantial costs and management resources. Our patents may not provide meaningful protection or competitive advantages, and third parties may develop similar technologies, challenge our rights or obtain superior rights. If we fail to adequately protect our intellectual property, our competitive position, business, financial condition and results of operations could be materially and adversely affected.

Potential impairment losses for intangible assets could materially and adversely impact our financial performance.

Our intangible assets primarily comprise software, technical know-how, and capitalized development costs. As of December 31, 2023, 2024 and 2025, the carrying amounts of our intangible assets were RMB17.9 million, RMB29.2 million and RMB29.2 million, respectively. In 2024, we recognized impairment losses on two intangible assets in an aggregate amount of RMB3.9 million. Intangible assets with indefinite useful lives are not subject to amortization and are required to be tested for impairment at least annually, or more frequently if impairment indicators arise. If the carrying amount of any intangible asset exceeds its recoverable amount in future periods, we will be required to recognize an impairment loss in our financial statements for the relevant period. Any future impairment charges against intangible assets could materially and adversely affect our business, results of operations and overall financial condition.

Fluctuations in the fair value of financial assets measured at fair value through profit or loss may adversely affect our financial results.

Our operating results are susceptible to fluctuations in the fair value of our financial assets measured at fair value through profit or loss. As of December 31, 2023, 2024 and 2025, we recognized other financial assets at fair value through profit or loss in the amounts of RMB292.8 million, RMB387.7 million and RMB282.2 million, respectively. These financial assets mainly consisted of wealth management products with risk ratings of Level 2 or below. For further details, see "Financial Information — Discussion of Certain Key Items on Consolidated Statements of Financial Position — Financial Assets at Fair Value through Profit or Loss" of this document.

Fair values are determined using methodologies including net asset value, the latest financing price, and the expected rate of return approach, among other valuation techniques, with key assumptions relying on management estimates and other unobservable inputs. A variety of factors beyond our control, including general economic conditions, movements in market interest rates and the stability of capital markets, may exert a significant influence on the fair value of these financial assets. Any divergence between our estimates and actual outcomes resulting from such factors could materially and adversely affect our results of operations and financial condition.

We are exposed to risks relating to our investments in a joint venture.

We currently hold investments in a joint venture and may make additional such investments in the future. The operating performance of such joint venture may affect our results of operations and financial position. In addition, investments in the joint venture are generally less liquid than other investment assets, and our ability to dispose of such interests on favorable terms or in a timely manner may be limited.

The value and performance of our joint venture may be affected by factors beyond our control, including economic conditions, financing availability, interest rate movements and market conditions. We cannot assure you that we will realize the expected economic or strategic benefits from these investments, including dividend distributions or gains on disposal. Any deterioration in the performance or value of our joint venture, or any inability to exit such investments when desired, could materially and adversely affect our financial condition and results of operations.

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.

Our reputation and brand image are important to maintaining the confidence of our customers, suppliers, business partners, investors and regulators. Negative publicity relating to us, our subsidiaries or affiliates, our Directors, officers, employees, major shareholders, customers or business partners, whether accurate or not, may adversely affect our corporate image, stakeholder trust and business relationships. We may be subject to heightened public and media attention, particularly in connection with our collaborations with our well-known key customers. Allegations concerning product quality, workplace safety, data security, compliance, business practices, management conduct or corporate governance may spread rapidly through traditional media and online platforms.

The broad availability of online information and the speed of its dissemination may make negative reports difficult to prevent or contain. Any adverse publicity or unfounded rumors may lead to increased scrutiny from customers, suppliers, regulators or investors, loss of existing or potential business opportunities, difficulties in attracting and retaining key personnel, and significant management time and costs, including public relations and legal expenses. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We are exposed to credit risks in relation to our trade and bills receivables and certain other financial assets.

We are exposed to credit risks arising from our trade and bills receivables, which represent amounts owed by customers in respect of goods sold and services rendered in the ordinary course of business. Fluctuations and prolongations in our trade and bills receivables turnover may materially and adversely affect our cash flow and liquidity position. For further details, see "Financial Information — Discussion of Certain Key Items on Consolidated Statements of Financial Position — Trade and Bills Receivables" of this document. Although we conduct credit assessments and monitor receivables, we cannot assure you that all counterparties will remain creditworthy or that defaults will not occur.

We may require additional funding to finance our operations, which may not be available or on terms acceptable to us.

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We may not be able to obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including our future financial condition, results of operations, general market conditions for capital raising and debt financing activities and economic, political and other conditions in the markets in which we operate.

