An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial conditions, results of operations or prospects. The trading price of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our business growth and prospects are affected by our ability to continuously innovate and iterate our existing products and to expand our product mix and penetrate new markets.

Our future success significantly depends on our ability to continue to innovate and improve our existing products, and design and expand our product mix. Product design, development, innovation and iteration is often a complex, time-consuming and costly process involving significant investment in R&D with no assurance of return on investment. There can be no assurance that we will be able to develop and introduce new and improved products in a timely or efficient manner or that new and improved products, if developed, will achieve market acceptance. In addition, our downstream customers generally impose very high quality and reliability standards on our products, which may be difficult or costly to satisfy. Any inability to satisfy the quality and reliability standards of downstream customers or comply with industry standards and technical requirements may adversely affect demand for our products and our results of operations.

Our growth is also dependent on the ability of us and our distributors to identify and penetrate new markets where we and our distributors have limited experience yet require significant investments, resources and technological advancements in order to compete effectively, and there can be no assurance that we will achieve success in these markets. There can be no assurance that the markets we serve and/or target based on our business strategy will grow in the future, that our existing and new products will meet the requirements of these markets, that our products, or the end-products in which our products are used, will achieve downstream customer acceptance in these markets, that competitors will not force price reductions or take market share from us, or that we can achieve or maintain adequate gross margins or profits in these markets.

Our inability to continuously develop our technological capabilities and improve our analog IC design platform could make our products uncompetitive and obsolete, which may impede our ability to address the requirements in technology segments that are expected to contribute to our growth.

We have invested and expect to continue to invest in the design and R&D for new and existing products and technologies, as well as our proprietary EDA software tools and reusable IP library, to timely respond to technological developments in markets we operate in. These investments may involve significant time, risks and uncertainties, including the risk that the expenses associated with these investments may affect our margins and operating results and that such investments may not generate sufficient revenue to offset liabilities assumed and expenses associated with these new investments. We believe that we must continue to invest a significant amount of time and resources in our design and R&D efforts to maintain and improve our competitive position. If we do not achieve the benefits anticipated from these investments, or if the achievement of these benefits is delayed, our revenue and operating results may be adversely affected.

In addition, if we are unable to respond quickly and successfully to technological developments, we may lose our competitive position, and our products or technologies may become obsolete. To compete successfully, we must develop new products and improve our existing products and processes on a schedule that keeps pace with technological developments. The market must also accept our new and improved products. Our analog IC design platform must be enhanced periodically to reduce the likelihood that a competitor surpasses the capabilities and products we offer. We cannot guarantee that we will be successful in keeping pace with all, or any, of the above.

Rapid technological changes in the industries and markets to which our products are sold require us to constantly develop new technologies and products.

Our business strategy is to focus on the design and provision of high-performance patterned wafer products. Part of this strategy involves addressing the needs across a variety vertical markets, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. Each of these markets require technologies, expertise, and marketing and operations infrastructure that are application-specific. Our inability to develop or maintain these market specific capabilities could impede our ability to expand our business in these categories and ultimately affect our future growth.

Our business, financial condition and results of operations may be materially and adversely affected by international policies and international economic sanctions.

Certain foreign jurisdictions have imposed or may impose economic sanctions in various forms (such as heavy tariffs or harsh trade conditions) against certain countries, individuals and legal entities, which, from time to time, prohibit or restrict export and import activities to a certain extent. Economic sanctions laws or regulations could change in a way that could affect our business, exports or sales in other countries and/or could result in restrictions, penalties or fines. For instance, the recent U.S.-China trade war has led to the introductions of tariffs on a host of goods trading between the two countries, including in particular technology goods and semiconductors. The trade tensions between the two countries have been rising and there is a possibility that the extent and scale of trade restrictions between the two countries be escalated if the U.S. and China fail to reach any agreement to settle the issue. There is no assurance as to how the U.S.-China trade war may develop or whether there will be any changes to the scope and extent of goods that are or will be being subject to such tariffs policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade war and the knock-on effect on our industry and the global economy.

During the Track Record Period, our products are offered to our downstream customers in the PRC only. There is, however, no assurance that our downstream customers will not engage in export sale of their semiconductor products (which contain our patterned wafers) into the U.S. or other countries and that the export sale of the semiconductor products of our downstream customers into the U.S. or other countries will not be subject to the restrictions introduced by the U.S. Furthermore, if we export our products to other countries which are subject to any of such sanctions in the future and/or if the scope of the sanctions is expanded, our business, financial condition and results of operations may be materially and adversely affected.

Further, we have no control over the countries to which the downstream customers will sell and/or export their end products. If the export sales of the downstream customers' end products are restricted, prohibited or made subject to any trade conditions under any international policies or international economic sanctions imposed by any jurisdictions, the downstream customers' demand in our products may drop significantly and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our products are primarily offered to downstream customers of certain industries in the PRC. Factors that adversely affect these industries in the PRC may have a negative impact on our business and operational results.

Our products are primarily offered to downstream customers of industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics (the "major industries") in the PRC. Therefore, factors that adversely affect these industries in the PRC could materially and adversely affect our business, financial condition, results of operations and prospects. These factors include, among others:

- a decline in demand for, or negative perception of, or publicity about, products of the major industries in the PRC;
- a downturn in general economic conditions in the PRC or major countries/regions that import products of the major industries from the PRC;
- increasing level of competition from manufacturers of the major industries in other countries/regions;
- the reduction or elimination of preferential tax treatments and economic incentives for manufacturers of the major industries in the PRC;
- regulatory restrictions, trade disputes, industry-specific quotas, tariffs, non-tariff barriers and taxes that may have the effect of limiting exports of the major industries from the PRC;
- appreciation in the value of RMB against the currencies of other countries and regions that import products of the major industries from the PRC; and
- rising material and labor costs in the PRC relating to manufacturing in the major industries.

Our historical growth may not be indicative of our future growth. If we are unable to manage our growth or execute our business strategies effectively, our results of operations and business prospects may be materially and adversely affected.

