

RISK FACTORS

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before deciding to [REDACTED] in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such an event, the [REDACTED] of our Shares could decline, and you may lose all or part of your [REDACTED]. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in “Forward-looking Statements” in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may fail to anticipate and respond to rapid changes in consumer preferences and demand in the smart health wearables market. If market adoption of our products does not continue to grow according to expectations, it could materially and adversely affect our business, financial condition and results of operations.

The success of our business depends on our ability to identify market trends and customer preferences, and then to design and bring to market products that satisfy the current preferences of a broad range of customers in a timely manner, either by enhancing existing products or developing new product offerings. Additionally, customer preferences may evolve over time in response to changing economic circumstances. Failure to anticipate and adapt to these shifts may affect our ability to adjust our product mix or launch new products that are commercially viable in a timely manner, which may cause fluctuations in our financial performance.

During the Track Record Period, our financial performances were subject to such fluctuations. In 2023, 2024, 2025 and for the five months ended May 31, 2026, our revenues were RMB1,045.8 million, RMB1,044.8 million, RMB1,217.5 million and RMB645.7 million, respectively. Our net profit during the Track Record Period were RMB126.5 million, RMB135.5 million, RMB131.8 million and RMB61.6 million, respectively, representing net profit margin of approximately 12.1%, 13.0%, 10.8% and 9.5%, respectively. There is no assurance that we will be able to maintain a certain level of revenue and/or profit and our business, financial condition may be materially and adversely affected.

Failure to effectively maintain or enhance our brand value may materially and adversely affect our future success.

We believe that, our brand value is important to our success, and market perception of a brand is typically one of the determining factors for consumers in making purchasing decisions. We focus on our brand promotion efforts on establishing and maintaining a unique and healthy image. If we are unsuccessful in promoting our brand image or fail to maintain our brand recognition among our targeted consumer groups, or if the difference in the value attributed to our products as compared to those of our competitors narrows, market perception and consumer acceptance of our brand may be eroded, and our business, financial condition, results of operation and prospects may be materially and adversely affected as a result.

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Our business and prospects depend on our ability to build our brand and reputation, which could be harmed by negative publicity regarding us, our Directors, employees, branding or products. Any negative publicity, whether warranted or not, could adversely affect our business.

We consider our “SKG” brand to be one of our most important assets. Our sales of our core products rely on the reputation of our brand. The strength of our brand is based on our reputation for providing high quality products. Maintaining and enhancing our brand is critical to our success. The successful promotion of our brand depends on the effectiveness of our marketing efforts and positive word-of-mouth referrals we received from satisfied customers. We may incur extra expenses in promoting our brand. And we cannot assure you that these activities are and will be successful or that we can achieve the brand promotion effect we expect. And should our brand deteriorate in the future, we may not be able to maintain our current prices and/or sales volumes or introduce new products or enter new markets, which may materially and adversely affect our business, results of operations, financial condition and our growth strategies.

In addition, negative publicity about our brand, Directors, employees, or products, whether warranted or not, could potentially harm our brand, reputation and business. Certain of such negative publicity may come from malicious harassment or unfair competition acts by third parties, which are beyond our control.

If we are unable to design, develop or introduce new products that adapt to changing market demand in a timely manner, our future business, financial condition, results of operations and competitive position would be materially and adversely affected.

Our future business, results of operations, financial condition and competitive position depend on our ability to develop and introduce new and enhanced smart health wearables that incorporate the latest technological advancements. To remain competitive, we must maintain and enhance our technologies to meet the latest downstream market needs, technological advancement and industry standards.

The development activities related to our technologies may involve significant time, risks and uncertainties, and we may encounter unexpected technical and production challenges or delays in completing the development of new and enhanced products and/or ramping up production in a cost-efficient manner. Successful product development and upgrade not only requires us to invest significant resources in research and development but also requires that we: (i) design innovative functions that enhance user experience and differentiate us from our competitors; (ii) respond effectively to technological advancements and product releases by our competitors; and (iii) quickly and cost-effectively adjust to evolving customer demands, market conditions and industry trends.

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

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

The smart health wearables industry is highly competitive, and we face competition at both international and national level. According to Frost & Sullivan, the global market competition pattern of smart soothing wearables is relatively fragmented, industry concentration is not high and the competition is rather fierce, while the industry concentration of the smart soothing wearable market in China is slightly higher than that of the global market and still relies on further channel penetration and product optimization. According to Frost & Sullivan, we ranked first in terms of GMV, with a 4.6% market share, taking the lead in the global smart soothing wearables market in 2025. In the meantime, we ranked first in terms of GMV, with 21.6% market share in China’s smart soothing wearables market, according to Frost & Sullivan. Our competitors may have greater brand recognition or financial resources than we do, and they may be able to respond more quickly than we can to emerging market trends. If we lack or fail to acquire more financial resources, leading-edge technological capabilities and broader customer base compared to our competitors, we may struggle to respond to new or changing opportunities, technologies, regulatory requirements or evolving customer demands.

We may also face competition with new entrants, who may offer more affordable and/or advanced products, and thus increase the level of competition in the future. Increased competition could result in lower sales volume, price reductions, shrunk profit margins or loss of market share. Further, we may be required to make substantial additional investments in research and development, sales and marketing, talents recruitment and retention, and acquisition of technologies complementary to, or necessary for, our current and future products in order to respond to such competitive threats, and we cannot assure you that such investments will yield the desired outcomes. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, results of operations and financial condition may be materially and adversely affected.

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

We cannot guarantee that our customers will make repurchases for our products frequently or at all. There is also no assurance that the industry will be able to continuously attract new customers to support revenue growth as it depends on a number of factors, including but not limited to the level of acceptance by customers, and the changing customer preferences and demands. As such, if we fail to attract new customers or retain existing customers, our business, results of operations and financial conditions may be adversely affected.

We generated a substantial portion of our revenue through our distribution network. Any decrease in sales from, or loss of our distributors would have adverse impacts on our business, results of operations and financial condition.

During the Track Record Period, a substantial portion of our revenue was derived from sales to our distributors. For the years ended December 31, 2023, 2024, 2025 and the five months ended May 31, 2025 and 2026, our total sales to distributors amounted to RMB945.0 million, RMB915.7 million, RMB976.7 million, RMB351.4 million and RMB501.2 million, respectively, accounting for 90.8%, 88.1%, 80.9%, 83.4% and 78.4% of our total revenue from the sale of products for the corresponding years, respectively. Our revenue and sales volumes depend on our ability to maintain and expand our distribution networks. The effective management and expansion of our distribution network depends on our ability to (i) enter into

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renewal agreements with existing distributors on terms favorable to us, such as credit periods and (ii) develop new relationship with additional distributors. Any decrease in sales from, or loss of our distributors without a corresponding increase in sales from other distributors due to the changes in the distributors’ business models or for any other reasons would adversely impact our business, results of operations, financial condition and cash flows.