We face risks associated with the recoverability of our deferred tax assets.

We are subject to income tax in multiple jurisdictions, and our financial statements may recognize deferred tax assets arising from temporary differences between the carrying amounts of assets and liabilities for accounting purposes and their corresponding tax bases. The recognition of deferred tax assets is based on management's assessment that sufficient future taxable profits will be available to utilize deductible temporary differences and tax losses.

The recoverability of deferred tax assets is uncertain and depends on our future taxable income, which requires management judgment regarding future operating performance, tax planning and the timing of reversal of temporary differences. If future taxable income is lower than expected, or if tax laws or tax rates change adversely, we may be required to write down deferred tax assets through income tax expense. In addition, the complexity of cross-border tax rules may result in disputes with tax authorities or adjustments to our deferred tax balances. Any such write-down or adjustment could materially and adversely affect our financial condition, results of operations, profitability or equity position.

We are subject to potential adverse effects in respect of defects in our existing properties owned and leased in China.

We may be exposed to potential adverse effects due to defects in our existing properties held and leased in China. Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》), which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC on December 1, 2010, and became effective on February 1, 2011, lease agreements in general are required to be registered with the local land and real estate administration bureau. As of the Latest Practicable Date, we had not obtained the registration of lease agreements for one of our leased properties in the PRC, which were in the process of registration. We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. In accordance with relevant PRC laws and regulations, a failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements, but we may be subject to a penalty ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant competent authorities.

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

Under PRC laws and regulations, we are required to open social insurance registration accounts and housing provident fund accounts and make contributions for the social insurance and housing provident funds for the benefit of our employees. The relevant competent authorities may examine whether an employer has made adequate payments of the requisite employee benefit payments. Employers who fail to make adequate payments as required may be subject to late payment fees, fines and/or other penalties.

During the Track Record Period, we did not make adequate contribution to social insurance and housing provident funds for employees as required by relevant PRC laws and regulations. We cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations or significant administrative penalties or incur significant legal fees related to non-compliance with relevant PRC laws and regulations, our business, financial condition and results of operations may be adversely affected.

Our business growth and results of operations may be adversely affected by the occurrence of natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

Our business could be adversely affected by natural disasters, such as snowstorms, earthquakes, fires or floods, public health hazards, such as the outbreaks of widespread epidemics, public security hazards or other events, such as wars, acts of terrorism, environmental accidents, power shortages or communication interruptions. We cannot assure you that any backup systems will be adequate to protect us from the effects of natural disasters, public health and public security hazards or other events. Any of the foregoing events may give rise to interruptions, breakdowns, system failures or internet failures, which may result in the loss or corruption of data, malfunctions of software and hardware, and adversely affect our ability to produce our modules, devices and integrated solutions. As a result, our business, financial condition and results of operations may be adversely affected.

Risks Relating to Where We Conduct Business

Changes in economic, political and social conditions, as well as government policies, laws and regulations, and industry practice guidelines could have a material and adverse effect on our business, financial condition and results of operations.

We derive revenue from and operate in multiple jurisdictions. As such, changes in any of these jurisdictions could have a material and adverse impact on our future prospects, business, results of operations and financial condition. Our future prospects, business, results of operations and financial condition are, to a material extent, subject to economic, political and legal developments in China and other jurisdictions. Any significant changes in macroeconomic conditions in China and other jurisdictions will affect the demand for our products and our ability to maintain our operations, which could consequently lead to a material and adverse impact on our business, results of operations and financial condition. Moreover, if foreign governments implement laws or regulations restricting investment in Chinese entities and we are deemed to be subject to such restrictions, the investment and transactions in our Shares, our business prospects, results of operations, financial conditions and future capital raising may be adversely affected.

Changes in the business environment in China and the other jurisdictions in which we operate could have a material and adverse impact on our business, results of operations and financial condition.

We may be subject to regulatory requirements relating to laws and regulations in connection with our capital raising activities issued by PRC government authorities.