We experienced fast growth in our revenue during the Track Record Period. In 2020, 2021 and 2022, our revenue was RMB88.7 million, RMB212.7 million and RMB352.5 million, respectively, representing a CAGR of 99.3%. We cannot assure you that we are able to sustain our historical growth rate for various reasons, including uncertainty of our continuous offerings of quality products to attract our downstream customers, failure of our marketing strategies and intensified competition within the analog IC patterned wafer industry in China.

In addition, we plan to continue to invest substantial financial, management and operational resources to sustain our growth. However, we cannot assure you that we will be able to continually obtain these resources in the future. For instance, we may not be able to obtain additional internal and external capital to support our business growth on commercially acceptable terms, or to retain and attract sufficient number of competent staff to support our business development.

Our revenue, expenses and operating results may vary from period to period due to various factors beyond our control, including the economic growth, development of analog IC patterned wafer industry, as well as changes in laws, regulations and rules applicable to the analog IC patterned wafer industry in China. Any unfavorable change in the factors above may prevent us from maintaining our historical growth rate. As a result of these, and other factors, we cannot assure you that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

Decreases in downstream customers' demand for analog IC products may lead to a decrease in the selling price of our patterned wafer products, which may result in a decrease in our revenue.

During the Track Record Period, our revenue was primarily generated from sales of power management products and signal chain products offered to downstream customers in industries including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. Any deterioration in, or a slowdown in the growth of, such end markets resulting in a substantial decrease in the demand for analog IC products and our patterned wafers could adversely affect our revenue. In addition, decreases in downstream customers' demand for our analog IC products may lead to a decrease in the selling price of our products, which may increase our pricing pressure and in turn, may negatively impact our revenue, margin and earnings.

Our products may fail to meet new industry standards or requirements and the efforts to meet such industry standards or requirements could be costly.

Our products are based on industry standards that are continually evolving. Our ability to compete in the future will depend on our ability to identify and ensure compliance with these evolving industry standards. The emergence of new industry standards could render our products incompatible with products designed and developed by other analog IC design companies. As a result, we could be required to invest significant time and effort and may incur significant expense to redesign our products to ensure compliance with relevant standards. If our products are not in compliance with prevailing industry standards or requirements, we could miss opportunities to achieve crucial design wins which in turn could have a material adverse effect on our business, operations and financial results.

Our business is concentrated in the PRC and is susceptible to any policy changes affecting the semiconductor industry which may materially and adversely affect our business.

During the Track Record Period, all of our business operations were based in China and all of our revenue was derived from our sales in China. As such, we are dependent on policies affecting the semiconductor industry in China. In recent years, China has been promoting and reshaping its domestic semiconductor industry through policy changes, leading to its semiconductor industry growing at a fast pace over the past few years. Many semiconductor companies, including us, have leveraged on such favorable policies. As such, our future prospects, success and continuous growth depend and will continue to depend on the strong support of the PRC government to the semiconductor industry in the foreseeable years. However, we cannot assure you that the PRC government will continue to promote and implement favorable policies for the semiconductor industry, or maintain the policies currently in effect to the semiconductor industry, and in turn, favorable to us. As a result, if such policies change or discontinue in the future, our financial performance and future business growth could be materially and adversely affected.

A significant portion of our revenue was derived from our distributor partners, including Arrow and Customer A, a local patterned wafer distributor, during the Track Record Period. Any decrease in sales from, or loss of, one or more of our distributor partners would have negative impacts on our results of operations.

We rely on third-party professional distributors for marketing, branding and sales of our products. During the Track Record Period, a substantial portion of our revenue derived from sales to our distributors. For the years ended December 31, 2020, 2021 and 2022, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, and RMB282.7 million, respectively, accounting for 95.2%, 90.4% and 80.2%, respectively, of our revenue for the corresponding periods. In particular, our sales to two largest distributors during the Track Record Period amounted to RMB74.2 million, RMB192.2 million and RMB282.7 million, respectively, representing 83.7%, 90.4% and 80.2%, respectively, of our total revenue for each year ended December 31, 2020, 2021 and 2022, and 87.9%, 100.0% and 100.0%, respectively, of our total sales to distributors in the same periods. See "Business – Our Customers – Relationship with Our Two Largest Customers." Given the substantial revenue contribution, any decrease in sales from, or loss of, one or more of our distributors without a corresponding increase in sales from other distributors due to the changes of nature in the distributors' business models or for any reason caused by us would harm our business, operating results, financial condition, and cash flows.

In particular, our sales volumes depend on the performance of our distributors in marketing our products. The effectiveness of our distributors in selling and distributing our products may be affected by a number of factors, many of which are out of our control, including:

- our distributors' relationships with their sub-distributors and other wholesalers and retailers;

- our distributors' strategies in promoting our products;
- our distributors' own financial performance;
- our distributors' abilities to expand downstream customer base and penetrate into new markets;
- our distributors' strategies to extend geographical coverage of our products;
- our distributors' willingness to maintain relationships with us; and
- our ability to maintain and expand our distribution network.

In the event our distributors fail to effectively sell and distribute our products, or prioritize promotion of competing product lines over our products, it could result in a significant decrease in our sales volume, which may materially and adversely affect our business, financial condition and results of operations.

Moreover, we may not be able to enter into new or renewal agreements with our distributors as they may choose to enter into arrangements with our competitors who may offer them access to a diversified product portfolio or more favorable economic terms, including more attractive discounts and credit periods. The loss of our distributors could adversely affect our sales volume. There is no assurance that our current or future contracts with our distributors can be renewed or negotiated on terms and prices equivalent to or better than current terms and prices. Any disruption in our relationships with our distributors could affect our ability to maintain and grow our sales volume, which could materially and adversely affect our business, results of operations and financial position. In addition, there can be no assurance that we will be able to develop new relationships with additional distributors or maintain or increase collaboration with our existing distributors or that our incentives provided to our distributors will be effective in generating more sales for us. We are also exposed to the risk that distributors may seek to impose unfavorable terms on us in the future, such as longer credit periods. Credit arrangement with our distributors adds pressure on our working capital and exposes us to the risks of default and bad debts.