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

We rely on distributors for the marketing and the sale of our products. We enter into distributorship agreements with our distributors to govern their conducts in the marketing and the sale of our products. However, there can be no assurance that we will be successful in detecting any non-compliant activities by our distributors violating the provision of our distributorship agreements or the applicable laws and regulations. Specifically, we may be exposed to the risks of misconduct and violations committed by our distributors. Furthermore, adverse competition or cannibalization, such as cross-region sales in contravention of contractual obligations of distributors, among our sales channels may have a negative impact on the stability of our sales network. Misconduct and violations may occur in the form of unauthorized misrepresentation to our end customers, misappropriation of third-party intellectual property and other proprietary rights and bribery or other unlawful payments during the course of their distribution. In any such event, we may, as a result, face liability to our end customers for claims of misconduct committed by such distributor. Any such claim could subject us to litigation and impose a significant strain on our financial resources and divert our management’s attention, regardless of whether the claims have merit. Additionally, such an event could result in complaints from our end customers and subsequent adverse impact on our business and reputation.

In addition, our distributors may further enter into agreements with their sub-distributors, and we do not enter into distributorship agreements with the sub-distributors. Accordingly, we generally rely on our distributors to manage and control the sub-distributors. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, there has been no material misconduct or violations by any of our distributors or sub-distributors. In the event our distributors fail to effectively manage their sub-distributors, competition among such sub-distributors may result in cannibalization within our sales channels, which may have an adverse effect on our business, results of operations and financial condition.

Continued pricing pressures from our customers may result in lower-than-anticipated revenue and margins, which may materially and adversely affect our business, financial condition and results of operations.

Our pricing models face challenges from evolving market changes. As the market for our products grows, as our competitors introduce new products that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models, and we may not be able to accurately predict customer renewal or retention. In addition, regardless of the pricing model used, certain users may demand higher price discounts. As a result, we may be required to reduce our prices or offer alternative pricing models, which could adversely affect our revenue, gross margin, profitability, financial position and cash flow.

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If we are unable to manufacture or deliver high quality products on schedule and on a large scale, our business may be materially and adversely affected.

Our ability to meet the demand of our customers and grow our business depends on the efficient, reliable and uninterrupted operation of our production plan and a constant and sufficient supply of utilities. In the event of natural disasters, such as earthquake, fire, drought, flood or other natural disaster, political instability, riot or civil unrest, extended outage of critical utilities or transportation systems, terrorist attack or other events that limit or disrupt our ability to operate our production facilities, we may experience substantial losses, including loss of revenue from disrupted production. In addition, our ability to manufacture and supply products and our ability to meet our delivery obligations to our customers would be significantly disrupted and our relationships with our customers could be damaged, which could have a material and adverse effect on our business, results of operations and financial condition.

Any disruption of our production facilities could reduce or restrict sales and materially and adversely affect our business.

We are constantly improving and refining our production facilities. Our production facilities may also be subject to unexpected failures which fall outside of our control. If the time and cost required for such repairs and maintenance exceed our expectations, our turnover may be less than what is currently projected. The time and cost required for the repair and maintenance may exceed our expectations, depending on various factors, including: the extent of failure of machinery in our production facilities; shortages of, and price increases in, equipment, materials or labor; or extreme adverse weather conditions, or fire, typhoons or other natural disasters.

We cannot assure you that the suspension of our production facilities, whether caused by our equipment failure or otherwise, will not occur again in the future. We cannot guarantee that such suspension would not result in the loss of customers and revenue, our payment of compensation to customers, reputational damage to us, or penalties or fines against us. The inability to use our production facilities would cause major disruptions in our operations, thereby materially and adversely affecting our business, financial condition, results of operations and prospects. During the Track Record Period, we did not encounter any material losses or product liabilities associated with the manufacturing process of our in-house production or third-party production.

We are susceptible to supply shortages and increased costs of raw materials and key components, which may materially and adversely affect our business, financial condition and results of operations.

We engage third party suppliers for certain materials and components, and stable supplies and smooth collaboration with these partners are critical to our operations. We may experience operational challenges with our suppliers including but not limited to reduction of production capacity, failure to comply with our product specifications and services standards, insufficient quality control and failure to meet the production schedules of our customers. Our suppliers may also experience disruptions in their operations that hinder their ability to deliver, such as breakdown of machinery, shortage of materials, increase in operational costs, environmental non-compliance issues or other similar problems. Further, we may not be able to renew contracts with our suppliers or fail to secure alternative suppliers in a timely manner. Any such failures or delays in performance by our suppliers could materially and adversely affect our business and financial results. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material losses associated with the raw materials we purchased.

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

Our inventories were RMB70.1 million, RMB60.9 million, RMB87.5 million and RMB97.7 million as of December 31, 2023, 2024, 2025 and May 31, 2026, respectively. For the same years/periods, our inventory turnover days were 54 days, 45 days, 44 days and 42 days, respectively. As our business expands, the risk of inventory obsolescence may rise alongside increases in our inventory levels and our inventory turnover days. We cannot guarantee that we will be able to maintain optimal inventory levels for our raw materials, outsourced processing materials and finished products. We maintain our inventory levels based on our internal forecasts of customer demand. If actual demand falls short of forecasts, we may be exposed to increased inventory risks due to the accumulation of excess inventory. Excess inventory may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, if actual demand exceeds forecasts, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. Therefore, our business prospects, financial condition and results of operations and liquidity may be materially and adversely affected.

We are also subject to certain risks related to product warehousing. Accidents such as theft, fire, explosion, smoke, water damage and weather damages may cause damage to the products we store in our warehouse and adversely affect our ability to supply products to our customers and distributors on time. The occurrence of any of these accidents could also require us to make significant unanticipated expenses and delay our delivery of products. During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material losses or product liabilities associated with our product warehousing.

We are subject to credit risk related to delay in payment and defaults of customers, which would adversely affect our liquidity and financial condition.

We are exposed to credit risk related to delay in payment and defaults of our customers. As of December 31, 2023, 2024, 2025 and May 31, 2026, we had trade and bills receivables of RMB45.0 million, RMB43.4 million, RMB87.0 million and RMB106.5 million, respectively. We may not be able to collect any, if not all, such trade and prepayments and other receivables due to a variety of factors that are beyond our control, including long payment cycle, adverse operating condition or financial condition of our customers, and our customers' inability to pay caused by their end customers' delay in payment. In such circumstances, we may have to make impairment provisions and our liquidity and financial condition will be adversely affected.

Higher labor costs may adversely affect our business and our profitability.

Factors such as changes in minimum wage laws, labor market dynamics, or increased competition for skilled labor in the industry may lead to higher labor expenses. Such increases could exert upward pressure on the fees that we paid to our employees or other third-party service providers. There is no guarantee that we will succeed in effectively managing the impact of rising labor costs. Moreover, higher cost for labor might necessitate adjustments in product pricing, potentially making our products less competitive in the market. Attempts to pass on increased labor costs to customers through price increases could result in reduced demand or market share loss.