On February 17, 2023, the China Securities Regulatory Commission ("CSRC") issued the Trial Measures (which came into effect on March 31, 2023) and five supporting guidelines (which came into effect on February 17, 2023) (the "Overseas Listing Regulations"). The Overseas Listing Regulations are applicable to overseas securities offer and list conducted by issuers who are (i) companies incorporated in the PRC ("PRC domestic companies") and (ii) companies incorporated overseas with substantial operations in the PRC. The Overseas Listing Regulations lay out the arrangements for regulatory filings for both direct and indirect overseas offerings, and clarify the determination criteria for indirect overseas offerings in overseas markets. The Overseas Listing Regulations stipulate that such issuers shall fulfill the filing procedures within three working days after it makes an application for offering and listing in an overseas stock market. According to the Overseas Listing Regulations, we are required to fulfill the filing procedure with the CSRC within three working days after submitting the application documents to the overseas supervisory authorities and report relevant information. For details, see "Regulatory Overview — Laws and Regulations on Securities and Overseas Listing—Overseas Listings" of this document.

We are required to comply with the filing procedures of the CSRC within a specific time limit as required by the Overseas Listing Trial Measures, the failure of which may restrict our ability to complete future overseas capital raising activities. The Overseas Listing Regulations, or any pertinent rules or regulations promulgated in the future, may subject us, or our financing activities, to additional compliance requirements in the future. Any failure on our part to fully comply with the new regulatory requirements may have an adverse effect on our capital raising activities or significantly limit or completely hinder our ability to continue to sell our securities to investors, cause significant disruption to our business operations, and severely damage our reputation, which could affect our financial condition and results of operations and cause our securities to decline in value or become worthless.

We are subject to environmental, social and governance ("ESG") related laws and regulations, and changes in relevant compliance requirements could have an adverse impact on our business, operating results and financial condition.

We are subject to various environmental, health and safety, and other ESG-related laws and regulations in the jurisdictions where we operate. Our facilities and production activities may require regulatory approvals, inspections or ongoing compliance with standards relating to pollution control, waste treatment, workplace safety and related matters. We cannot assure you that we will be able to obtain or maintain all required approvals, or comply with all applicable requirements, in a timely manner or at all. Any failure on our part to do so may result in delays to production, rectification orders, fines, damages, suspension of operations or reputational harm. In addition, accidents, contamination, hazardous incidents or personal injury may occur in connection with our operations, which could result in liabilities and remediation costs.

As ESG expectations continue to evolve, more stringent laws, regulations and customer or investor requirements may be introduced, including those relating to waste management, greenhouse gas emissions and environmental protection. As a result, we may incur additional compliance costs and need to devote further resources to ESG management and reporting. Although we have implemented measures to support compliance, we cannot assure you that such measures will be sufficient to address future regulatory changes. Any failure to comply with applicable ESG-related requirements, or any significant increase in compliance costs, could materially and adversely affect our business, financial condition, results of operations and prospects.

Our Company is a PRC enterprise and is subject to PRC tax on our global income, and any gains on the sales of our H Shares by investors and dividends paid to investors on our H Shares may be subject to PRC tax.

As a PRC-incorporated company, under applicable PRC tax laws, we are subject to a tax of up to 25% on our global income. Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares.

Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. However, pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》) issued by the Ministry of Finance ("MOF") and the State Taxation Administration ("SAT") on May 13, 1994, the income gained by foreign individuals from dividends and bonuses of foreign-invested enterprises is exempted from individual income tax for the time being.

According to the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares issued by the MOF and the SAT (《財政部國 家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) effective as of March 30, 1998, income from individuals' transfer of stocks of listed companies continued to be temporarily exempted from individual income tax. On February 3, 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院批轉發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On February 8, 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). These documents indicate that the PRC government is planning to cease foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the MOF and the SAT should be responsible for making and implementing details of such plan. However, relevant implementation rules or regulations have not been promulgated by the MOF and the SAT.

Considering these uncertainties, non-resident individual holders of our H Shares should be aware that they may be obligated to pay PRC income tax on the dividends and bonuses realized from the H Shares. Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are subject to PRC Enterprise Income Tax Law ("EIT") at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

Pursuant to applicable regulations, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares (including **[REDACTED]** and payments through **[REDACTED]**). Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of any such refund will be subject to the PRC tax authorities' verification.

There remains uncertainty as to the interpretation and application of the relevant PRC tax laws by the PRC tax authorities, including whether and how individual income tax or EIT Law tax on gains derived by holders of our H Shares from their disposition of our H Shares may be collected. If any such tax is collected, the value of our H Shares may be materially and adversely affected.

It may be challenging to effect service of legal process and enforce judgments against us and our directors and senior management personnel.

We are a company incorporated under the laws of the PRC, with the majority of our assets situated in the PRC. Most of our directors and senior management personnel reside in the PRC, and the majority of their assets are also located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon us or most of our Directors and senior management personnel.