We have limited control over the operations of our distributors. Our business may be negatively affected due to risks relating to the acts of our distributors and their potential breach of distribution agreements.

We rely on third-party professional distributors for marketing, branding and sales of our products. There can be no assurance that we will be successful in detecting any non-compliance of our distributors with the provisions of their distribution agreements. Non-compliance by our distributors could negatively affect our brand reputation and disrupt our sales.

Furthermore, we may be exposed to the risks of fraud or other misconducts committed by our distributors. Fraud or other misconduct by our distributors may involve engaging in unauthorized misrepresentation to our downstream customers, misappropriating third-party intellectual property and other proprietary rights and engaging in bribery or other unlawful payments. In any such event, we could, as a result, incur liability to our downstream customers for fraud or misconduct committed by such distributor. Any claims could subject us to costly litigation and impose a significant strain on our financial resources and attention of management personnel regardless of whether the claims have merit, any of which could result in complaints from our downstream customers, regulatory and legal liabilities, as well as serious harm to our reputation.

We procured foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Any decrease in purchase from, or loss of, our wafer channel partner would have negative impacts on our results of operations.

During the Track Record Period, we procured foundry-manufactured wafers from a commercial patterned wafer channel partner, namely Supplier A. In 2020, 2021 and 2022, our purchases from Supplier A were RMB78.6 million, RMB122.3 million and RMB214.8 million, respectively, representing 87.9%, 89.4% and 75.7%, respectively, of our total purchases for the same years. See "Business – Our Suppliers – Relationship with Supplier A." Given the substantial purchase amount, any decrease in purchase from, or loss of, our wafer channel partner would have negative impacts on our results of operations.

During periods of increasing demand and volatile lead times, our patterned wafer channel partner can become over committed and therefore unable to meet all of their customer demand requirements, thereby causing inconsistencies in availability of supply. In addition, issues due to our patterned wafer channel partner may lead to potential product liability of us. Further, we cannot directly control delivery schedules for our products, which could lead to product shortages, quality assurance problems, increases in the cost of our products and delays in delivering our products.

Besides, if the foundries by which our products are manufactured are unable or unwilling to produce adequate supplies of products conforming to our quality standards, our business and relationships with our downstream customers for the limited quantities of products produced by these foundries could be adversely affected. As the manufacture of patterned wafer products is a highly complex and precise process, finding alternate capable foundries or initiating internal manufacturing for our products may not be economically feasible.

The third-party foundries from which we procure manufacturing services may be unable to obtain the materials and components necessary for our business operations in a timely manner and at a reasonable cost, which may adversely affect our revenue and profitability.

The semiconductor industry has experienced a very large expansion of fabrication capacity and production worldwide over time. As a result of increasing demand from semiconductor and other manufacturers, availability of certain basic materials and supplies, such as chemicals, gases, polysilicon, silicon wafers, ultra-pure metals, lead frames and molding compounds, and subcontract services, like epitaxial growth and ion implantation, have from time to time, over the past several years, been in short supply and could come into short supply again if overall industry demand continues to increase in the future. In addition, from time to time natural disasters can lead to a shortage of some of the above materials due to disruption of the manufacturer's production. Any shortage could occur as a result of capacity limitations or production constraints on the foundries from which we procure manufacturing services, which could have a materially adverse effect on our results of operations.

We face substantial competition that requires us to respond rapidly to product development and pricing pressures.

We face intense technological and pricing competition in the markets in which we operate. We expect this competition will continue to increase from large competitors and from small competitors serving niche markets, and also from emerging companies that sell products into the same markets in which we operate. For example, we may face increased competition as a result of China actively promoting and reshaping its domestic semiconductor industry through policy changes and investment. Certain competitors possess sufficient financial, technical and management resources to develop and market products that may compete favorably against our products, and business integration among our competitors may allow them to compete more effectively. The price and product development pressures that result from competition may lead to reduced profit margins and lost business opportunities in the event that we are unable to match the price declines or cost efficiencies, or meet the technological, product, support, software or manufacturing advancements of our competitors.

Our patterned wafer products may be subject to warranty, indemnity and/or product liability claims, which could result in significant costs and damage to our business, reputation and downstream customer relationships, market acceptance of our products, financial conditions, results of operations and prospects.

Patterned wafer products are highly complex and may contain defects that affect their quality or performance. Failures in our products could result in damage to our reputation for reliability and increase our legal or financial exposure to third parties. If any of our products contain defects, we may be required to incur additional development and remediation costs pursuant to warranty and indemnification provisions in our contracts and purchase orders. These problems may divert our technical and other resources from other product development efforts and could result in claims against us by our downstream customers, including liability for costs and expenses associated with product defects, including recalls, which may adversely impact our operating results. We may also be subject to third parties' alleging damages resulting from use of our products. Those users may seek indemnification from us. In certain cases, our potential indemnification liability may be significant.

Further, we offer our products to downstream customers in industries such as automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics, where failure of the systems in which our products are integrated could cause damage to property or persons. We may be subject to product liability claims if our products, or the integration of our products, cause system failures. Any product liability claim, whether or not determined in our favor, could result in significant expense, divert the efforts of our technical and management personnel, and harm our business. In addition, if any of our products contain defects, or have reliability, quality or compatibility problems not capable of being resolved, our reputation may be damaged, which could make it more difficult for us to offer our products to downstream customers and which could also adversely affect our operating results.

Our operational performance depends in part on our ability to enforce our intellectual property rights and to maintain freedom to operate in all jurisdictions where we conduct business.

