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.

A significant proportion of our revenue was derived from our distributor partners, including Arrow and Customer A, 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 significant proportion of our revenue was derived from sales to our distributors. For the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023, our total sales to distributors amounted to RMB84.4 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, accounting for 95.2%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our revenue for the corresponding periods. Our sales to two largest distributors for the years ended December 31, 2020, 2021 and 2022 and the six months ended June 30, 2022 and 2023 amounted to RMB74.2 million, RMB192.2 million, RMB282.7 million, RMB132.1 million and RMB168.2 million, respectively, representing 83.7%, 90.4%, 80.2%, 81.5% and 82.3%, respectively, of our total revenue for the corresponding periods, and 87.9%, 100.0%, 100.0%, 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 significant 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 other reasons 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' strategies in promoting our products;
- our distributors' own business and 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 we cannot guarantee that we are able to offer more favorable commercial terms as compared to our competitors, 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 procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner during the Track Record Period. Due to the material reliance we had on our patterned wafer channel partner, any decrease in purchase from, or loss of, our patterned wafer channel partner would have negative impacts on our results of operations.

During the Track Record Period, we procured all of our foundry-manufactured wafers from a commercial patterned wafer channel partner, namely Supplier A. In 2020, 2021 and 2022 and for the six months ended June 30, 2022 and 2023, our purchases from Supplier A were RMB78.6 million, RMB122.3 million, RMB214.8 million, RMB100.7 million and RMB160.3 million respectively, representing 87.9%, 89.4%, 75.7%, 87.9% and 88.5%, respectively, of our total purchases for the same periods. See "Business – Our Suppliers – Relationship with Supplier A." Given the predominance of Supplier A in terms of our 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 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.

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, including retaining sufficient and experienced R&D talents, 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 and fall behind on technologies. 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. In addition, considering that more and more analog IC patterned wafer design companies may choose to develop in-house EDA software and accumulate IP libraries to increase their competitiveness, 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, or that our self-developed EDA tools will maintain its competitiveness down the road vis-a-vis commercial tools.

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 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 export controls and economic sanctions.

Certain foreign jurisdictions have imposed or may impose export controls, economic sanctions or other trade-related measures 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. Export controls and 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 tensions have led to the introduction of high tariffs on a host of goods trading between the two countries, including high-technology goods, semiconductors, and electronics. 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 issues. There is no assurance as to how the U.S.-China trade tensions might develop or whether there will be any changes to the scope and extent of goods that are or will be being subject to such export controls, sanctions, tariffs, or new trade policies introduced by the two countries. We cannot predict the implications of the ongoing U.S.-China trade tensions and the resulting impact 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 sanctions or export controls in the future and/or if the scope of the export controls or sanctions are 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 export controls or 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 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%. Furthermore, our revenue increased by 26.1% from RMB162.1 million for the six months ended June 30, 2022 to RMB204.4 million for the six months ended June 30, 2023.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 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.

We may be exposed to credit risk arising from our trade receivables. Failure to collect our trade receivables in a timely manner or at all could have a material and adverse impact on our business, financial condition, liquidity and prospects.

During the Track Record Period, our trade receivables primarily represent receivables from customers for sales of analog IC patterned wafer products. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our trade receivables amounted to RMB18.0 million, RMB27.8 million, RMB64.9 million and RMB45.0 million, respectively. The credit period granted to our customers was generally 30 days to 90 days from the date of invoice. We generally recovered trade receivables within three months. See "Financial Information – Discussion of Certain Items of Statements of Financial Position – Trade and Other Receivables" in this document.

We cannot assure you that we will be able to collect all or any of our trade receivables on time, or at all. Our customers may face unexpected circumstance. For example, our trade receivables turnover days increased from 39.4 days in 2021 to 48.0 days in 2022 due to extended payment period for our largest customer located in Shanghai resulting from the resurgence of COVID-19 variants in China in 2022. As a result, we may not be able to receive such customers' payment of uncollected debts in full, or at all, and may be exposed to credit risk. The occurrence of such event would materially and adversely affect our financial condition and results of operations.

If we need to recognize significant impairment losses on our prepayments, our results of operations and financial condition may be adversely affected.

During the Track Record Period, our prepayments primarily consisted of prepayment for the purchase of raw materials. As of December 31, 2020, 2021 and 2022 and June 30, 2023, our prepayments amounted to RMB32.2 million, RMB75.9 million, RMB202.8 million and RMB302.7 million, respectively. During the Track Record Period, impairment losses in respect to prepayments were limited, as prepayments were mainly made to reputable suppliers. However, we cannot assure we may not incur impairment loss relating to prepayments in the future. If we need to recognize significant impairment losses on our prepayments, our results of operations and financial condition may be adversely affected.

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.

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.

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, or experience disruption in providing manufacturing services, 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 in supplies could affect the price of the above basic materials, in particular silicon, and could reasonably affect our results of operations. Furthermore, as raw material purchase price is not only affected by the above materials and supplies, but also by the manufacture processes, technologies and services provided by the foundries, insufficient volume to secure priority ordering and technologies at foundries or any disruption of foundry services could occur as a result of production constraints on the foundries from which we procure manufacturing services, which could have a materially adverse effect on our business operations and 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 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 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, RMB0.7 million and RMB4.3 million in 2020, 2021 and 2022 and for the six months ended June 30, 2023, respectively, which mainly consist of subsidies received from government in support of our R&D projects and activities carried out in IC industry and high-technology advancement. 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 June 30, 2023, and such enterprises are allowed to deduct the full amount of equipment and appliances newly purchased during the period from October 1, 2022 to June 30, 2023 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 may 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 product lines 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.