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

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

Our international strategy and ability to conduct business in international markets may be adversely affected by legal, regulatory, political and economic risks.

Our sales network consists of direct sales and distributors with a global footprint in several countries and regions, including major overseas markets such as North America, Southeast Asia, and Europe. In 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, revenue from markets outside of Chinese Mainland was RMB79.3 million, RMB64.0 million, RMB146.1 million, RMB34.8 million and RMB83.8 million, respectively, accounting for 7.6%, 6.1%, 12.0%, 8.2% and 13.0% of our total revenue in the same years/periods, respectively. International markets are significant components of our growth strategy and may continue to require significant investment in the future, which could strain our resources, adversely affect our performance, and increase uncertainties to our operations. If any of our overseas operations, or our associates, agents or distributors, violate laws in the relevant jurisdictions, we could become subject to sanctions or other penalties, which could adversely affect our reputation, business, results of operations and financial condition.

If our products have quality issues, this may create safety issues, reduce market adoption, damage our brand image, subject us to product recalls or expose us to product liability and other claims that could materially and adversely affect our business.

Our products may contain quality issues that are difficult to detect and rectify, particularly during initial product launches or following new releases or upgrades. Despite internal testing, our products may still contain quality issues, which we are unable to address promptly or entirely. Some quality issues in our products may only be discovered after they have been utilized by our customers and we may incur costs relating to product recall, repair or replacement. Furthermore, these issues could potentially lead to lawsuits filed against us by our customers or other parties, exposing us to potential liabilities and damages. We may also experience revenue loss, significant capital expenditures, delay or loss in market acceptance and damage to our reputation and brand, any of which could adversely affect our reputation, business, results of operations and financial condition.

Our transfer pricing arrangements may be subject to scrutiny by the relevant tax authorities in the countries and regions where we operate.

During the Track Record Period, we carried out certain intra-group transactions among our subsidiaries in the PRC and overseas. We have adopted transfer pricing arrangements to regulate these transactions. We have determined transfer prices that our Directors believe are comparable prices that would be charged by unrelated third parties dealing with each other on an arm’s

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length basis. Please refer to the section headed “Business – Transfer Pricing Arrangements” in this document for further details.

However, these transactions and cross border business arrangements during the ordinary course of business may introduce uncertainty over our Group’s profit allocation and its respective tax position across different jurisdictions or different provinces within the PRC. The tax treatments of these transactions or arrangements may be subject to the interpretation by respective tax authorities in different countries, regions or different provinces in the PRC. There is no assurance that tax authorities would share the same view, or such laws and regulations will not be modified. In the event that an authority of any relevant jurisdiction determines that such intra-group transactions were not on an arm’s length basis that affect taxable income, such authority could require our relevant subsidiaries to re-determine the transfer prices and thereby adjust revenue, deduct costs and expenses or adjust taxable income of the relevant subsidiary in order to accurately reflect the taxable income. Any such adjustment could result in higher overall tax liability for us, which may adversely affect our business, financial condition and results of operations.

We face exposure to fair value change and valuation uncertainty of financial assets at fair value through profit or loss.

As of December 31, 2023, 2024, 2025 and May 31, 2026, we had financial assets at fair value through profit or loss of RMB100.3 million, RMB200.6 million, RMB243.1 million and RMB516.9 million, respectively, which primarily represented low-risk structured deposits and wealth management products issued by certified financial institutions in Chinese Mainland. After [REDACTED], we may continue to purchase wealth management products with varying risk profiles and maturity periods based on our operational needs. We therefore face exposure to fair value change of financial assets measured at fair value through profit or loss.

We may recognize fair value losses on the financial assets at fair value through profit or loss, which would affect our results of operations for future periods. In addition, the valuation of financial assets at fair value through profit or loss is subject to uncertainties due to the use of unobservable inputs. Such estimated fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. As such, the valuation of financial assets at fair value through profit or loss has been, and will continue to be, subject to uncertainties in estimations, which may not reflect the actual fair value of these financial assets and result in fluctuations in profit or loss from year to year.

We received government grants during the Track Record Period, but we cannot guarantee that we will continue to receive such grants or subsidies in the future.

During the Track Record Period, government grants recognized under other income primarily represent subsidies received from the government that relate to both expenses and assets. In 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, the government grants we recognized as other income was RMB6.9 million, RMB5.5 million, RMB2.3 million, RMB0.9 million and RMB1.2 million, respectively. The value added tax refund we recognized as other income was RMB27.3 million, RMB27.4 million, RMB30.3 million, RMB12.7 million and RMB19.1 million in the same years/periods, respectively. The PRC governmental authorities may decide to reduce or cancel such government grants or preferential tax treatment, or require us to repay part or all of the government grants we previously received, which could adversely affect our business, results of operations and financial condition. As these government grants are provided typically on a one-off basis, there is no guarantee that we will

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continue receiving or benefiting from them in the future. In addition, we may not be able to successfully or timely obtain the government grants or preferential tax treatment that may become available to us in the future, and such failure could adversely affect our business, results of operations and financial condition.

If we fail to obtain or generate sufficient capital to maintain our operations and finance our growth strategies, or fail to do so on favorable or commercially acceptable terms to us, our operations and prospects could be negatively affected.

Our capital requirements will be subject to many factors, including, but not limited to: technological advancements; market acceptance of our products, and the overall level of the sale of our products; research and development expenses; our relationships with our customers and suppliers; our ability to control costs; sales and marketing expenses; enhancements to our infrastructure and systems and any capital improvements to our facilities; potential acquisitions of businesses and product lines; and general economic conditions, inflation, rising interest rates, and international conflicts and their impact.

If our capital requirements are materially different from those currently planned, we may need additional capital sooner than anticipated. Additional financing may not be available on favorable terms on a timely basis, or at all. If adequate funds are not available or are not available on acceptable terms, we may be unable to continue our operations as planned, develop or enhance our products, expand our sales and marketing workforce, take advantage of future opportunities or respond to competitive pressures.

Any investments or future acquisitions may have a material adverse effect on our business, reputation, financial condition and results of operations.

As part of our growth strategy, we may evaluate and consider acquisition opportunities that we believe can extend and solidify our market position. These transactions involve significant challenges and risks, including but not limited to: (i) valuation risks, including the risk that we may overpay for targets based on incorrect assumptions or limited due diligence; (ii) difficulties in integrating the acquired personnel, operations, products, and brands into our existing operations; (iii) uncertainties in achieving the expected benefits, synergies, cost savings, or efficiencies from such acquisitions; (iv) unforeseen or hidden liabilities or costs that may adversely affect us following our acquisition of such targets; and (v) the occurrence of significant amortization expenses for intangible assets or impairment of goodwill.