We regard our patents, proprietary rights of IC layout designs, trademarks, copyrights, domain names, know-how, proprietary technologies and similar intellectual property as critical to our success, and we rely on a combination of intellectual property laws and contractual arrangements, including confidentiality agreements with all of our employees, suppliers and distributors to protect our proprietary rights and to maintain freedom to operate in all jurisdictions where we conduct business. See "Business – Intellectual Property." Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated, or such intellectual property may not be sufficient to provide us with competitive advantages.

It may be difficult to maintain and enforce intellectual property rights in China. Statutory laws and regulations are subject to judicial interpretation and enforcement and may not be applied consistently. Confidentiality, invention assignment and non-compete provisions may be breached by counterparties, and there may not be adequate remedies available to us for any such breach. Accordingly, we may not be able to effectively protect our intellectual property rights or to enforce our contractual rights in all relevant jurisdictions. Preventing any unauthorized use of our intellectual property is difficult and costly and the steps we take may be inadequate to prevent the misappropriation of our intellectual property. In the event that we resort to litigation to enforce our intellectual property rights, such litigation could result in substantial costs and a diversion of our managerial and financial resources. We can provide no assurance that we will prevail in such litigation. In addition, our trade secrets may be leaked or otherwise become available to, or be independently discovered by, our competitors. To the extent that our employees use intellectual property owned by others in their work for us, disputes may arise as to the rights in related know-how and inventions. Any failure in protecting or enforcing our intellectual property rights could have a material adverse effect on our business, financial condition and results of operations.

We may be unable to adequately protect our proprietary rights, which may impact our ability to compete effectively.

Our success depends in part on our proprietary technology. While we attempt to protect our proprietary technology through patents, trademarks, copyrights and trade secret protection, we believe that our success also depends on increasing our technological expertise, continuing our development of new products and providing comprehensive support and service to our downstream customers. However, we may be unable to protect our technology in all instances, or our competitors may develop similar or more competitive technology independently. We currently hold a number of patents, proprietary rights of IC layout designs, software copyrights and trademarks in China, and pending applications for patents, trademarks and IC layout proprietary rights in China, Hong Kong and internationally. However, other parties may challenge or attempt to invalidate or circumvent any proprietary rights the PRC or foreign governments issue to us or these governments may fail to issue patents or proprietary rights for pending applications. In addition, the rights granted or anticipated under any of our proprietary rights or pending patent and proprietary right applications may be narrower than we expect or provide no competitive advantages. Furthermore, effective patent, trademark, copyright and trade secret protection may be unavailable, limited or not applied for in certain foreign countries. We may incur significant legal costs to protect our intellectual property.

We also seek to protect our proprietary technology, including technology that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our collaborators, advisors, employees and consultants. We cannot assure you that these agreements will always be entered into or will not be breached or that we will have adequate remedies for any breach.

We cannot assure you that we will not receive notices of claims of infringement and misappropriation of other parties' proprietary rights in the future. In the event of an adverse decision in a patent, trademark, copyright or trade secret action, we could be required to withdraw the product or products found to be infringing from the market or redesign products offered for sale or under development. Whether or not these infringement claims are successfully asserted, we would likely incur significant costs and diversion of our resources with respect to the defense of these claims. In the event of an adverse outcome in any litigation, we may be required to pay substantial damages, including enhanced damages for willful infringement, and incur significant attorneys' fees, as well as indemnify downstream customers for damages they might suffer if the products they purchase from us infringe intellectual property rights of others. We could also be required to stop our manufacture, use, sale or importation of infringing products, expend significant resources to develop or acquire non-infringing technology, discontinue the use of some processes, or obtain licenses to intellectual property rights covering products and technology that we may, or have been found to, infringe or misappropriate such intellectual property rights.

Expiration of, or changes to, certain government incentives, government grants and preferential tax treatments which we are entitled to could adversely affect our financial condition and results of operations.

During the Track Record Period, we recorded government grants of RMB1.2 million, RMB2.2 million and RMB0.7 million in 2020, 2021 and 2022, respectively, which mainly consist of subsidies received from local government in support of our R&D projects. In addition, we benefited from preferential tax treatments from the PRC government during the Track Record Period. We qualified as high-technology enterprise and were entitled to a preferential income tax rate of 15% for the Track Record Period. According to the Circular on Improving the Policy on Extra Super-deduction of R&D Expenses (《關於完善研究開發費用稅前加計扣除政策的通知》) promulgated by the STA, the MOF and the MOST, effective from January 1, 2016 onwards, enterprises carrying out R&D activities are entitled to claim super-deduction of R&D expenses amounting to 50% of its research and development expenses in determining its tax assessable profits for the year. The super-deduction ratio of R&D expenses increased from 50% to 75%, effective from January 1, 2018 to December 31, 2020, according to the new tax incentives policy, the Notice of Increasing the Ratio of the Super-deduction of R&D Expenses (《關於提高研究開發費用稅前加計扣除比例的通知》) promulgated by the STA, the MOF and the MOST in September 2018. The applicable period of this policy was subsequently extended to December 31, 2023, pursuant to the Announcement of the MOF and the STA on Extending the Implementation Period of Some Preferential Tax Policies (《財政部稅務總局關於延長部分稅收優惠政策執行期限的公告》) issued on March 15, 2021. The ratio of the super-deduction of R&D expenses has been further increased to 100% for enterprises entitled to 75% super-deduction of R&D expenses during the period from October 1, 2022 to December 31, 2022, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to December 31, 2022 from the taxable income, according to the Announcement on Increasing Super-deduction in Support of Scientific and Technological Innovation (《關於加大支持科技創新稅前扣除力度的公告》) promulgated by the STA, the MOF and the MOST in September 2022. According to the Announcement of the MOF and the STA on Further Improving the Pre-tax Deduction Policy for R&D Expenses (2023) (《財政部、稅務總局關於進一步完善研發費用稅前加計扣除政策的公告(2023)》), where R&D expenses actually incurred by an enterprise when it conducts any R&D activity have not been included in the current profit and loss, from January 1, 2023 onwards, 100% of the amount of R&D expenses actually incurred in this year shall be deducted from the amount of taxable income in this year, and where intangible assets have been formed, 200% of the costs of the intangible assets shall be amortized before tax. We have claimed super-deduction of R&D expenses upon above mentioned regulations in ascertaining our tax assessable profits for the Track Record Period. We cannot assure that we will continue to receive government grants at the same level or at all, or that we will continue to enjoy the current preferential tax treatments, in which case our business, financial condition and result of operations may be materially and adversely affected.