When it comes to trans-jurisdictional recognition and enforcement of judgments, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be uncertain.

Certain foreign exchange transactions may be subject to regulatory requirements relating to foreign currency conversion.

Conversion and remittance of foreign currencies are subject to the foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we shall have sufficient foreign exchange to meet our foreign exchange needs. For example, under the current Chinese foreign exchange regulation system, our foreign exchange transactions under the current account, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange ("SAFE"), but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that are licensed to carry out foreign exchange business. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange obligation.

Our offshore subsidiaries may be deemed to be a PRC tax resident enterprise.

Under the EIT Law and the Regulation on the Implementation of the Enterprise Income Tax Law of China (《中華人民共和國企業所得稅法實施條例》), enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. In addition, the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82, specifies that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following conditions are met: (i) senior management personnel and departments that are responsible for daily production, operation and management are located mainly within China; (ii) financial and personnel decisions are subject to determination or approval by bodies or persons in China; (iii) key properties, accounting books, company seal and minutes of board meetings and shareholders' meetings are located or kept within China; and (iv) at least half of the directors with voting rights or senior management reside within China. The State Administration of Taxation of the PRC, or SAT, has subsequently provided further guidance on the implementation of Circular 82.

Although most of our offshore subsidiaries have substantive business operations in the countries or regions where they are located, as our Company is a PRC enterprise, our offshore subsidiaries may be questioned by the competent regulatory authorities, and if our offshore subsidiaries are deemed PRC resident enterprises, they could be subject to the EIT at 25% on their global income, except that the dividends they receive from our PRC subsidiaries, if any, may be exempt from the EIT to the extent such dividend income constitutes "dividends received by a PRC resident enterprise from its directly invested entity that is also a PRC resident enterprise." The EIT on our subsidiaries' global income could significantly increase our tax burden and affect our cash flows and profitability.

Any failure to comply with relevant regulations regarding the employee stock incentive plans may subject us to fines and other legal or administrative sanctions.

The SAT issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. We have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

Risks Relating to the [REDACTED]

As a company listed on the Shenzhen Stock Exchange, we, our Directors, senior management, employees and shareholders are subject to securities regulations and exchange listing rules in the PRC.

As our A Shares are listed on the ChiNext Board of the Shenzhen Stock Exchange and our H Shares will be **[REDACTED]** on the **[REDACTED]**, we will be required to comply with the applicable listing rules and other regulatory requirements of both jurisdictions, unless exemptions are available or waivers have been granted. As a result, we may incur additional costs and devote significant management and administrative resources to ensure ongoing compliance with the regulatory regimes of both exchanges.

We are exposed to risks associated with the potential spin-off.

We periodically evaluate strategic opportunities to enhance shareholder value, including potential spin-offs of subsidiaries, taking into account market conditions, financing needs, business development, and regulatory requirements. While no concrete spin-off plan has been formulated, we may consider such transactions in the future if they align with our strategic objectives. As our

Company has been listed on the Shenzhen Stock Exchange since 2022, any future spin-off may also require compliance with applicable regulatory requirements and, where necessary, approvals or waivers from relevant authorities.

Although a spin-off may provide funding opportunities and strategic benefits, there can be no assurance that such objectives will be achieved. A spin-off may involve additional costs, operational separation challenges, disruption to existing business synergies and uncertainty regarding the future performance of the spun-off entity. If any spin-off entity experiences operational or financial difficulties, or if a proposed spin-off is not executed successfully, our business, reputation, financial condition and results of operations could be materially and adversely affected.

We will be concurrently subject to PRC and Hong Kong* [REDACTED] *and regulatory requirements, which may incur additional costs and resources.

As we are listed on the ChiNext Board of the Shenzhen Stock Exchange and will be **[REDACTED]** on the **[REDACTED]**, we will be required to comply with the listing rules (where applicable) and other regulatory regimes of both jurisdictions, unless otherwise agreed by the relevant regulators. Accordingly, we may incur additional costs and resources in continuously complying with all sets of listing rules in the two jurisdictions.

Our A Shares are listed on the Shenzhen Stock Exchange, and the characteristics of the A Share and H Share markets may differ.