For example, regarding our acquisition of the OTO brand-related companies in June 2025 from liquidators, the transaction was conducted on an “as-is” basis without customary commercial warranties or indemnities. Consequently, we have no recourse against the vendors for any undisclosed legacy liabilities or non-compliance matters. Any such negative developments described above could disrupt our existing business and have a material adverse effect on our business, reputation, financial condition and results of operations.

We may not be able to protect our intellectual property rights, and our ability to compete could be harmed if our intellectual property rights are infringed by third parties.

Our success depends in a large part on our ability to protect our proprietary technologies as well as our products from competition by obtaining, maintaining and enforcing our intellectual property rights. We have been protecting the proprietary technologies that we consider commercially important by, among others, filing patent applications in China and other jurisdictions. As of May 31, 2026, we had 1,554 registered patents worldwide, including 306

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authorized invention patents, and we also filed 447 patent applications which were pending approval, including 384 applications for invention patents. See “Business – Intellectual Property.” The patent application process may be expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner, if at all. In addition, we may fail to identify patentable aspects of our research and development outputs before it is too late to obtain patent protection. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields.

Patents may be invalidated, and patent applications may not be granted for several reasons, including known or unknown prior deficiencies in the patent application or the lack of novelty of the underlying invention or technology. Even if our patent applications are successfully granted, our competitors may be able to circumvent our patents by developing similar or alternative technologies or products in a non-infringing manner. Therefore, the grant of a patent application is not conclusive as to its inventor, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in China and/or other jurisdictions.

Further, the life of a patent and the protection it affords are limited. We may face competition for any approved products even if we successfully obtain patent protection once the patent life expires for such products. As of the Latest Practicable Date, four of our patents are the subject of invalidation requests. Any of the foregoing could materially and adversely affect our business, results of operations, financial condition and competitive position.

We may infringe intellectual property rights of third parties, which can lead to time-consuming and costly intellectual property infringement claims.

Our competitors may claim that the commercial use of our products has infringed upon their patents. These patents have broad claims, so it might be alleged that certain features of our products fall within the claims of such patents. Therefore, our competitors may initiate legal proceedings alleging that we are infringing upon, misappropriating or otherwise violating their intellectual property rights in connection with the commercialization of relevant products. We cannot assure you that we or our products will not infringe any intellectual property rights held by third parties in the future. We may face claims of infringement of third parties’ proprietary rights or claims for indemnification resulting from infringement arising from our operations or the design, development and distribution of our products. In addition, we may be unaware of intellectual property registrations or applications relating to our products or business operations that may give rise to potential infringement claims against us. There may also be technologies licensed to and relied on by us that are subject to infringement or other corresponding allegations or claims by third parties.

Companies in the smart health wearables industry may use intellectual property litigation to gain a competitive advantage. Determining whether a product infringes upon a patent involves an analysis of complex legal and factual issues, the determination of which is often uncertain. We may hire employees who have previously worked for our competitors or other companies in relevant industries. There can be no assurance that such employees will not use their previous employers’ proprietary know-how or trade secrets in their work for us, which could result in litigation against us. Our competitors may also have filed for patent protection which is not as yet a matter of public knowledge or claim trademark rights that have not been revealed through our searches of relevant public records. Our efforts to identify and avoid infringing upon third parties’ intellectual property rights may not always be successful.

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We cannot be certain that our operations or any aspects of our business do not or will not infringe upon or otherwise violate patents, copyrights or other IP rights held by third parties. We have been, and may from time to time in the ordinary course of our business be, confronted with claims or allegations relating to intellectual property infringement. For example, we were subject to infringement claims by Tengfei Technology in respect of certain waist massager products. Please refer to the section headed “Business – Legal Compliance and Proceedings – Intellectual Properties Related Litigations” in this document for further details. Such claims may or may not escalate to legal proceedings, the outcomes of which are unpredictable. In case of any disputes or lawsuits, there can be no assurance that we will be able to prevail in our defense or reverse any unfavorable judgment, ruling or decision against us. Any of these or future proceedings or actions or claims, with or without merit, could be costly and distract our management from day-to-day operations. We may incur substantial legal expenses in defending against such infringement claims, regardless of their merits. If we fail to successfully defend against these claims or do not prevail in such proceedings, we may be prohibited from using certain IP rights, subject to substantial amounts of damages, fines or penalties or ordered to cease operations of certain of our business, which may in turn have a material and adverse effect on our business, financial condition and results of operations, as well as cause negative publicity and tarnish our reputation.

Confidentiality agreements and non-compete covenants with employees may not adequately protect our proprietary rights.

We have devoted substantial resources to the development of our technology and know-how. There is no assurance that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our self-developed technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time consuming litigation could be necessary to enforce and determine the scope of our trade secrets and proprietary rights, and failure to obtain or maintain trade secret and proprietary information protection could adversely affect our competitive position.

Our success relies on key management and other highly qualified personnel with specialized skills.

Attracting and retaining key individuals, such as key management, technical staff, qualified executives, engineers and sales representatives, are critical to our business, and in particular, to our research and development endeavors, and the sale of our products. Changes in our management team would disrupt our business. Our management and senior leadership team has significant industry experience, which makes them instrumental to our success. See “Directors and Senior Management”. Changes in our management team may occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit qualified replacements. In addition, changes in the interpretation and application of employment-related laws to our workforce practices may result in increased operating costs and less flexibility in how we meet our changing workforce needs. See “Regulatory Overview – Employment, Social Insurance and Housing Provident Fund.” To help attract, retain and motivate key individuals, employee incentives such as share incentive schemes have been, and will continue to be, an important part of our compensation. Our employee recruitment and retention also depend on our ability to build and maintain a diverse and inclusive workplace culture and be viewed as an employer of choice. If our share-based compensation or other compensation programs and/or workplace culture cease to be viewed as competitive, our ability to attract,

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retain and motivate key individuals would be weakened, which would in turn materially and adversely affect our business, results of operations and financial condition.

Failure to renew our leases or to comply with PRC property-related laws and regulations regarding certain of our leased properties could adversely affect our business.

We may not be able to successfully extend or renew our leases upon expiration of the current term on commercially reasonable terms, or at all, and may therefore be forced to relocate our affected operations. This could disrupt our operations and result in significant relocation expenses, which could adversely affect our business, financial condition and results of operations. In addition, we compete with other businesses for premises at certain locations or of desirable sizes. As a result, rental payments may significantly increase as a result of the high demand for the leased properties. In addition, we may not be able to locate desirable alternative sites for our facilities as our business continues to grow, and failure in relocating our affected operations could adversely affect our business and operations.

As of the Latest Practicable Date, we were unable to file the lease agreements for registration with respect to five of our leased properties in China. If these lessors are not the legal owners or have not obtained the proper authorization from the legal owners of such premises, the legal owners of such premises or third-party tenants that have leased from the legal owners will have ground to challenge the validity of our leasehold interest in the affected premises. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisor, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, and we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease if we fail to comply.