We depend on the continued services and performance of our co-founders, senior management and other key employees, including core R&D personnel and skilled engineers. If we are unable to recruit, retain and motivate any of them, our business, operating results and financial condition may be adversely affected.

Our future performance depends on the continued services and contributions of our co-founders, senior management and other key employees, to oversee and execute our business plans, identify and pursue new opportunities and innovations, perform effective product design, and R&D. We also rely on our experienced management team to ensure smooth business operations, including maintenance of distributor and supplier relationships, and management of our operations. Any loss of service of our key personnel could significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results.

From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them within our business also require significant amounts of time, training and resources, and may impact our existing corporate culture. Our future success depends, to a significant extent, on our ability to attract, train and retain qualified personnel, particularly skilled engineers with expertise in the analog IC sector. However, we cannot assure you that we will be able to develop or retain qualified staff or other highly skilled employees that we will need in order to achieve our strategic objectives.

We had net operating cash outflows during the Track Record Period and there is no assurance that we can generate net cash inflow in the future. If we cannot improve our liquidity and capital resources, it may expose us to liquidity risk and our business and financial condition and prospects may be materially and adversely affected.

For the years ended December 31, 2020 and 2022, we had net cash flows used in operating activities of RMB41.5 million and RMB31.4 million, respectively. For a detailed analysis on our operating cash flow, see "Financial Information – Liquidity and Capital Resources" in this document. It is possible that our operating cash flow will continue to be subject to our prospective business activities and/or other matters beyond our control, such as market competition and changes to the macroeconomic environment. If we are not able to generate net cash inflows, we would need to seek adequate financing from sources such as equity or equity-linked instruments and external debt, which may not be available on terms favorable or commercially reasonable to us or at all. If we are unable to maintain adequate working capital or obtain sufficient equity or debt financings to meet our capital needs, we may be unable to continue our operations according to our strategic plans, and our business, financial position and results of operations my be materially and adversely affected.

We may not have sufficient insurance coverage to cover our potential liability or losses and as a result, our business, financial conditions, results of operations and prospects may be materially and adversely affected should any such liability or losses arise.

We face various risks in connection with our business, and may lack adequate insurance coverage or have no relevant insurance coverage. Insurance companies in China do not currently offer as extensive insurance products as insurance companies in other more developed economies do. As such, we cannot insure against certain risks related to our assets or business even if we desire to.

As of the Latest Practicable Date, we had not obtained any business liability or disruption insurance to cover our operations. See "Business – Insurance." We have determined that the costs of insuring against these risks, and the difficulties associated with acquiring such insurances on commercially reasonable terms render these insurances impractical for our business. However, any uninsured occurrence of including, among others, business disruption, material litigation, natural disaster or significant damages to our uninsured devices or facilities may result in our incurring substantial costs and the diversion of resources, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We partner with a third-party chip probing service provider for inspection and testing of foundry-manufactured wafers and storage of our inventory. Any disruption in the operation of our chip probing service provider could adversely affect our business.

We partner with a third-party chip probing service provider for inspection and testing on the delivered foundry-manufactured wafer and storage of our inventory, as our inventory management is standardized through our digital warehousing system across our escrow warehouse at our chip probing service provider's plant located in Shanghai. There can be no assurance that we will be able to continue to maintain good relationship or renew our agreements with the chip probing service provider on commercially reasonable terms, if at all. If we fail to continue our cooperation with the chip probing service provider, or if their business or operations are interrupted or fail due to factors beyond our control, including geological events such volcanic eruptions, earthquakes, hurricanes or other such natural disasters, and we fail to find comparable alternatives on reasonable terms, our business may be materially and adversely affected.

We may not be able to obtain additional funding on acceptable terms or at all, which may affect our ability to expand our business or meet unforeseen contingencies.

To grow our business and remain competitive, we may require additional capital from time to time for our daily operations. Our ability to obtain additional capital is subject to a variety of uncertainties, including:

- our market position and competitiveness in the analog IC industry;

- our future profitability, overall financial condition, results of operations and cash flows;
- general market conditions for capital-raising activities by our competitors in China; and
- economic, political and other conditions in China and internationally.

We may be unable to obtain additional capital in a timely manner or on acceptable terms, or at all. In addition, our future capital or other business needs could require us to sell additional equity securities. The sale of additional equity or equity-linked securities could dilute our Shareholders' shareholding interest. In case the capital required for our expansion could not be raised through the issuance of equity or equity-linked securities, we may need to incur additional indebtedness, which will lead to increased debt service obligations and could result in operating and financing covenants that may restrict our operations or our ability to pay dividends to our Shareholders. Our profitability would also be adversely affected if the increase in interest expenses could not be passed on to our downstream customers.

We may not be able to implement our planned growth or development if we are unable to obtain sufficient financial resources to meet our future capital requirements.

Capital requirements are difficult to plan in the highly dynamic, cyclical and rapidly changing semiconductor industry. From time to time and increasingly so for the next few years, we will continue to need significant capital to fund our operations and manage our capacity in accordance with market demand. Our continued ability to obtain sufficient external financing is subject to a variety of uncertainties, including but not limited to, our future financial condition, results of operations and cash flow, general market conditions for financing activities, market conditions for financing activities of semiconductor companies, and social, economic, financial, political and other conditions in the PRC and elsewhere. Sufficient external financing may not be available to us on a timely basis, on reasonable market terms, or at all. As a result, we may be forced to curtail our expansion and modification plans or delay the deployment of new or expanded services until we obtain such financing.

If we are unable to manage fluctuations in cash flow, our business and financial condition may be adversely affected.