Our A Shares are listed and traded on the ChiNext Board of the Shenzhen Stock Exchange. Following the **[REDACTED]**, our A Shares will continue to be traded on the ChiNext Board of the Shenzhen Stock Exchange and our H Shares will be traded on the **[REDACTED]**. Under current PRC laws and regulations, without approval from the relevant regulatory authorities, our H Shares and A Shares are neither interchangeable nor fungible, and there is no direct trading or settlement between the H Share and A Share markets. Given their different trading characteristics, the H Share and A Share markets differ in trading volumes, liquidity, and investor bases, as well as levels of retail and institutional investor participation. As a result, the trading performance of our H Shares and A Shares may not be directly comparable. Fluctuations in the price of our A Shares may adversely affect the price of our H Shares, and vice versa. Due to the differences between the two markets, the historical trading prices of our A Shares may not be indicative of the future performance of our H Shares. Accordingly, you should not place undue reliance on the trading history of our A Shares when making an investment decision in our H Shares.

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

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

There has been no prior public market for our H Shares and an active trading market for our H Shares may not develop or be sustained.

Prior to the **[REDACTED]**, there has not been a public market for our H Shares. Future sales or perceived sales of significant amounts of our H Shares or conversion of the Unlisted Shares, if any, by specific Shareholders subject to certain regulatory requirements, after the **[REDACTED]** could result in a significant decrease in the prevailing market price of our H Shares. Nevertheless, after these restrictions lapse or if they are waived, future sales of significant amounts of our H Shares in the public market or the perception that these sales, or conversion of existing Unlisted Shares, if any, may occur could significantly decrease the prevailing market price of our H Shares and our ability to raise equity capital in the future.

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

Following the completion of the **[REDACTED]**, we cannot assure you that an active trading market for our H Shares on the Stock Exchange will develop or be sustained. The **[REDACTED]** of our H Shares is the result of negotiations between our Company and the **[REDACTED]** (for itself and on behalf of the Hong Kong **[REDACTED]**), which may not be indicative of the price at which our H Shares will be traded following the completion of the **[REDACTED]**. The market price of our H Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory developments, additions or departures of key personnel, or actions taken by competitors could cause the market price of our H Shares or trading volume of our H Shares to change substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of H Shares, and as a result investors in our H Shares may incur substantial losses.

The prevailing market price of our H Shares could be materially and adversely affected by substantial actual or anticipated sales of our Shares in the public market, particularly by our directors, executive officers and substantial shareholders.

The market price of our H Shares and our ability to raise equity capital at desirable timing and terms in the future may be negatively affected by the actual sale of a substantial number of our Shares, particularly by our directors, executive officers and substantial shareholders, or by market expectations that such sales may occur. We cannot guarantee that they will not sell any Shares held by them currently or acquired in the future. The public sale of Shares by these shareholders, together with the potential future supply of such Shares in the market, may exert downward pressure on the trading price of our H Shares.

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

There can be no assurance that future dividends will be declared or paid. The declaration, payment and amount of any future dividends are subject to the discretion of our Directors, after taking into account various factors including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, market conditions, our strategic plans and prospects for business development, regulatory restrictions on the payment of dividends and other factors as our Board may deem relevant, and subject to the approval of the Shareholders' meeting. For details, see "Financial Information — Dividends" of this document.

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

The **[REDACTED]** of the H Shares is higher than the net tangible asset value per H Share immediately prior to the **[REDACTED]**. Therefore, purchasers of the H Shares in the **[REDACTED]** will experience an immediate dilution. In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the H Shares may experience dilution if we issue additional Shares in the future at a price which is lower than the net tangible asset value per Share at that time. Furthermore, we may issue Shares through the employee incentive platforms, which would further dilute Shareholders' interests in our Company.

Certain facts, forecasts and statistics derived from official government sources contained in this document have not been independently verified and may not be reliable. There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics contained in this document.

Facts, forecasts, estimates and other statistics in this document relating to the economy and the industry in which we operate our business have been collected from materials from official government sources. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications, we cannot assure you nor make any representation as to the accuracy or completeness of such information. The information and statistics from official government sources have not been independently verified by our Group, our Directors, the Sole Sponsor, **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]** or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy.

Neither we nor any of our respective affiliates or advisors, nor the **[REDACTED]** or any of their affiliates or advisors, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from official government sources used in this document may not be consistent with other information available from other sources.

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

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

Forward-looking statements relating to our plans, expectations and intentions contained in this document are subject to risks and uncertainties.

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain information and other matters.

The words "anticipate," "believe," "could," "potential," "continue," "expect," "intend," "may," "plan," "seek," "will," "would," "should," and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors, Supervisors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a result, these forward-looking statements should be considered in light of various important factors, including those set out in "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.