Additionally, if disputes or government actions due to title challenges arise to the our properties, we may encounter difficulties in continuing to lease such properties and may be required to relocate. If any of our leases are terminated or voided as a result of challenges from third parties or government agencies, we would need to seek alternative premises and incur relocation costs.

We have granted, and may continue to grant, certain awards under our share incentive plans, which may result in increased share-based payment expenses.

We adopted share incentive plans including share-based payment for the benefit of our Directors, Supervisors and employees to incentivize and reward the eligible persons who have contributed to our success. We recorded share-based payment expenses of RMB(8.4) million, RMB(9.5) million, RMB4.7 million and RMB5.7 million in 2023, 2024, 2025 and for the five months ended May 31, 2026, respectively. Nevertheless, share-based payment expenses would potentially dilute the shareholding of existing shareholders. We may continue to grant share-based payment awards to employees in the future. As a result, our expenses associated with share-based payment may increase, which may affect our financial condition and results of operations.

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

We are required to obtain and maintain the requisite licenses and approvals for our business in China and other jurisdictions where we operate our business. Any failure to obtain any approvals, licenses, permits or certificates necessary for our operations and construction of our facilities, such as construction work commencement permit and environmental protection inspection, may result in enforcement actions thereunder, including orders issued by the relevant regulatory authorities ceasing our operations, and may include corrective measures requiring capital expenditure or remedial actions. Uncertainties exist regarding the interpretation and implementation of existing and future laws, regulations and policies governing our business activities. We cannot assure you that we will not be found in violation of any of the laws, regulations and policies currently in effect or any future laws, regulations and policies. During the Track Record Period and up to the Latest Practicable Date, there has been no failure to obtain or renew any licenses required for the operation of our business. However, if we fail to complete, obtain or maintain any of the required licenses or approvals or make the necessary filings in any of the jurisdictions where we operate our business, we may be subject to various penalties, such as the imposition of fines and the discontinuation or restriction of our operations. Any such penalties may disrupt our business operations and materially and adversely affect our business, results of operations and financial condition.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities, which may materially and adversely affect our business and results of operations.

In accordance with the PRC Social Insurance Law and the Regulations on the Administration of Housing Provident Fund and other relevant laws and regulations, China establishes a social insurance system and other employee benefits including basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing provident fund (collectively, the “**Employee Benefits**”). An employer shall pay the Employee Benefits for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance and other Employee Benefits that should be assumed by the employees. As advised by our PRC Legal Advisor, an employer that has not made social insurance contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late fee of up to 0.05% of the outstanding amount for each day of delay. If the employer still fails to rectify the failure to make social insurance contributions within the stipulated deadline, it may be subject to a fine ranging from one to three times of the amount overdue.

Under the Social Insurance Law and the Regulations on the Administration of Housing Provident Fund, PRC subsidiaries shall register with local social insurance agencies and register with applicable housing provident fund management centers and establish a special housing provident fund account in an entrusted bank. Both PRC subsidiaries and their employees are required to contribute to the Employee Benefits.

During the Track Record Period and up to the Latest Practicable Date, we had not made full contributions to Employee Benefits for our employees. As advised by our PRC Legal Advisor, provided that the current social-insurance and housing-fund statutes and the implementation and oversight requirements of local authorities remain materially unchanged and in the absence of material employee complaints, the likelihood of being subject to material administrative penalties or collection of historical arrears is remote. As a result, we had not

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made any provision for the shortfall in our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date. As of the Latest Practicable Date, we had not received any notice from the relevant government authorities or any claim or request from these employees in this regard. However, we cannot assure you that the relevant government authorities will not require us to pay the outstanding amount and impose late fees or fines on us. If we are otherwise subject to investigations related to non-compliance with labor laws and are imposed severe penalties or incur significant legal fees in connection with labor law disputes or investigations, our business, financial condition and results of operations may be adversely affected.

We may be subject to the risks associated with international trade policies, geopolitics and trade protection measures, including imposition of trade restrictions and sanctions, and our reputation, business, results of operations and financial condition could be adversely affected.

As we seek to expand our global footprint, our business operations and financial performance may be influenced by international trade policies, geopolitics, trade protection measures, export controls, and economic or trade sanctions. International trade policies and geopolitics are subject to frequent changes and uncertainties, often driven by political, economic, and social factors beyond our control. These changes could impact trade agreements, tariffs, customs duties, and other aspects of international trade, potentially increasing our operational costs and affecting our market access. Changes in trade protection measures, such as anti-dumping duties, countervailing duties, or safeguard measures, could lead to increased costs or restrictions on our exports. Export controls and economic or trade sanctions could limit our ability to export our products or conduct business in certain markets. Any non-compliance with these controls and sanctions could result in legal penalties, reputational damage, and loss of export privileges.

During the Track Record Period, we exported products to markets outside China, including the United States. U.S. imports of our products are subject to existing and potential tariffs. U.S. authorities may impose, expand, or modify tariffs applicable to our products. Since 2018, the U.S. has imposed escalating tariffs on Chinese imports, with China retaliating similarly. In May 2024, the U.S. announced higher tariffs on steel and aluminum, semiconductors, electric vehicles, batteries, critical minerals, solar cells, ship-to-shore cranes, and medical products, with electric vehicles facing 100% tariffs from August 2024. The EU imposed 17%–36% tariffs on Chinese electric vehicles from August 2024, and China responded with 30%–39% tariffs on brandy imports in October 2024. Recent changes in U.S. trade policies have resulted in significant uncertainties to global trade. By February 2025, the U.S. proposed 145% total tariffs on Chinese goods, with China responding at 125% in April 2025. Both countries agreed to temporary de-escalation in May 2025, reducing tariffs to 30% (U.S.) and 10% (China). Despite this easing, ongoing trade tensions could create challenges for international businesses through increased costs and reduced competitiveness. While we did not experience any material impact on our business operations or financial performance at present, any future changes in trade policies or the imposition of tariffs could have such an impact, depending on the scale of overseas transactions. Any material increase in tariffs could adversely affect our ability to meet customer pricing and delivery requirements, reduce demand for our products, and negatively impact our financial results.

As advised by the international sanctions legal consultant we engaged and based on due diligence conducted by such international sanctions legal consultant on our products, suppliers and customers, our Directors are of the view that, our operations do not present any material risks of violating the export control and sanctions laws and regulations of the PRC, the U.S., the

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EU and the UN during the Track Record Period and up to the Latest Practicable Date. Considering our products are not subject to applicable export control laws and unrelated to any sensitive end uses, our international sanctions legal consultant is of the view that there is no sanctions risk that would materially undermine the Group’s ability to continue its operations. Based on the view of the international sanctions legal consultant and the independent due diligence conducted, the Sole Sponsor concurs with the view of the Directors that the Group’s operations do not present any material risks of violating the export control and sanctions laws and regulations of the PRC, the U.S., the EU and the UN during the Track Record Period and up to the Latest Practicable Date.