Our working capital requirements and cash flows are subject to changes due to certain factors, including:

- fluctuations in the revenue from our operating activities;
- fluctuations in the collection of receivables;
- timing and the size of payables;

- timing and size of capital expenditures; and
- the repayment schedules of our debt obligations.

If we are unable to manage fluctuations in cash flow, we may not be able to fulfill our obligations under our business and operational agreements, and our operating results and financial condition may be materially adversely affected.

Security breaches and other disruptions could compromise our confidential and proprietary information, which could cause our business and reputation to suffer.

We collect and store business data and transaction data of our customers, suppliers and business partners. See "Business – Data Privacy and Information Security Risk Management." The secure maintenance of such information is critical. Despite our security measures, our information technology and infrastructure may be vulnerable to breaches by hackers, employee error, malfeasance or other disruptions such as natural disasters, power losses or telecommunication failures. Any such breach could compromise our networks and the information stored therein, possibly resulting in legal and regulatory actions, disruption of operations and customer services, and otherwise harming our business, reputation and future operations.

We may be subject to claims by third parties for intellectual property infringement.

We depend to a large extent on our ability to effectively develop and maintain intellectual property rights relating to our business. However, we cannot assure you that our competitors and other third parties will not bring legal claims against us for infringing on their patents, copyrights, trademarks or other intellectual property rights, whether such claims are valid or otherwise. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more commonly pursued method for resolving commercial disputes. Given the foregoing and the increasing competition in the market, we are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending against intellectual property claims is costly and can impose a significant burden on our management and resources. Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease using certain technologies or content that are critical to our services. Any resulting liabilities or expenses or any changes to our services that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations and prospects.

We are subject to risks relating to litigation and disputes, which could adversely affect our business, prospects, results of operations and financial condition.

We may be subject to disputes or claims of various types brought by our competitors, employees, suppliers, customers, business partners or governmental entities against us relating to contractual disputes, labor disputes, intellectual property infringements or disputes involving misconducts of our employees. Such claims and disputes may evolve into litigations and damage our reputation and goodwill, thereby adversely affecting our customer base. We cannot guarantee that we will not be subject to legal proceedings in the ordinary course of business. Litigation is distractive and expensive as it may cause us to incur defense costs, utilize a significant portion of our resources and divert management team's attention from our day-to-day operations, any of which could harm our business. In addition, we may need to spend a significant amount to settle claims or pay damages if we lose a lawsuit, which could have a material and adverse effect on our business, financial condition and results of operations.

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

As advised by our PRC Legal Advisors, 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 by social insurance contributions collection institutions to rectify the non-compliance and pay the required contributions within a stipulated deadline and be subject to a late payment fee of up to 0.05% per day. 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. In addition, an employer that has not made housing provident fund contributions at a rate and based on an amount prescribed by the law, or at all, may be ordered by the housing provident fund management center to rectify the non-compliance and pay the required contributions within a stipulated deadline. If the employer still fails to rectify the failure to make housing provident contributions within the stipulated deadline, it may be subject to the court's compulsory enforcement.

During the Track Record Period and up to the Latest Practicable Date, we did not make full social insurance and housing provident fund contribution for our employees in accordance with relevant laws and regulations. For details, see "Business – Employees." We cannot assure you that the competent government authorities will not require us to pay the outstanding amount and impose late payment fees or fines on us. If we are subject to investigations 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 liable for failure to register and file our lease agreements, which may subject us to penalties.

Pursuant to the Administrative Measures for Commodity House Leasing(《商品房屋租賃管理辦法》), both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases. As of the Latest Practicable Date, two of our leased agreements had not been registered and filed with the competent PRC government authorities as required by applicable PRC laws and regulations. See "Business – Land and Properties." We cannot assure you that the lessors will cooperate and complete the registration in a timely manner. Our PRC Legal Advisors have advised us that failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements under PRC laws, but we may be subject to a maximum penalty of RMB10,000 for each non-registered lease if we fail to register such lease agreements within the time frame prescribed by the relevant PRC government authorities. As a result, any imposition of fines due to such failure may adversely affect our business operations and financial condition.

Our operations may be delayed or interrupted and our business could suffer if we fail, or are alleged to have failed, to comply with any existing or new environmental, occupational or safety regulations.

We are subject to a variety of Chinese environmental, occupational or safety regulations relating to the use, discharge and disposal of toxic or otherwise hazardous materials used in our production processes. Any failure or any claim that we have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our Company's public image, either of which could harm our business. In addition, any failure to comply with these regulations could subject us to substantial fines or other liabilities or require us to suspend or adversely modify our operations. We may become subject to legislation, regulation, or treaty obligations designed to address global climate change, air quality in the PRC, and other environmental concerns. Compliance with any new rules could be costly, causing us to incur additional energy and environmental costs, as well as costs for defending and resolving legal claims.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to maintaining and expanding our business. Maintaining and enhancing our brand depends largely on our ability to continue to provide quality products, which we cannot assure you we will do successfully. Quality issues, product performance, reliability and stability of our products as well as price may harm our reputation and brand, and we may introduce new products which might be poorly received by our downstream customers. Additionally, if downstream customers have a negative experience using our products, such an encounter may affect our brand and reputation within the industry. What's more, we believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful products at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We cannot assure you that our marketing spends will lead to increased revenue, and even if so, such increases in revenue may not be sufficient to offset expenses we incur in building and maintaining our reputation and brand name.

The markets for semiconductor products are cyclical. Increased production may lead to overcapacity and lower prices, and conversely, we may not be able to satisfy unexpected demand for our products, which may affect our results of operations.