Share-based compensation expenses may cause shareholding dilution to our existing Shareholders and potentially have a material and adverse effect on our financial performance.

During the Track Record Period, we made share-based payments to our R&D director, Mr. Shi Chao, in relation to the capital injection agreement between Backward Partnership and him, for his contribution to us and providing him with an incentive for outstanding future performance. For the years ended December 31, 2020, 2021, 2022 and the six months ended June 30, 2023, our share-based payments was nil, nil, nil and RMB10.0 million, respectively. To further incentivize our directors, senior management and key employees to contribute to us, we may grant additional share-based compensation in the future. Issuance of additional Shares with respect to such share-based payment may dilute the shareholding percentage of our existing Shareholders. Expenses incurred with respect to such share-based payment may also increase our operating expenses and therefore have a material and adverse effect on our financial performance.

We may fail to maintain and predict inventory levels in line with demand for our products, which could cause us to face the risk of obsolescence for our inventories or lose sales.

Our inventories consist of raw materials and finished goods. We have taken measures to optimize our inventory level and conduct regular inventory check to reduce the risk of inventory obsolescence. See "Business – Inventory Management."

As of December 31, 2020, 2021, 2022 and June 30, 2023, we had inventories of RMB44.4 million, RMB56.5 million, RMB76.3 million and RMB130.4 million, respectively. During the Track Record Period, we made provision for inventories amounting to RMB2.0 million, RMB3.0 million, RMB1.9 million and RMB2.8 million, respectively, for each of the years ended December 31, 2020, 2021 and 2022, and for the six months ended June 30, 2023. For the same periods, our inventory turnover days were 261.9 days, 198.6 days, 158.2 days and 203.3 days, respectively. As our business expands, our inventory level may increase and our inventory obsolescence risk may also increase accordingly. We cannot guarantee that we will be able to maintain proper inventory levels for our raw materials and finished goods. We maintain our inventory levels based on our internal forecasts of customers' demand. If our forecast demand is higher than actual demand, we may be exposed to increased inventory risks due to the accumulation of excess inventory of our raw materials or finished goods. Excess inventory levels may increase our inventory holding costs, risk of inventory obsolescence or write-offs. Conversely, we may not be able to maintain an adequate inventory level and may lose sales and market share to our competitors. There is no assurance that information relating to the business plans or sales results of our distributors would be reported to us by our distributors timely and accurately. Therefore, our business prospects, financial condition and results of operations may be materially and 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 products. Any resulting liabilities or expenses or any changes to our products 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, three 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 or the third-party foundries we cooperate with 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 and may be subject to the same regulations relating to the production processes of third-party foundries we cooperate with, as we operate with a "fabless" model, focusing on the design process and outsource the IC manufacturing to foundries. Any failure or any claim that we or the third-party foundries we cooperate with have failed to comply with these regulations could cause delays in our production and capacity expansion and affect our public image, either of which could harm our business. In addition, any failure of us, or the third-party foundries we cooperate with, 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 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 are subject to changing laws, regulations and social trends regarding environmental, social and governance risks, increasing both our costs and the risk of non-compliance.

We are or will be subject to rules and regulations by various governing bodies, including, for example, once we have become a public company, the Stock Exchange and the SFC, which are charged with the protection of investors and the oversight of companies whose securities are publicly traded, as well as the various regulatory authorities in China, and to new and evolving regulatory measures under applicable laws. We may also be subject to the changing social trends on the concerns regarding environmental, social and governance risks. Our efforts to comply with new and changing laws, regulations and social trends have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

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 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

Our business is affected by changes in China's economic, political or social conditions or government policies.

All of our business, assets and operations are located in China, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in China. Similar to many other countries and regions, China regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by China's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to influence China's economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realized from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realized through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

Restrictions on the remittance of Renminbi into and out of China and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.

The conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. As we may convert our revenue in Renminbi into other currencies to meet our foreign currency obligations, such as payments of dividends on our Shares, there is no assurance that we will have sufficient foreign exchange to meet these requirements. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior SAFE approval by complying with certain procedural requirements. However, any changes to these foreign exchange policies that prevent us from obtaining sufficient foreign currencies may affect our ability to pay dividends in foreign currencies to our Shareholders.

RISKS RELATING TO THE [REDACTED]

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

No public market currently exists for our H Shares. The [**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 our 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**] market 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 is 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**] in 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 [**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 June 30, 2023. 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.

We submitted the required filing documents with the CSRC on June 27, 2023. On September 5, 2023, the CSRC issued the notification on completion of the filing procedures for the [**REDACTED**] and the [**REDACTED**]. As advised by our PRC Legal Advisor, no other approvals from the CSRC are required to be obtained for the [**REDACTED**] or the [**REDACTED**]. A rescission of any such approval or filing obtained by us would subject us to sanctions by the CSRC or other PRC regulatory authorities, and such failure may materially adversely affect our ability to finance the development of our business. Furthermore, if the filing procedure with the CSRC under the Overseas Listing Trial Measures is required for any future [**REDACTED**] or any other capital raising activities, we cannot guarantee that we could complete such filing procedure in a timely manner, or at all.

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.

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