On August 9, 2023, the U.S. released Executive Order 14105 and advanced notice of proposed rulemaking for outbound investment controls on China, including Hong Kong and Macau. On June 21, 2024, the U.S. Department of the Treasury issued a proposed rule, followed by a final rule on October 28, 2024 (the “**Final Rule**”), effective January 2, 2025. The Final Rule imposes investment prohibitions and notification requirements on U.S. Persons for certain investments in entities associated with China, Hong Kong and Macau engaged in specific activities in connection with three sectors: (i) semiconductors and microelectronics, (ii) quantum information technologies, and (iii) artificial intelligence. These entities would be defined as “Covered Foreign Persons.” U.S. persons are subject to reporting requirements or prohibition when engaging in “Covered Transactions” involving Covered Foreign Persons. As advised by our international sanctions legal consultant, we do not believe we qualify as a Covered Foreign Person, because our products – personal massage devices for consumer use – and our business operations do not constitute any “Covered Transactions” as defined under the Final Rule. Accordingly, we believe the Final Rule should not apply to us, and U.S. persons participating in the [REDACTED] should not be subject to any prohibitions or notification requirements thereunder.

Our business growth and results of operations may be affected by changes in global and regional macroeconomic conditions, natural disasters, health epidemics and pandemics, and social disruption and other outbreaks.

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

We may be involved in disputes and legal proceedings, which could materially and adversely affect our reputation, business, financial condition and results of operations.

We may be involved in commercial or contractual disputes in the ordinary course of our business. During the Track Record Period, we failed to satisfy the agreed economic-performance targets for a plant project in Foshan city. In addition, the construction of another plant project had not received its completion certificate by the contractual deadline. Please refer to the section headed “Business – Legal Compliance and Proceedings – Foshan Plant Project” in this document for further details. We are engaged in ongoing consultations with the relevant authorities in respect of both matters with an aim to conclude supplemental agreement with them. As of the Latest Practicable Date, we have not been found in breach or subjected to any

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claims pursuant to relevant agreements. Based on the maximum potential indemnification amount stipulated in the relevant agreements, the Company is of the view that such exposure would not have a material adverse effect on the Company's business, financial condition or results of operations.

We cannot assure you that we will not be involved in various legal and other disputes in the future, which may expose us to additional risks and losses. In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our Directors, senior management or key employees may materially and adversely affect our reputation, business, results of operations and financial condition.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could have a material adverse effect on our results of operations. Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

Strategic alliances, investments or acquisitions may have a material and adverse effect on our business, financial condition and results of operations.

We may in the future enter into strategic alliances with various third parties. Strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparty, and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have little ability to control or monitor their actions. To the extent strategic third parties suffer negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

In addition, we may acquire additional assets, technologies or businesses that are complementary to our existing businesses. Future acquisitions and the subsequent integration of new assets, technologies and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing businesses, which in turn could adversely affect our business. Acquired assets, technologies or businesses may not generate the financial or operating results we expect. In addition, acquisitions could result in the use of substantial amounts of cash, dilutive issuances of equity securities, incurrence of debt, incurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business.

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We are subject to cybersecurity risks to our products and customer data processed by us or third-party vendors or suppliers, and any material failure, weakness, interruption, cyber event, incident or breach of security could prevent us from effectively operating our business.

During our business operation, we may possess business information, contract information and a limited amount of personal information from our customers, suppliers and other business partners. As we expand our global presence, we are subject to local and overseas laws relating to cybersecurity and data privacy, including the collection, use, retention, security and transfer of personal information. Several jurisdictions have enacted stringent laws governing data protection, and many others are actively considering imposing additional restrictions. These laws continue to develop and may be inconsistent from jurisdiction to jurisdiction. Complying with emerging and changing overseas requirements may cause us to incur substantial costs or require us to change our business practices.

Any failure by us to comply with local or overseas privacy-related or data protection laws and regulations could result in proceedings against us by governmental entities or others. In addition to reputational impacts, penalties could include ongoing audit requirements and significant legal liability. We have implemented systems and processes intended to secure our information technology systems and prevent unauthorized access to or loss of sensitive data and personal information, including through the use of encryption and authentication technologies. As with all companies, these security measures may not be sufficient for all eventualities and may be vulnerable to hacking, employee error, malfeasance, system error, faulty password management or other irregularities. Our failure to safeguard data security and privacy may also harm our market reputation and relations with our customers or business partners.

Our results of operations are subject to seasonal fluctuations.

Generally, our results of operations may be affected by holidays. We typically experience stronger sales performance in the periods leading up to major online shopping festivals in China, such as the “618” Shopping Festival in June and “Double 11” Shopping Festival in November, as well as prior to the Chinese New Year Shopping Festival. The degree of seasonality may vary from year to year due to conditions in the industry and other factors, which makes it difficult for us to predict the level of demand with precision. If seasonal demand exceeds our expectation, we may not have sufficient stock or arrange for timely production and delivery. If seasonal demand is lower than our expectation, we could be left with excess inventory, higher working capital and liquidity requirements, as well as the risk of impairment losses on our inventory. Furthermore, our operating and financial results for an interim period may not be representative of our overall performance for a year. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition, which could result in volatility and adversely affect the price of our H Shares.

The wide variety of payment methods that we accept subjects us to third-party payment channels processing related risks.

We accept payments through major third-party payment channels in China. We may also be susceptible to fraud, user data leakage and other illegal activities in connection with the various payment methods we offer. In addition, our business depends on the billing, payment and escrow systems of the third-party payment service providers to maintain accurate records of payments by customers and collect such payments. If the quality, utility, convenience or attractiveness of these payment processing and escrow services declines, or if we have to change the pattern of using these payment services for any reason, the attractiveness of our products and services

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could be adversely affected. We are also subject to various rules, regulations and requirements, regulatory or otherwise, governing electronic funds transfers. If we fail to comply with these rules or requirements properly or timely, we may be subject to fines and higher transaction fees and become unable to accept payments from our customers through the payment methods that we currently adopt, and our business, results of operations, financial condition and prospects could be adversely affected.

We were previously subject to risks relating to third-party payment arrangements.

During the Track Record Period, certain of our customers (individual or collectively, the “**Third-party Payment Customer(s)**”) settled their payments with us through the accounts of third-party payors designated by these Third-party Payment Customers (the “**Third-party Payment Arrangement**”) who were not a party to the corresponding sales and purchase agreements. In 2023, 2024, 2025 and for the five months ended May 31, 2026, the number of Third-party Payment Customers that made payments to us through such third-party payors was 11, 13, ten and one, respectively. During the Track Record Period, no individual Third-party Payment Customer made material contribution to our revenue. As of the Latest Practicable Date, we had ceased all the current Third-party Payment Arrangements except for the transaction with a commercial bank’s affiliate. In the event of any future third-party payments, we will require the customer and their third-party payor to enter into a formal third-party agreement with us. See “Business – Third-party Payment Arrangement.”