The cyclical nature of the semiconductor industry has resulted in periods when demand for our products has increased or decreased rapidly. The demand for our products is subject to the strength of major industries our downstream customers operate in, including automotive electronics, healthcare, industrial automation, industrial Internet of Things, industrial lighting, instrumentation, communications, electric power, energy storage and high-end consumer electronics. If we expand our business operations too rapidly and that demand does not materialize at the pace at which we expect, or declines, our operating results may be adversely affected as a result of increased operating expenses, reduced margins or underutilization of capacity. Conversely, during periods of rapid increases in demand, our available capacity may not be sufficient to satisfy the demand. In addition, we may not be able to expand our workforce and operations in a sufficiently timely manner, procure adequate resources and raw materials, locate suitable third-party suppliers, or respond effectively to changes in demand for our existing products or to demand for new products requested by our downstream customers, and our current or future business could be materially and adversely affected.

We may experience additional challenges related to the COVID-19 pandemic.

The outbreak of COVID-19, a highly contagious disease known to cause respiratory illness, had caused an adverse impact on the economy and social conditions in China and other affected countries since late 2019, and had an impact on our industry and caused temporary suspension of some of our business operations, including our design and R&D activities. As of the date of this document, there is still uncertainty as to the future development of the COVID-19 pandemic. There could be a resurgence of the disease and infections could increase again across the country. The continuation or any future recurrence of COVID-19 may adversely affect our business operations, such as reducing working capacity of our employees. Such occurrences may affect our ability to conduct our business operations.

The status of the COVID-19 pandemic is affected by factors beyond our control. We cannot guarantee that any mitigation measures we may take will be sufficient against the effects of a global pandemic. In the event that we are unable to minimize the negative effects of any future recurrence of COVID-19 on our business, we may experience material adverse effects on our financial statements and results of operations.

We may be subject to natural disasters, acts of war or terrorism or other factors beyond our control.

Natural disasters, acts of war, terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Our operations may be under the threat of floods, earthquakes, sandstorms, snowstorms, fire or drought, power, water or fuel shortages, failures, malfunction and breakdown of information management systems, unexpected maintenance or technical problems, or are susceptible to potential wars or terrorist attacks. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

RISKS RELATING TO DOING BUSINESS IN CHINA

Changes in China's or global economic, political or social conditions or government policies could have a material and adverse effect on our business and operations.

During the Track Record Period, all of our business operations were conducted in China. Accordingly, our business, financial condition, results of operations and prospects may be influenced to a significant degree by political, economic and social conditions in China generally and by continued economic growth in China as a whole.

While the Chinese economy has experienced significant growth over the past decades, there can be no assurance that the growth would be maintained or equitable across sectors. The Chinese government has implemented various measures to encourage economic growth. Some of these measures may benefit the overall Chinese economy, but may not have the same effect on us.

In addition, the global economic, political and social conditions are evolving rapidly and subject to uncertainties. For example, health epidemics have caused significant downward pressure for the global economy. Geopolitical tension and conflicts, energy crisis, inflation risk, interest rate increases, instability in the financial system, and the tightening of monetary policy by the U.S. Federal Reserve impose new challenges and uncertainties on the global economy. 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. Furthermore, sanctions and export control measures are unilaterally imposed by the U.S. or other jurisdictions from time to time. These measures are expected to have significant impact on the targeted countries, markets and/or entities. Chinese companies may be affected by such sanctions or export control measures. We may also be exposed to risks in dealing with business partners subject to sanctions or export controls. As a result, we could be required to incur additional costs to comply with these complicated regulations and measures and could face penalties for any violation, even if inadvertent.

We are subject to PRC laws and regulations that could require us to modify our current business practices and incur increased costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls, covering, among others and in addition to specific industry-related regulations, the following aspects: (i) consumer protection and product liability; (ii) cybersecurity, data security and protection of personal information; (iii) security laws and regulations; (iv) establishment of or changes in shareholder of foreign investment enterprises; (v) foreign exchange; and (vi) taxes, duties and fees.

The liabilities, costs, obligations and requirements associated with these laws and regulations may cause interruptions to our operations or impact our financial position and results of operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities. Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business.

We are subject to PRC governmental controls on currency conversion, and fluctuations in Renminbi exchange rates may lead to foreign exchange losses and materially and adversely affect our ability to pay dividends to holders of our H Shares.

We expect that a substantial majority of our revenue will be denominated in Renminbi, which is currently not a fully freely convertible currency. A portion of our revenues may be converted into other currencies in order to meet our foreign currency obligations. For example, we need to obtain foreign currency to make payments of declared dividends, if any, on our H Shares. Shortages in availability of foreign currency may then restrict our ability to remit sufficient foreign currency to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations.

Under China's existing laws and regulations on foreign exchange, following the completion of the [**REDACTED**], we will be able to make dividend payments in foreign currencies by complying with certain procedural requirements and without prior approval from SAFE, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the licenses to carry out foreign exchange business. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, there is no assurance that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of Renminbi into or out of the PRC.

The value of the Renminbi against the U.S. dollar and other currencies fluctuates from time to time and is affected by a number of factors, such as changes in China's and international political and economic conditions and the fiscal and foreign exchange policies prescribed by the PRC government. With the development of foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further reforms to the exchange rate system, and the Renminbi could appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

The [**REDACTED**] from the [**REDACTED**] will be denominated in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our H Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our H Shares in foreign currency terms.

Dividends payable to investors and gains on the sale of our H Shares may be subject to PRC income taxes.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20% unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. We are required to withhold related tax from dividend payments. Pursuant to applicable regulations, domestic non-foreign-invested enterprises issuing shares in Hong Kong may generally, when distributing dividends, withhold individual income tax at the rate of 10%. However, withholding tax on distributions paid by us to non-PRC individuals may be imposed at other rates pursuant to applicable tax treaties (and up to 20% if no tax treaty is applicable) if the identity of the individual holder of H shares and the tax rate applicable thereto are known to us. There is uncertainty as to whether gains realized upon disposition of H shares by non-PRC individuals are subject to PRC individual income tax.

Non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises are subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in the PRC companies pursuant to the EIT Law and other applicable PRC tax regulations and statutory documents, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides.

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

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

Any possible conversion of our Unlisted Domestic Shares into H Shares in the future could increase the supply of our H Shares in the market and negatively impact the market price of our H Shares.