We were subject to various risks relating to such Third-party Payment Arrangement during the Track Record Period, such as (i) possible claims from third-party payors for return of funds as they were not contractually indebted to us and possible claims from liquidators of third-party payors and (ii) potential money laundering risks as we have limited knowledge about the source and purpose of the funds utilized by the third-party payors. In the event of any claims from third-party payors or their liquidators, or legal proceedings (whether civil or criminal) instituted or brought against us to demand return of the relevant payment or for violation or noncompliance of laws and regulations, we will have to spend significant financial and managerial resources to defend against such claims and legal proceedings, and we may be forced to comply with the court ruling and return the payment for the products that we sold and services that we provided.

RISKS RELATING TO DOING BUSINESS WHERE WE OPERATE

Changes in the economic, political or social conditions or government policies in the countries and regions where we operate could affect our business, financial condition and results of operations.

Substantially all of our revenue is derived from our businesses in the PRC during the Track Record Period. Accordingly, our financial condition, results of operations and prospects are, to a material extent, subject to economic, political, and legal developments in the PRC. If the macroeconomic condition in China experiences significant adverse changes, demand for our products and our ability to maintain our operations may suffer, which will consequently have a material adverse effect on our financial condition, results of operations and our future prospects.

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

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of the country. If the business environment in China changes, our business in China may also be materially and adversely affected.

Any development embedded in the legal systems of certain geographic markets where we operate could affect our business, financial condition and results of operations.

The legal systems of the jurisdictions where we operate vary significantly. Some jurisdictions have a civil law system based on written statutes and others are largely based on common law. Unlike common law systems where the case laws have binding effects, prior court decisions under civil law systems may be cited for reference but have limited precedential value. We are based in China and our business in China are governed by PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. As the legal system in China continues to develop, laws and regulations may continue to evolve and be subject to interpretation. As these laws and regulations are continually evolving in response to changing economic and other conditions, we cannot foresee how these laws, rules and regulations will be interpreted and enforced, which may adversely affect the legal protections and remedies that are available to us and our investors.

Any downturn in regional or global economy, or deterioration of geopolitical environment could affect our business, financial condition and results of operations.

Geopolitical, economic and market conditions, including factors such as the liquidity of the global financial markets, the level and volatility of debt and equity prices, interest rates, currency and commodities prices, investor sentiment, inflation and the availability and cost of capital and credit have been affecting, and will continue to affect the countries where we operate. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term. Any severe or prolonged slowdown in the global or PRC economy may materially and adversely affect our business, results of operations and financial condition.

You may have limited recourse in effecting services of legal process or enforcing overseas judgments against us, our Directors, Supervisors and our senior management.

Material part of our business and operations are located in the PRC. In addition, almost all of our Directors, supervisors and officers reside in China and substantially all of their assets are located in China. It may be difficult for investors to effect service of process upon those persons residing in China or to enforce against us or them in China any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of many of other jurisdictions. As a result, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions outside China may be difficult or even impossible.

On July 14, 2006, the Supreme People’s Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “Arrangement”). Under the Arrangement, a party with an enforceable final court judgment rendered by any designated people’s court of China or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant people’s court of China or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or

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a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against certain of our assets or Directors in China in order to seek recognition and enforcement of foreign judgments in China.

On January 18, 2019, the Supreme People’s Court of the PRC and Hong Kong entered into an agreement regarding the scope of judgments which may be enforced between China and Hong Kong (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”). The New Arrangement will broaden the scope of judgments that may be enforced between China and Hong Kong under the Arrangement. Whereas a choice of jurisdiction needs to be agreed in writing in the form of an agreement between the parties for the selected jurisdiction to have exclusive jurisdiction over a matter under the Arrangement, the New Arrangement provides that the court where the judgment was sought could apply jurisdiction in accordance with the certain rules without the parties’ agreement. The New Arrangement became effective on January 29, 2024 both in China and in Hong Kong. Under the New Arrangement, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the effective judgments in civil and commercial cases subject to the conditions set forth in the New Arrangement. Although the New Arrangement has been signed, the outcome and effectiveness of any action brought under the New Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the New Arrangement can be recognized and enforced in a PRC court.

Policies regarding foreign currency conversion may affect our foreign exchange transactions and our ability to pay dividends and meet other obligations.

The net [REDACTED] from the [REDACTED] are expected to be deposited in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these [REDACTED] into onshore Renminbi. If we cannot convert the net [REDACTED] into onshore Renminbi in a timely manner, our ability to deploy these [REDACTED] efficiently may be affected as we will not be able to invest these [REDACTED] on Renminbi denominated assets onshore or deploy them in uses onshore where Renminbi is required, which could affect our business, results of operations, financial condition and prospects.

Fluctuations in exchange rates could result in foreign currency exchange losses.

The RMB has fluctuated against Hong Kong dollar and the U.S. dollar at times significantly and unpredictably. During the Track Record Period, we incurred net foreign exchange gains of RMB1.1 million, RMB0.7 million, nil, RMB0.2 million and nil for the years ended December 31, 2023, 2024, 2025 and for the five months ended May 31, 2025 and 2026, respectively. We cannot assure you that RMB will not appreciate or depreciate significantly in value against Hong Kong dollar or the U.S. dollar in the future. It is difficult to predict how market forces may impact the exchange rate between RMB and foreign currencies in the future.

Significant revaluation of RMB may have a material and adverse effect on your investment. For example, to the extent that we need to convert Hong Kong dollars we receive from this [REDACTED] into RMB for our operations, appreciation of RMB against Hong Kong dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert our RMB into Hong Kong dollars for the purpose of making

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payments for dividends on our Shares or for other business purposes, appreciation of Hong Kong dollar against RMB would have a negative effect on the Hong Kong dollar amount available to us.

To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. The availability and effectiveness of these hedges may be limited, and we may not be able to adequately hedge our exposure or at all. As a result, fluctuations in exchange rates may have a material adverse effect on your [REDACTED].

Payment of dividends or gains from the sale or other disposition of our H Shares is subject to taxation under PRC law.

Non-Chinese resident individual holders of H Shares whose names appear on the register of members of H Shares (“**Non-Chinese Resident Individual Holders**”), are subject to Chinese individual income tax on dividends received from us. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知(國稅函[2011]348號)) dated June 28, 2011 and issued by the State Tax Administration (the “**SAT**”), the tax rate applicable to dividends paid to Non-Chinese Resident Individual Holders of H Shares varies from 5% to 20% (usually 10%), depending on whether there is any applicable tax treaty between China and the jurisdiction in which the Non-Chinese Resident Individual Holder of H Shares resides, as well as the tax arrangement between China and Hong Kong. Non-Chinese Resident Individual Holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20.0% withholding tax on dividends received from us. See “Regulatory Overview – Tax.” In addition, under the Individual Income Tax Law of the PRC (中華人民共和國個人所得稅法) (the “**Individual Income Tax Law**”) and its implementation regulations, Non-Chinese Resident Individual Holders of H Shares are subject to individual income tax at a rate of 20% on gains realized upon the sale or other disposition of H Shares. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知) issued by the Ministry of Finance and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, none of the aforesaid provisions had expressly provided that whether individual income tax shall be levied from non-Chinese Mainland resident individual holders on the transfer of shares in Chinese Mainland resident enterprises listed on overseas stock exchanges. To the best of our knowledge, the Chinese tax authorities have not in practice sought to collect individual income tax on such gains. If such tax is collected in the future, the value of such individual holders’ [REDACTED] in H Shares may be materially and adversely affected.

Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the “**EIT Law**”) and its implementation regulations, a non-Chinese resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to its income sourced from China, including dividends received from a Chinese company and gains derived from the disposition of equity interests in a Chinese company. This rate may be reduced under any special arrangement or applicable treaty between the China and the jurisdiction in which the non-Chinese resident enterprise resides. Pursuant to the Circular on Questions Concerning Withholding of Enterprise Income Tax for Dividends Distributed by Resident Enterprises in China to Non-resident Enterprises Holding H-shares of the Enterprises (Guo Shui Han [2008] No. 897) (關於中國居民企業向境外H股非居民企業股東派發股息代扣繳企業所得稅有關問題的通知(國稅函[2008]897號)) promulgated by the SAT on November 6, 2008, we intend to withhold tax at 10% from dividends payable to non-Chinese resident enterprise holders of H Shares (including HKSCC Nominees). Non-Chinese

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resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty or arrangement will be required to apply to the Chinese tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of such refund will be subject to the Chinese tax authorities’ approval. See “Regulatory Overview – Tax.” There are uncertainties as to the interpretation and implementation of the EIT Law and its implementation rules by the Chinese tax authorities, including whether and how enterprise income tax on gains derived upon the sale or other disposition of H Shares will be collected from non-Chinese resident enterprise holders of H Shares. If such tax is collected in the future, the value of such non-Chinese resident enterprise holders’ [REDACTED] in H Shares may be materially and adversely affected.

Our payment of dividends is subject to restrictions under applicable laws and regulations.

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

Moreover, because the calculation of distributable profits under PRC GAAP is different from the calculation under IFRSs in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRSs, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flow and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Discontinuation of any government grants or preferential tax treatments could affect our business, financial condition and results of operations.

We were accredited as “High and New Technology Enterprises,” and are entitled to a preferential income tax rate of 15%. We cannot assure you that the PRC policies on preferential tax treatments will not change or that the current preferential tax treatments we enjoy or will be entitled to enjoy will not be canceled. Moreover, we cannot assure you that we will be able to renew the same preferential tax treatments upon expiration. If any such change, cancellation or discontinuation of preferential tax treatment occurs, we will be subject to the PRC enterprise income tax, or EIT, at a rate of 25% on taxable income. As a result, the increase in our tax charge could materially and adversely affect our results of operations.

RISKS RELATING TO THE [REDACTED]

The liquidity and [REDACTED] of our H Shares may be volatile, which could result in substantial losses to you.

The [REDACTED] and [REDACTED] of our H Shares may be volatile. The following factors may affect the [REDACTED] and [REDACTED] of our H Shares: (i) actual or anticipated fluctuations in our operating performance and revenue; (ii) our failure to execute our strategies; (iii) an unexpected business interruption resulting from operational breakdowns, natural disasters, or major changes in our key personnel or senior management; (iv) adverse

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market reaction to any indebtedness that we may incur or securities that we may issue in the future; (v) announcements of competitive developments, acquisitions or strategic alliances in our industry; (vi) potential litigation or regulatory investigations; (vii) general market conditions or other developments affecting us or our industry; (viii) changes or proposed changes in laws or regulations, or differing interpretations thereof, affecting our ability to obtain or maintain regulatory approval for our products; (ix) inadequate protection of our intellectual property rights or legal proceedings brought against us for infringement of third parties’ intellectual property rights; (x) the operating and stock price performance of other companies in our industry, and other events or factors beyond our control; and (xi) the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the capital market has from time to time experienced significant price and [REDACTED] fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the [REDACTED] and [REDACTED] of our H Shares.

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

Prior to the [REDACTED], our H Shares were not traded on any other market. We cannot assure you that an active and liquid [REDACTED] for our H Shares will be developed or be maintained after the [REDACTED]. Liquid and active [REDACTED] usually result in less price volatility and more efficiency in carrying out investors’ purchase and sale orders. The [REDACTED] of our H Shares could vary significantly as a result of a number of factors, some of which are beyond our control. In the event of a drop in the [REDACTED] of our H Shares, you could lose a substantial part or all of your [REDACTED] in our H Shares.

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

Future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the [REDACTED], or the [REDACTED] of new H Shares or other securities relating to our H Shares, or the perception that such sales or [REDACTED] may occur could all cause a decline in the [REDACTED] of our H Shares. Future sales, or perceived sales, of substantial amounts of our securities or other securities relating to our H Shares, including part of any future [REDACTED], could also materially and adversely affect the prevailing [REDACTED] of our H Shares and our ability to raise capital in the future at a time and at a price which we deem appropriate.

Future sales of a significant number of our H Shares by our Controlling Shareholders or other existing shareholders in the public market after the [REDACTED], or the perception that these sales could occur, could cause the [REDACTED] of our H Shares to decline and could materially impair our future ability to raise capital through [REDACTED] of our H Shares. We cannot assure you that our Controlling Shareholders, or other existing shareholders will not dispose of H Shares held by them or that we will not [REDACTED] H Shares upon the expiration of restrictions set out above.

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

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

We cannot assure you when, if and in what form or size we will pay dividends in the future.

We cannot guarantee when and in what form dividends will be paid on our H Shares following the [REDACTED]. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. See “Financial Information – Dividends” for details.

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

The [REDACTED] of our H Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our H Shares or publish negative opinions about us, the [REDACTED] of our H Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the [REDACTED] or [REDACTED] of our H Shares to decline.

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

The information from official government sources has not been independently verified by us or any other parties involved in the [REDACTED], or any of our or their respective directors, senior management, representatives, advisers or any other persons involved in the [REDACTED] and no representation is given as to its accuracy. Moreover, such facts, forecasts and other statistics may not be prepared on the same basis or with the same degree of accuracy (as the case may be) in other publications or jurisdictions. For these reasons, the information from various government publications contained in this document may not be accurate and should not be given undue reliance as a basis for making your [REDACTED] in our H Shares.

Forward-looking statements 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, growth opportunities for existing operations, plans and objectives of management, certain [REDACTED] information and other matters.

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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 senior 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.

You should read the entire document carefully and we strongly caution you not to place any reliance on the information in press articles or other media coverage regarding us and the [REDACTED].

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