According to the stipulations by the CSRC and the Articles of Association, all of our Unlisted Domestic Shares may be converted into H Shares, and such converted Shares may be [**REDACTED**] or traded on an overseas stock exchange. Any [**REDACTED**] or trading of the converted Shares on an overseas stock exchange shall also comply with the regulatory procedures, rules and requirements of such stock exchange. However, the PRC Company Law provides that in relation to the [**REDACTED**] of a company, the shares of that company which are issued prior to the [**REDACTED**] shall not be transferred within one year from the date of the [**REDACTED**]. Therefore, shares currently held on our Unlisted Domestic Share register may be traded, after the conversion, in the form of H Shares on the Stock Exchange after one year of the [**REDACTED**], which could further increase the supply of our H Shares in the market and could negatively impact the market price of our H Shares.

You may experience difficulties with effecting service of legal process and enforcing foreign judgments against us or our management.

We are a joint stock company incorporated under PRC laws with limited liability, and all of our assets are located in China. In addition, a majority of our Directors and Supervisors and all of our senior management personnel reside in China, and substantially all their assets are located in China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon us or most of our Directors, Supervisors and senior management personnel. Furthermore, China does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or many other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in China or Hong Kong of judgments of a court obtained in the United States and any of the other jurisdictions mentioned above may be difficult or impossible.

On July 14, 2006, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by Courts of the Mainland and the Hong Kong Special Administration Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case pursuant to a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. It is not possible to enforce a judgment rendered by a Hong Kong court in China if the parties in dispute have not agreed to enter into a choice of court agreement in writing. In addition, the 2006 Arrangement has expressly provided for "enforceable final judgement," "specific legal relationship" and "written form." A final judgement that does not comply with the 2006 Arrangement may not be recognized and enforced in a PRC court.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"). Under the 2019 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 2019 Arrangement. Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect and the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain. We cannot assure you that an effective judgment that complies with the 2019 Arrangement can be recognized and enforced in a PRC court.

Fluctuations in the value of the RMB could have an adverse effect on your investment.

The value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies.

All of our revenue and expenses are denominated in RMB and fluctuations in exchange rates may adversely affect the value of our net asset and earnings. In addition, the dividends from our H Shares will be received in Hong Kong dollars. As a result, any appreciation of RMB against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of the dividend earnings. Conversely, any depreciation of the RMB may adversely affect the value of our H Shares in foreign currency. Any significant fluctuation in the value of the RMB against foreign currencies could adversely affect us and the value of your investment in our H Shares.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares and an active [REDACTED] for our H Shares may not develop.

No public market currently exists for our H Shares. The initial [**REDACTED**] for our H Shares to the public will be the result of negotiations between our Company and the [**REDACTED**] (on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of the H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and permission to [**REDACTED**], the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for our H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will rise following the [**REDACTED**].

The [REDACTED] and [REDACTED] volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [REDACTED].

The [**REDACTED**] and [**REDACTED**] volume of our H Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in [**REDACTED**] and changes in demand for our products may cause significant and sudden changes to the [**REDACTED**] and [**REDACTED**] volume of our H Shares. Furthermore, the [**REDACTED**] of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by our Company may also confer rights and privileges that take priority over those conferred by the H Shares. The Stock Exchange and other securities markets have, from time to time, experienced significant [**REDACTED**] and [**REDACTED**] volume volatility that are not related to the operating performance of any particular company. This volatility may also materially and adversely affect the [**REDACTED**] of our H Shares.

Since there will be a gap of several days between the [REDACTED] and [REDACTED] of our H Shares, holders of our H Shares are subject to the risk that the price of our H Shares may fall during the period before [REDACTED] of our H Shares begins.

The initial price of our H Shares sold in the [**REDACTED**] is expected to be determined on the [**REDACTED**]. However, the H Shares will not commence [**REDACTED**] on the Stock Exchange until they are delivered, which is expected to be several business days after the [**REDACTED**]. As a result, investors may not be able to sell or otherwise [**REDACTED**] the H Shares during that period. Accordingly, Shareholders are subject to the risk that the price of the H Shares could be lower than the [**REDACTED**] when [**REDACTED**] begins as a result of adverse market conditions or adverse developments that may occur between the time of sale and the time of initial [**REDACTED**].

[REDACTED] will experience immediate and substantial dilution as a result of the [REDACTED].

[**REDACTED**] will pay a price per H Share in the [**REDACTED**] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of December 31, 2022. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience a substantial immediate dilution in pro forma net tangible assets, and our existing Shareholders will receive an increase in the pro forma adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], [**REDACTED**] would receive less than the amount they paid for their H Shares. For more information, see "Unaudited Pro Forma Financial Information" in Appendix II to this document.

The filing or regulatory review of the [REDACTED] by the CSRC or other PRC government authorities may be required under PRC laws.

On February 17, 2023, the CSRC promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

As advised by our PRC Legal Advisors, the [**REDACTED**] will be considered a direct overseas offering and listing activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for [**REDACTED**] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

Accordingly, our PRC Legal Advisors are of the view that we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**] within three business days after our application is submitted. As the Overseas Listing Trial Measures are new, there remain substantial uncertainties as to their interpretation and implementation. We cannot assure you that we could meet such requirements or complete such filing in accordance with the Overseas Listing Trial Measures in a timely manner. Any failure may restrict our ability to complete the [**REDACTED**] or any future equity capital raising activities.

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

Certain facts, statistics and data contained in this document relating to China, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable. Such information has not been prepared or independently verified by us, the [**REDACTED**] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials.

Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of China and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should give due consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

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

No dividend had been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under HKFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under HKFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Forward-looking statements contained in this document are subject to risks and uncertainties.

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise.

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

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may have been or may be press and media coverage regarding us, our business, our industry and the [**REDACTED**]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our [**REDACTED**]. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [**REDACTED**], and any formal announcements made by us in Hong Kong in relation to our [**REDACTED**].